

Bulletin

NUMBER: 2013-3

TO: Freddie Mac Servicers

February 15, 2013

SUBJECTS

With this *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin, we are making the following updates and revisions to our **Servicing** requirements:

- Providing Servicers with additional information about their loss mitigation obligations with regard to various transfers of property, including those that may arise upon the death of a Borrower
- Revising our State foreclosure time lines and related compensatory fees
- Updating our requirements regarding preservation of Freddie Mac’s right to pursue a deficiency
- Updating the Guide to reflect the Servicer Attorney Tracking System (SATS) as announced in a January 30, 2013 Single-Family Update e-mail. The SATS is an online process to complete and submit the information required in Guide Exhibit 99, *Servicer Selection Form*, to Freddie Mac for each law firm selected to handle Freddie Mac Default Legal Matters.
- Revising requirements for Servicers participating in State Housing Finance Agency (HFA) modification assistance programs offering Hardest Hit Fund (HHF) assistance
- Revising Guide Form 710, *Uniform Borrower Assistance Form*, and our medical hardship documentation requirements
- Revising our requirements related to the verification of alimony, child support and separate maintenance income
- Reminding Servicers that they are required to reactivate an inactive loan prior to reporting and remitting a full contractual payment and providing guidance on the activities a Servicer must undertake after determining a Borrower has not successfully completed a Trial Period Plan
- Expanding the Freddie Mac Service Loans application (“Service Loans application”) process to enable Servicers to obtain a property value and minimum net proceeds for Borrowers being considered for a Freddie Mac Standard Short Sale (“Standard Short Sale”) who are current or less than 31 days delinquent
- Updating the Guide to reflect that the Home Affordable Foreclosure Alternatives (HAFA) initiative is no longer an option in the loss mitigation evaluation hierarchy
- Updating the Guide to reflect our revised requirements for reduced, suspended or denied mortgage insurance claims as announced in Bulletin 2012-20
- Updating Directories 3 and 5 with new contact information

EFFECTIVE DATE

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

MORTGAGE ASSUMPTIONS AND MODIFICATIONS FOR NON-BORROWERS

Freddie Mac recognizes that the death of a Borrower could result in the unnecessary displacement of a person with a legal or beneficial interest in the Mortgaged Premises, such as a surviving spouse, unless the Servicer undertakes prompt loss mitigation activities. We understand the severe impact these situations have on family members and heirs to the Mortgaged Premises. In addition, there are other transfers of property where Servicers are required to accelerate the Note. As a result, with this Bulletin, we are reminding Servicers of their obligations with regard to various transfers of property that may arise and are updating the Guide to reflect these requirements. This guidance also applies in situations where the only remaining Borrower is a trust.

Upon receiving notice that all Borrowers on a delinquent Note are deceased or upon receiving notice of a transfer requiring acceleration of the Note, the Servicer must comply with all requirements of the Guide and, as appropriate, conduct loss mitigation activities, including efforts to obtain right party contact. Servicers must provide loan information to transferees that the Servicer has confirmed have a legal or beneficial interest in the Mortgage as necessary to allow the transferee to continue making Mortgage payments or to process a request by the transferee to assume the Mortgage, if applicable.

The Servicer must comply with applicable law and the Guide regarding the disclosure of the Borrower's non-public personal information and any restrictions on exercising the acceleration of the Note under a due-on-transfer clause, as appropriate. The Servicer must submit to Freddie Mac via Workout Prospector[®] any case where the Servicer is unsure as to whether a purported transferee has a legal or beneficial interest in the property, but that person is willing to assume the Mortgage obligation.

In situations where the Mortgage is current, the Servicer must follow the requirements of Guide Chapter 60, *Transfers of Ownership (Assumptions)*. Chapter 60 addresses permissible transfers with or without an assumption of liability and also, with or without a release of the transferor from liability. If an assumption is pursued under Chapter 60, the Servicer is reminded to make any disclosures required by applicable law and take action necessary to continue any required insurance coverage, including mortgage insurance, where applicable.

If an assumption pursuant to Chapter 60 is not an option and the due-on-transfer clause has been triggered or the Mortgage is delinquent, Servicers must explore all available relief options as described in Chapter A65, *Reinstatement and Relief Options*, including forbearance, as appropriate. If the Servicer determines that a relief option is unlikely to lead to a resolution of the default or Delinquency, in many instances there may be an individual who wishes to continue making Mortgage payments and assume the Mortgage obligation ("non-Borrower applicant"). If the non-Borrower applicant meets the workout Mortgage assumption requirements set forth in Guide Sections B65.27 through B65.34, the Servicer must submit a recommendation to Freddie Mac for approval to proceed with a workout Mortgage assumption via Workout Prospector.

