Bulletin

NUMBER: 2012-26

TO: Freddie Mac Servicers November 13, 2012

SUBJECT: SERVICING REQUIREMENTS RELATED TO PROPERTIES AFFECTED BY HURRICANE SANDY AND OTHER DISASTER-RELATED REQUIREMENTS

Freddie Mac is committed to ensuring that Borrowers receive the Mortgage assistance they need to overcome the devastating tragedy of Hurricane Sandy.

We appreciate the understanding and consideration that Freddie Mac Servicers have extended to Borrowers coping with Hurricane Sandy-related hardships, and in order to help ensure Borrowers continue to receive the assistance they need during this difficult time, we are revising certain requirements for Borrowers whose homes or place of employment were destroyed or damaged by Hurricane Sandy.

As we continue to leverage our own on-site visual assessments, damage reports from federal agencies and other resources, Freddie Mac may further refine its temporary disaster relief requirements to appropriately match the evolving needs of homeowners living or working in areas affected by Hurricane Sandy.

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are:

- Implementing temporary requirements to enable Servicers to provide greater levels of assistance to Borrowers impacted by Hurricane Sandy
- Providing more flexible short-term forbearance requirements for Borrowers whose Mortgaged Premises or place of employment is located in an eligible Disaster Area

For the purpose of this Bulletin, "an eligible Disaster Area" is an area comprised of counties or municipalities that have been declared by the President of the United States to be Major Disaster Areas where federal aid in the form of individual assistance is being made available. These areas are published by the Federal Emergency Management Agency (FEMA) on its web site at **http://www.fema.gov/disasters**. Servicers must continue to monitor the FEMA web site because new eligible Disaster Areas may continue to be identified as damage assessments and processing of requests for federal assistance are completed.

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately.

TEMPORARY REQUIREMENTS TO ASSIST BORROWERS IMPACTED BY HURRICANE SANDY

In Bulletin 2012-24, Freddie Mac reminded Servicers of its requirements for Servicing Mortgages secured by properties located in an eligible Disaster Area. As the effects of Hurricane Sandy continue to unfold, Freddie Mac is working with Servicers to develop additional relief measures to assist Borrowers whose lives have been devastated by the disaster.

The following temporary requirements apply to Borrowers with Mortgaged Premises or places of employment impacted by Hurricane Sandy in an eligible Disaster Area.

Suspension of foreclosures

For Mortgages secured by properties located in eligible Disaster Areas as a result of Hurricane Sandy, Freddie Mac is requiring Servicers to suspend all foreclosure sales for 90 days beginning on the date that FEMA declared the area to be an eligible Disaster Area. For these Mortgages, Servicers must adhere to the forbearance reporting requirements in Guide Section 68.6, *Reporting to Freddie Mac*.

Suspension of evictions

Freddie Mac requires its Servicers and law firms to suspend eviction closings for 90 days beginning on the date of this Bulletin for Borrowers with Mortgage Premises located in an eligible Disaster Area as a result of Hurricane Sandy. We will continue to assess the damage and will reevaluate our requirements as circumstances dictate.

Seasoning of documents and determining market value of the property

We are temporarily amending the requirements in Guide Chapters 65, *Loss Mitigation*, B65, *Workout Options*, C65, *Home Affordable Modification Program*, and D65, *Home Affordable Foreclosure Alternatives*, to extend the age of documentation and property valuations. If, at the end of the forbearance period, the Servicer works with the Borrower to determine that one of our alternatives to foreclosure is an effective solution for the Borrower, documentation to support income, credit reports and the property valuation may not exceed 180 days as of the evaluation date.

If the estimated market value of the Mortgaged Premises is obtained from the Freddie Mac Service Loans application, Servicers may add an additional 90 days to the “good through date” provided by the Service Loans application, indicating the expiration date of the property value and minimum net proceeds amount. If the Mortgaged Premises was damaged or impacted by Hurricane Sandy, Freddie Mac requires the Servicer to obtain a new property valuation.

