

# Bulletin

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NUMBER: 2013-10

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TO: Freddie Mac Servicers

June 14, 2013

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## SUBJECTS

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

### HURRICANE SANDY

- Announcing the *Hurricane Sandy Exterior Property Inspection Reimbursement Template*, which must be submitted to Freddie Mac by **September 16, 2013** for reimbursement of property inspections

### FORECLOSURE AND ALTERNATIVES TO FORECLOSURE

- Setting forth the parameters under which Servicers may utilize bulk trial foreclosures as an alternative foreclosure process for foreclosure actions in Florida
- Updating our requirements for requests related to the preservation of deficiency rights
- Revising our FICO® score seasoning requirements for Freddie Mac Standard Short Sales (“short sales”) and Deeds-in-Lieu of Foreclosure (DIL)
- Revising our property inspection and closing requirements for DILs
- Adding a Multiple Listing Service (MLS) requirement for short sales
- Removing, in most instances, the requirement that the Servicer obtain a copy of the Borrower’s tax transcript or the Borrower’s most recent signed federal income tax return to be evaluated for the Home Affordable Modification Program (HAMP®)
- Updating the Guide with respect to repurchases of Mortgages to require Servicers to cancel related records of HAMP modifications or HAMP Trial Period Plans in the HAMP Reporting Tool
- Revising our State Housing Finance Agency (HFA) unemployment assistance program requirements developed in connection with the Treasury’s Innovation Fund for the Hardest Hit Housing Markets or Hardest Hit Fund (“HHF”) initiative

### ADDITIONAL SERVICING CHANGES

- Announcing the retirement of Investor Accounting Manager<sup>SM</sup> (IAM), effective September 16, 2013
- Retiring the hard copy Guide Form 1092, *Broker’s Price Opinion*, and revising the marketing time frame used in the Broker’s Price Opinion (BPO) provided to Servicers via BPOdirect®
- Specifying that Freddie Mac does not reimburse for credit reports obtained in Servicing activities
- Requiring Servicers to notify Freddie Mac’s Compliance Division within 24 hours of blocking or rejecting a Mortgage or Mortgage transaction based on a valid match to the Office of Foreign Assets Control’s (OFAC) list of Specially Designated Nationals and Blocked Persons (“OFAC SDN List”)

Servicers should review the “Additional Servicing Changes” section of this Bulletin in its entirety for these and other requirement revisions and updates.

## EFFECTIVE DATE

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

## REIMBURSEMENT OF PROPERTY INSPECTIONS FOR PROPERTIES LOCATED IN AN ELIGIBLE DISASTER AREA AS A RESULT OF HURRICANE SANDY

In Bulletin 2012-29, Freddie Mac stated that in a future Bulletin we would provide the method for requesting reimbursement of required property inspections for Mortgaged Premises located in an eligible Disaster Area, as defined in Bulletin 2012-29, as a result of Hurricane Sandy.

With this Bulletin, we are announcing the method for requesting reimbursement of those property inspections.

### Reimbursement of exterior property inspections

Freddie Mac previously advised that it would reimburse the Servicer up to \$10 for one exterior property inspection related to the disaster for Mortgaged Premises that: (i) are located in an eligible Disaster Area, and (ii) secure Mortgages that were reported as current in the reporting cycle immediately prior to the area being declared an eligible Disaster Area.

If a Servicer completed exterior property inspections for Mortgaged Premises securing Mortgages that were reported as current prior to the disaster per the requirements of Bulletin 2012-29, to receive reimbursement for those property inspections, the Servicer must submit a single completed *Hurricane Sandy Exterior Property Inspection Reimbursement Template* ("Template") to Freddie Mac at [Overallowables@freddiemac.com](mailto:Overallowables@freddiemac.com). The Template is located under "Resources" on our "Disaster Relief Policies" web page at <http://www.freddiemac.com/singlefamily/service/disastermgmt.html>. The Template contains instructions on how to complete it.

