

Bulletin

NUMBER: 2013-4

TO: Freddie Mac Servicers

February 22, 2013

SUBJECT: TEMPORARY PROPERTY INSURANCE CLAIM REQUIREMENTS FOR PROPERTIES AFFECTED BY HURRICANE SANDY

With this *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin, we are temporarily revising our property insurance proceeds disbursement requirements to enable Servicers to more quickly release insurance proceeds to Borrowers impacted by Hurricane Sandy and temporarily increasing Servicer delegation authority by not requiring Servicers to submit a recommendation to Freddie Mac when the Mortgage is in foreclosure or the insured improvements have suffered a total or near total loss.

EFFECTIVE DATE

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

PROPERTY INSURANCE CLAIMS

Revised temporary property insurance proceeds disbursement requirements

Guide Section 58.10(a) provides requirements regarding release of insurance proceeds to Borrowers to repair or rebuild their Mortgaged Premises. For Mortgaged Premises that sustained damage from Hurricane Sandy and are located in an eligible Disaster Area, Freddie Mac temporarily amended these requirements with Bulletin 2012-26 because impacted Borrowers needed up front insurance proceeds in order to engage contractors to repair or rebuild their homes.

Except as specifically set forth in this Bulletin and Bulletins 2012-26 (as amended herein), 2012-29 and 2013-1 (collectively, the “Hurricane Sandy Bulletins”), Servicers must continue to follow all applicable requirements set forth in Guide Section 58.10, *Insurance Loss Settlements*, and Guide Chapter 68, *Servicing Mortgages Impacted by a Disaster*, for Mortgaged Premises impacted by Hurricane Sandy.

To avoid unnecessary delays in the release of these funds, it is imperative that Servicers ensure that the appropriate staff members are familiar with these Hurricane Sandy-specific requirements.

With this Bulletin, we are replacing the requirements set forth in Bulletin 2012-26, solely as they relate to property insurance claims, by further easing the temporary insurance disbursement requirements specified in Section 58.10(a) for Mortgages that were 30 or fewer days delinquent at the time of the hurricane as follows:

When the property securing the Mortgage has suffered less than a total or near total loss

The Servicer must use its discretion to determine the amount of insurance proceeds to disburse and the timing of the disbursements. There are no limitations on the amount of funds that the Servicer can disburse. Thus, a Servicer may choose to disburse proceeds for the repairs and restoration in a single payment, regardless of the amount, or in a series of progress payments as work is completed.

Servicers must use their discretion as permitted in Section 58.10 to manage the disbursement of funds and completion of repairs, provided the repairs are completed by licensed and insured contractors. When exercising such discretion, Servicers must implement policies on Freddie Mac Mortgages consistent with

the Servicer's own policies for Mortgages serviced for its own wholly owned portfolio, in addition to the guidance outlined in Section 58.10 and the Hurricane Sandy Bulletins.

When the property securing the Mortgage has suffered a total or near total loss

Primary Residence	Second home/Investment Property
<p>The Servicer may release insurance proceeds up to the greater of \$40,000 or 10% of the unpaid principal balance (UPB) as follows:</p> <ul style="list-style-type: none"> ■ Proceeds of \$20,000 or less may be released directly from the Servicer to the Borrower without an affidavit in which the Borrower expressly agrees to apply the released funds to promptly repair or reconstruct the residence ■ Proceeds greater than \$20,000 must be made payable to both the Borrower and the contractor 	<p>Servicers may release insurance proceeds to the Borrower and contractor, up to the lesser of \$15,000 or 20% of the total claim proceeds without obtaining an affidavit in which the Borrower expressly agrees to apply the released funds to promptly repair or reconstruct the residence.</p>

We are not updating requirements for Mortgages that were 31 or more days delinquent at the time of the hurricane, and the provisions of Section 58.10 continue to apply.

Insurance proceeds for non-structural losses

Servicers are reminded that 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.

Additional temporary delegation of authority requirements for all property insurance claims

Section 58.10 requires Servicers to submit a report and related recommendation to Freddie Mac when certain conditions exist. We are further temporarily increasing Servicer delegation authority by not requiring Servicers to submit a recommendation to Freddie Mac when:

- The Mortgage is in foreclosure, or
- The insured improvements have suffered a total or near total loss

Servicers are reminded that except as specifically set forth in this Bulletin, the existing requirements in Section 58.10, including the oversight requirements of Section 58.10(b), are applicable.

REMINDER: EXTENSION OF FORECLOSURE SALE AND EVICTION CLOSEOUT MORATORIUM RELATED TO HURRICANE SANDY

With this Bulletin, we are also reminding Servicers of the requirements announced in Bulletin 2013-1. The extension of the foreclosure sale moratorium announced in Bulletin 2013-1 applies to Borrowers whose Mortgaged Premises or places of employment are located within the Federal Emergency Management Agency (FEMA) declared Disaster Area eligible for individual assistance due to Hurricane Sandy. However, the moratorium on eviction closeouts is limited only to situations where the Borrower's Mortgaged Premises is located in an eligible Disaster Area as a result of Hurricane Sandy.

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,

A handwritten signature in cursive script that reads "Tracy Hagen Mooney".

Tracy Hagen Mooney
Senior Vice President
Single-Family Servicing and REO