Property insurance claims

For Mortgaged Premises that sustained damage from Hurricane Sandy in an eligible Disaster Area, and as a result require up front insurance proceeds for Borrowers to repair or rebuild their homes, Freddie Mac is temporarily revising certain requirements in Section 58.10, *Insurance Loss Settlements*, for the distribution of insurance claim proceeds to expedite the release of insurance funds to impacted Borrowers. Servicers must refer to FEMA’s web site to determine if the affected Mortgaged Premises are in counties impacted by Hurricane Sandy that are in eligible Disaster Areas.

The grid below provides instructions to Servicers on how they may release insurance proceeds to Borrowers who need to advance funds to contractors for the repair of their Mortgaged Premises:

<table>
<tr><th>Loan Status</th><th colspan="2">Property Condition</th></tr>
<tr><td rowspan="3">Current – 30 days delinquent</td><td>Insured improvements have suffered a total or near total loss</td><td>Insured improvements have less than a total or near total loss, but insurance proceeds are needed to repair the property</td></tr>
<tr><td>Primary Residence:

The Servicer may release insurance proceeds up to the greater of $40,000 or 10% of the unpaid principal balance (UPB), as follows:

■ Proceeds of $20,000 or less: the Servicer may release directly to the Borrower without an affidavit in which the Borrower expressly agrees to apply the released funds

■ Proceeds greater than $20,000 must be made payable to both the Borrower and the contractor

For proceeds in excess of $40,000 Servicers must comply with all provisions of Section 58.10 and Chapter 68, Servicing Mortgages Impacted by a Disaster, unless otherwise modified in this chart.</td><td>Primary , second homes and Investment Properties:

The Servicer may release insurance proceeds up to the greater of $40,000 or 10% of the unpaid principal balance (UPB), as follows:

■ Proceeds of $20,000 or less: the Servicer may release directly to the Borrower without an affidavit in which the Borrower expressly agrees to apply the released funds

■ Proceeds greater than $20,000 must be made payable to both the Borrower and the contractor

For proceeds in excess of $40,000, Servicers are expected to comply with all provisions of Section 58.10 and Chapter 68 unless otherwise modified in this chart.</td></tr>
<tr><td>Second home or Investment Property:

The Servicer may release insurance proceeds up to 20% of the total claim proceeds, but not more than $15,000, to the Borrower and the contractor.

For proceeds in excess of $15,000, Servicers must comply with all provisions of Section 58.10 and Chapter 68 unless otherwise modified in this chart.</td><td></td></tr>
<tr><td>31 days or more delinquent including foreclosure</td><td>Section 58.10 and Chapter 68 apply to these Mortgages, with the exception of the reporting and related recommendation requirements for:

■ Loans in foreclosure

■ The insured improvements have suffered a total or near total loss</td><td>Section 58.10 and Chapter 68 apply to these Mortgages, with the exception of the reporting and related recommendation requirements for loans in foreclosure</td></tr>
</table>

As a reminder, insurance proceeds for losses related to contents (as opposed to structural losses) or for off-residence living expenses, if made payable jointly to the Servicer and the Borrower, must be released to the Borrower without delay.

During the Servicer's review, if the Servicer determines that any of the below conditions exist, the Servicer must submit its recommendation along with the appropriate documentation to Freddie Mac (see Directory 5) on Guide Form 105, *Multipurpose Loan Servicing Transmittal,* within five Business Days of learning of the situation:

- The Mortgaged Premises have been acquired by Freddie Mac through foreclosure or deed-in-lieu of foreclosure. (See Section 70.16(b) for remittance requirements for insurance loss settlements);
- The Servicer wishes to apply insurance proceeds to the Mortgage debt instead of repairing the property; or
- Insurance proceeds exceed the amounts required to restore the property to its original condition

Deposit of insurance proceeds

If repair or reconstruction of the residence is expected to take more than three months, insurance funds retained by the Servicer pending disbursement for such repair or reconstruction must be maintained in a federally insured account that pays interest to the Borrower.