The Servicer must submit only one Template that includes all Mortgages for which the Servicer requests reimbursement. Completed Templates must be submitted to Freddie Mac by **September 16, 2013**. Completed Templates received after this date or multiple Templates received will not be processed and the requests for reimbursement will be denied. Within four weeks of Freddie Mac's receipt of the completed Template, the Servicer should receive notification of the expected amount of reimbursement it will receive and the expected payment date of the reimbursement amount.

### Reimbursement of interior property inspections

Freddie Mac previously advised Servicers that an interior property inspection must be completed in lieu of the regularly scheduled exterior property inspection if the Mortgaged Premises: (i) is located in an eligible Disaster Area, and (ii) was identified as abandoned as of, or prior to the date that the area was declared an eligible Disaster Area.

If a Servicer completed an interior property inspection per the requirements in Bulletin 2012-29, then the Servicer must submit the request for reimbursement of the property inspection in its final claim submission in accordance with Guide Section 71.13, *Claim Submission Types and Time Frames*.

Servicers must not submit these interior property inspection expense reimbursement requests in the Template. The Template is to be used only to request reimbursement of exterior property inspections.

## FORECLOSURE

### Bulk trial foreclosures in Florida

Servicers may utilize bulk trial foreclosures as an alternative foreclosure process to accelerate foreclosure actions in Florida. This option can be used for Freddie Mac Default Legal Matters that were:

- Referred to law firms on or after **June 1, 2013** or
- Referred to law firms before June 1, 2013 and for which the foreclosure complaint has been filed, but the motion for final judgment has not been filed or final judgment of foreclosure has not yet been entered

Servicers and their counsel must use their discretion to determine whether the bulk trial method is appropriate for the jurisdiction and the Mortgaged Premises that is the subject of the foreclosure.

Servicers are reminded that foreclosure time line requirements set forth in Guide Section 66.30, *State Foreclosure Time Lines*, will not be waived as a result of such utilization, and remain in effect.

### ***Selection of foreclosure counsel***

For Freddie Mac Default Legal Matters referred to law firms on or after **August 1, 2013**, Servicers must use law firms selected and engaged under the requirements in Guide Chapter 69, *Selection, Retention and Management of Law Firms for Freddie Mac Default Legal Matters*. For Freddie Mac Default Legal Matters referred to law firms prior to August 1, 2013, Servicers may continue to use the engaged foreclosure counsel. However, Servicers may at their own expense elect to transfer foreclosure cases from law firms engaged prior to August 1, 2013 to law firms selected and retained under the requirements set forth in Chapter 69 to complete the bulk trial method, and complete the foreclosure case, provided that:

- Servicers provide Freddie Mac with at least five Business Days' prior written notice of such transfers via e-mail to [legal\\_servicerselection@freddiemac.com](mailto:legal_servicerselection@freddiemac.com) and assume responsibility for any errors, omissions or delays by the transferee firm; and
- Whether prorated between the transferor and transferee firms, the foreclosure attorney fee may not exceed the limits set forth in Guide Exhibit 57A, *Approved Attorney Fees and Title Expenses*

### ***Reimbursement of expenses***

Pursuant to Section 71.19, *Reimbursement of Fees and Costs Incurred During Legal Proceedings*, Freddie Mac will reimburse Servicers for approved attorney fees as set forth in Exhibit 57A. Servicers will be reimbursed for 104SF claims submitted through the Reimbursement System for additional attorney fees associated with the use of the bulk trial foreclosure process up to a maximum of \$1,750. This is the maximum legal fee for all work necessary to complete the bulk trial process, including, but not limited to:

- Identification of bulk trial candidates
- Pre-trial preparation and correspondence
- Preparation of trial orders
- Witness preparation
- All necessary court appearances

This fee is in addition to the foreclosure attorney fee. Servicers must use expense code 010009 (Pre-Trial Preparation Attorney Fee) when submitting a claim request in the Reimbursement System for the additional trial fees associated with bulk trial foreclosures. Legal expenses paid by the Servicer must match or exceed the reimbursement request.