There may be cases where the non-Borrower applicant is not eligible to assume the Mortgage under the requirements of Chapter 60 or Freddie Mac's workout Mortgage assumption requirements in Chapter B65. However, the non-Borrower applicant may be able to assume the Mortgage if the assumption is accompanied by a loan modification to capitalize arrearages and/or achieve an affordable monthly payment. In these situations, the non-Borrower applicant must provide the Servicer with a complete Borrower Response Package and the Servicer must evaluate the non-Borrower applicant as if the non-Borrower applicant were a Borrower. If, based on this evaluation, the Servicer determines that an assumption and modification is appropriate, the Servicer must submit a recommendation via Workout Prospector for Freddie Mac's review and decision on whether to permit a simultaneous Mortgage assumption and modification. Sections B65.12, *When to Consider a Freddie Mac Standard Modification*, and B65.28, *When to Consider a Workout Mortgage Assumption*, have been updated to provide this guidance.

STATE FORECLOSURE TIME LINES AND RELATED COMPENSATORY FEES

State foreclosure time lines

Effective for all foreclosure sales completed on or after April 1, 2013, we have revised our State foreclosure time lines in Exhibit 83, *Freddie Mac State Foreclosure Time Lines*.

State foreclosure time line compensatory fees calculation

Effective for all foreclosure sales completed on or after July 1, 2013, foreclosure sales that result in a third-party sale will now be included in the State foreclosure time line compensatory fee calculation. The date the Mortgage was referred to foreclosure will not have an impact on the effective date of this requirement.

Reimbursement of property inspections

Freddie Mac currently limits the reimbursable amount of property inspections to the total number of monthly inspections that can be completed within the State standard foreclosure time lines set forth in Exhibit 83. With this Bulletin we are notifying Servicers that property inspection claims will be reimbursed using the version of Exhibit 83 dated January 01, 2012. At a later date, Freddie Mac will be announcing a revised structure for requesting reimbursement for property inspections.

PRESERVING DEFICIENCY RIGHTS

Effective for Mortgages that become delinquent as of June 1, 2013

Due to rapidly changing State laws, we will no longer provide a list of States in which our Servicers are required to preserve our right to pursue a deficiency. Instead, in all instances where additional attorney fees/costs will not be incurred above the approved expense limits set forth in Exhibit 57A, *Approved Attorney Fees and Title Expenses*, Servicers must preserve Freddie Mac's right to pursue a deficiency to be brought on a case-by-case basis, as directed by Freddie Mac, after the foreclosure sale.

If a Servicer feels that it is in Freddie Mac's best interest to preserve its right to pursue a deficiency, but doing so would result in additional time line delays, fees, or costs, then the Servicer must submit a recommendation in accordance with the guidance provided in Section 66.48, newly titled *Circumstances Where Preserving Deficiency Rights Requires Additional Expense*, to Freddie Mac for review. Sections 66.18.1, *Choosing a Judicial or NonJudicial Foreclosure Process*, 66.47, *When to Preserve Deficiency Rights*, 66.48, *Circumstances Where Preserving Deficiency Rights Requires Additional Time or Expense*, 66.49, *Abandonment*, and 66.50, *Special Circumstances Requiring Freddie Mac's Approval*, have been updated to reflect this change.

SERVICER ATTORNEY TRACKING SYSTEM (SATS)

In Bulletin 2012-25, we announced that **effective June 1, 2013**, all new referrals for Freddie Mac Default Legal Matters must be sent to law firms that Servicers have selected and engaged in accordance with the requirements of Chapter 69, *Selection, Retention and Management of Law Firms for Freddie Mac Default Legal Matters*. Servicers must determine that each law firm selected meets the "Firm Minimum Requirements" in Section 69.3, *Firm Minimum Requirements*, and then complete and submit the information required in Exhibit 99 to Freddie Mac for review.

In our Single-Family Update e-mail on January 30, 2013, we announced that Servicers must use the new Servicer Attorney Tracking System (SATS), an online process, to complete and submit Servicer Selection Forms to Freddie Mac for each law firm selected to handle Freddie Mac Default Legal Matters. With this Bulletin, we have updated Sections 69.3, 69.4, *Selection of Firm*, and 69.5, *Retention of Firm*, and Directory 1 to reflect this change. Additionally, Exhibit 99 has also been updated and is for illustrative purposes only.