Borrowers in a Home Affordable Modification Program (HAMP) or Standard Modification Trial Period Plan

For Borrowers with approved or active HAMP or Standard Modification Trial Period Plans who are having difficulty making payments and whose Mortgaged Premises or place of employment is located in an eligible Disaster Area , we are advising Servicers to provide forbearance as permitted in Chapters A65, *Reinstatements and Relief Options*, and 68. For those Borrowers who receive an approved forbearance plan, Servicers must report the forbearance via Electronic Default Reporting (EDR) in accordance with Chapters A65 and 68. If the forbearance default action code is reported through EDR in the same month as the reporting activity for HAMP or Standard Modification Trial Period Plan, then the Servicer must only report the forbearance default action code in accordance with Chapters A65 or 68 for that month, and must not report the HAMP or Standard Modification default action/reason.

After the forbearance period has ended, the Servicer must offer the Borrower a new HAMP or Standard Modification Trial Period Plan. Additional information will be provided in the coming weeks to offer operational instructions to Servicers for transitioning Borrowers from forbearance to the new Trial Period Plan. Upon completion of the forbearance, if the Borrower is unable to restart a Trial Period Plan, the Servicer must consider other alternatives to foreclosure for the Borrower.

In a future Bulletin, Freddie Mac will provide further guidance to Servicers about what to do operationally when a forbearance plan ends.

Approved alternatives to foreclosure

Servicers requiring additional processing time to close approved alternatives to foreclosure for Borrowers impacted by Hurricane Sandy must contact their loss mitigation specialist for approval.

REVISED REQUIREMENTS TO ASSIST BORROWERS WITH MORTGAGED PREMISES OR PLACES OF EMPLOYMENT AFFECTED BY DISASTERS

To provide greater assistance to Borrowers whose Mortgaged Premises or place of employment is located in an eligible Disaster Area, Freddie Mac is waiving its requirement that a repayment plan or short-term forbearance plan for up to 3 months must be in writing. Further, Servicers are reminded that such plans may be entered into based on a verbal conversation with the Borrower and no documentation is required to be submitted by the Borrower. Servicers should review each Borrower's situation to determine whether this is the correct relief option.

Section 68.5, *Collection and Foreclosure Activities*, will be updated in a later Bulletin to reflect this change.

Servicers are reminded that, pursuant to Section 68.5, they may enter a Borrower into a long-term forbearance plan without Freddie Mac approval for a period of four to 12 months, provided the plan is in writing and is completed in accordance with the requirements in Section A65.24, *Long-Term Forbearance Requirements*.

REMINDERS TO SERVICERS

Servicers are reminded that for properties located in an eligible Disaster Area, they must comply with the requirements set forth in Chapter 68 unless such requirements are revised by this Bulletin. The requirements in Chapter 68 include, but are not limited to:

- Short-term suspension of collection activities and foreclosure proceedings for up to 12 months from the date a disaster strikes to help accommodate financial hardship, based on the relative merits of each case
- Neither assessing late charges nor reporting to credit repositories that the Borrower is on a forbearance plan or is paying as agreed on in a repayment plan
- Providing help with options for local, State or federal disaster assistance
- Monitoring and coordinating the insurance claim process

Seller/Servicers are further reminded that if a Borrower resides in an area devastated by Hurricane Sandy and requests help with his or her Mortgage payments, but the destruction is not severe enough for the President of the United States to issue a Major Disaster Declaration with federal Individual Assistance, Servicers should provide Mortgage relief using our standard Mortgage relief options, as described in Chapters A65, B65, and C65.

REVISIONS TO THE GUIDE

Applicable Guide sections will be updated in a later Bulletin. Servicers should retain a copy of this Bulletin to ensure compliance with our requirements.

CONCLUSION

We appreciate the efforts of our Servicers in providing relief to Borrowers who have been affected by Hurricane Sandy. The information provided by our Servicers and others in the industry is key to our efforts to provide the most effective solutions for Borrowers affected by the hurricane.

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select “Servicing.”

Sincerely,

Tracy Hagen Mooney

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Single-Family Servicing and REO