Additional information and resources

The SATS web site, <https://freddiemacsats.com>, will become available to Servicers on **March 1, 2013**.

To establish access to SATS, Servicers must first register to create a user ID and password at <https://freddiemacsats.com>. After completing the registration process, authorized users will be able to complete and submit Servicer Selection Forms to Freddie Mac. SATS will also allow Servicers to respond to Freddie Mac's requests for additional information, as necessary, and will allow Servicers to track each submission's status during the review process.

All Servicer Selection Forms must be submitted via SATS on or after March 1, 2013. Exhibit 99 will only be maintained on FreddieMac.com for illustrative purposes.

Freddie Mac will not review any Exhibit 99 completed and submitted to any Freddie Mac e-mail address.

Web-based training for SATS will be available to all registered users at the SATS web site starting March 1, 2013. The SATS' system support resources are available to assist users with password resets, system use, and other SATS related matters at the following:

- Help Desk phone number: (949) 525-9000, extension 2
- E-mail address: sats.support@quandis.com

For questions related to the Servicer Selection Form, contact Legal_SSF_Support@freddiemac.com.

HARDEST HIT FUND MODIFICATION ASSISTANCE UPDATES

Bulletin 2012-17 provided requirements for Servicer participation in HFA modification assistance programs that offer HHF funds to be applied to curtail principal. In that Bulletin, Freddie Mac required that the approved modification include partial principal forbearance in order to participate in modification assistance programs that include principal curtailment.

With this Bulletin, Freddie Mac is eliminating the requirement that the modification include partial principal forbearance. Servicers must work with HFAs to determine the amount of assistance needed to assist eligible Borrowers in qualifying for a modification.

Section 64.12, *Hardest Hit Fund*, and the "HAMP Trial Period Plan Notice" and "Standard Modification Trial Period Plan Notice" evaluation model clauses in Exhibit 93, *Evaluation Model Clauses*, have been updated to reflect this change.

Reporting to Freddie Mac

Additionally, we have updated the *Spreadsheet for Hardest Hit Fund Mortgages* located on http://www.freddiemac.com/singlefamily/service/hfa_relief.html to include a column for the amount of assistance provided to the Borrower. Effective immediately, Servicers must use this spreadsheet and include the amount of HFA assistance when submitting the monthly report to Freddie Mac. Consult the spreadsheet for specific instructions on reporting the relevant data to Freddie Mac.

REINSTATING MORTGAGES IN FORECLOSURE STATUS

We are updating the Guide to provide further guidance on reporting payments received during the Trial Period and the activities a Servicer must undertake after determining a Borrower has not successfully completed a Trial Period Plan, such as under the Home Affordable Modification Program (HAMP) modification or for a Freddie Mac Standard Modification.

Servicers must ensure that upon receipt of any Trial Period payment such funds are placed in the Borrower's suspense account. When the aggregated amount equals or exceeds the oldest delinquent payment due, the Servicer must apply such funds to the Borrower's account to pay the oldest delinquent payment due in accordance with the Note and Security Instrument, and any modification agreement, if applicable. Servicers are reminded that they must reinstate an inactive Mortgage upon posting the oldest delinquent payment due.

In addition, Servicers are reminded that the modification of a Borrower's Mortgage under any Freddie Mac modification program does not modify or in any manner change a Servicer's reporting and remitting obligations to Freddie Mac. Servicers of Mortgages sold to Freddie Mac under the super accelerated remittance cycle ("super ARC") option must continue to report and remit the modified payments under their scheduled/scheduled obligations.

Refer to Section B65.26, *Reporting and Remittance Requirements*, for more information on reporting and remitting such payments to Freddie Mac.

Foreclosure actions

In addition, Servicers are reminded that foreclosure may be initiated or resumed, if applicable, if the Borrower fails to comply with the terms of the Trial Period Plan or fails to execute the modification agreement. The Servicer must report any initiated or resumed foreclosure activity via Electronic Default Reporting (EDR).

Sections B65.19, *Trial Period Plan Requirements*, B65.26 and C65.7.1, *Foreclosure Actions and Borrowers in Bankruptcy*, have been updated to reflect these requirements.

REVISIONS TO FORM 710 AND MEDICAL HARDSHIP DOCUMENTATION REQUIREMENTS

We are revising Form 710 to reflect that detailed medical information is not required to support the hardship category "Long-term or permanent disability; serious illness of a Borrower/co-Borrower or dependent family member." The list of acceptable documentation to support this hardship has been reordered and now includes an additional option of "Written statement or other documentation verifying disability or illness." Section 65.17, *Verifying a Borrower's Hardship*, has also been updated to reflect these revisions.

We have also revised Form 710 to include three specific questions related to Borrowers who are service members.

Servicers are encouraged to begin using the revised Form 710 immediately, but must include the revised Form 710 with all Borrower Solicitation Packages sent out on or after **April 1, 2013**. Revised Section 65.17 is effective immediately. Until the new Form 710 is implemented, if the Servicer receives a Borrower Response Package with documentation satisfying the requirements of the revised Form 710, the Servicer must not request additional information from the Borrower.

REVISIONS TO BORROWER INCOME VERIFICATION REQUIREMENTS

We have revised Section 65.18, *Borrower Income Documentation*, to eliminate the requirement that the Servicer determine that alimony, child support or separate maintenance will continue for the next three years in order for the income to be considered in calculating the terms of the modification.

OBTAINING A PROPERTY VALUE FOR A STANDARD SHORT SALE – WHEN BORROWER IS CURRENT OR LESS THAN 31 DAYS DELINQUENT

In Bulletin 2012-16, we introduced our new process for obtaining a property value and minimum net proceeds via the Service Loans application for a Standard Short Sale when the Borrower is 31 days or more delinquent. With this Bulletin, we are updating the Guide to require Servicers to follow this same Service Loans application process for Servicers when the Borrower is current or less than 31 days delinquent. As a result of this change, Servicers may no longer obtain a property value via BPOdirect® if the Borrower is current or less than 31 days delinquent and is being considered for a Standard Short Sale. Likewise Servicers must no longer send an e-mail request to shortsales@freddiemac.com to obtain the minimum net proceeds for these Borrowers.

Sections 65.39, *Obtaining a Property Value*, and B65.38, *Property Valuation and Minimum Net Proceeds*, have been updated to reflect this change.

HOME AFFORDABLE FORECLOSURE ALTERNATIVES (HAFA) EXPIRATION

In Bulletin 2012-16, we announced the expiration of the HAFA initiative. In order for a Borrower to be eligible for HAFA, the Servicer must have received a fully executed Short Sale Agreement (“SSA”) or Deed-in-Lieu Agreement (“DIL Agreement”) from the Borrower by December 31, 2012. We have updated Chapters 64, *Delinquencies*, 65, *Loss Mitigation*, A65, D65, *Home Affordable Foreclosure Alternatives*, and Exhibit 93, *Evaluation Model Clauses*, to reflect that Servicers may no longer evaluate Borrowers for HAFA eligibility, but rather must consider the Borrower for a Standard Short Sale or a Freddie Mac Standard Deed-in-Lieu of Foreclosure. Chapter D65 remains available for Servicer reference to review HAFA Short Sale and HAFA Deed-in-Lieu eligibility and evaluation requirements and utilize the HAFA settlement requirements to close out their final HAFA files.

REDUCED, SUSPENDED OR DENIED MORTGAGE INSURANCE CLAIMS

Effective January 1, 2013

In Bulletin 2012-20, Freddie Mac announced certain changes that included permitting Servicers 60 days to remit payment or appeal if offered a repurchase alternative in lieu of requiring immediate repurchase. However, we did not make the related revisions to Section 70.10, *Reduced, Suspended or Denied Claims*. We have now updated Section 70.10 to provide that effective January 1, 2013, Freddie Mac will notify Servicers by letter of reduced, suspended or denied claims, and the letter will include the remedy requested (repurchase or a repurchase alternative in accordance with Chapter 72, *Repurchases*). The letter will also allow the Servicer 60 days, or specify some other time period, to remit funds and provide information about filing an appeal.

DIRECTORY UPDATES

We have updated Directory 3 with new contact information for investor reporting and Directory 5 with new contact information for non-performing loans and distressed properties.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 54, 64, 65, A65, B65, C65, D65, 66, 69, A69 and 70
- Exhibits 83, 83A, 93 and 99
- Form 710
- Directory

CONCLUSION

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
Senior Vice President
Single-Family Servicing and REO