Exhibit 57A and Exhibit 74, *Expense and Income Codes for Expense Reimbursement Claims*, have been updated to reflect these changes.

### **Preservation of deficiency rights**

We have updated Section 66.50, *Special Circumstances Requiring Freddie Mac's Approval*, to facilitate Servicers' requests for Freddie Mac's approval for matters related to the preservation of deficiency rights when the request does not include additional expenses.

Additionally, we announced in Bulletin 2013-3 that Servicers will need to refer to Section 66.48, *Circumstances Where Preserving Deficiency Rights Requires Additional Expense*, for instructions on how to request additional attorney fees to preserve Freddie Mac's right to pursue deficiency actions. Servicers should temporarily submit such requests using expense code 010000 (Attorney Fees (Judicial)). In the future, we will announce a permanent new expense code to submit these requests.

## SHORT SALES AND DILs

### FICO score seasoning requirements

The Borrower must submit a complete Borrower Response Package to be considered for a short sale or DIL. However, if a Borrower is 90 days or more delinquent and has a FICO score of less than 620, the Servicer is not required to obtain a Borrower Response Package to evaluate the Borrower for a short sale or DIL. We currently require the Borrower's FICO score be no more than 90 days old as of the date of the Servicer evaluation. We are making the following FICO score seasoning changes to simplify the Borrower documentation requirements in the following circumstances:

- When a Borrower is eligible for an exception to documentation requirements for a short sale and has yet to receive a purchase offer, the Servicer may use the same FICO score obtained for the Servicer's initial evaluation of the Borrower to evaluate a purchase offer when it is received, even if that FICO score has become more than 90 days old. This change is effective for short sale purchase offers that are received on or after **July 1, 2013**. However, a Borrower who has since brought the Mortgage current is no longer eligible for an exception to Borrower documentation requirements and must submit a complete Borrower Response Package to the Servicer to be evaluated for the short sale.
- Additionally, if the Borrower was not required to provide a Borrower Response Package in connection with a short sale evaluation based upon his or her Delinquency status and FICO score, then the Servicer may utilize the same FICO score obtained for the short sale evaluation when determining the Borrower's eligibility for an exception to Borrower documentation requirements for a DIL. The same FICO score used for the short sale evaluation may also be used for the DIL evaluation, even if the FICO score is more than 90 days old at the time of the DIL evaluation. This change is effective for DILs evaluated on or after **July 1, 2013**. However, a Borrower who has brought the Mortgage current since the short sale evaluation is no longer eligible for an exception to Borrower documentation requirements and must submit a complete Borrower Response Package to the Servicer to be evaluated for a DIL.

Sections B65.37 and B65.44, both titled *Borrower Documentation*, have been revised to reflect these changes.

### Final property inspections and closing requirements for DILs

#### *Final property inspections*

We have revised Section B65.45, *Property Valuation and Property Inspection Requirements*, to require Servicers to conduct an interior property inspection no more than two Business Days following receipt of the executed deed and all related documents. This change will allow Servicers more time to conduct the inspection while ensuring the inspection occurs before the Mortgaged Premises enters Freddie Mac's Real Estate Owned (REO) inventory.

As a condition of an approved DIL, the Servicer must verify that the Borrower left the Mortgaged Premises in a vacant, undamaged, clean, broom-swept condition with no debris or personal property left on site. If the final property inspection indicates that the Mortgaged Premises does not meet these property condition requirements and the Borrower is eligible to receive relocation assistance, the Servicer must deduct from the relocation assistance the estimated cost, or if known, the actual cost of repairing and cleaning the Mortgaged Premises.

Servicers must implement this change no later than **September 1, 2013**, but may implement sooner if they are operationally ready to do so.

#### *Closing requirements*

We have revised Section B65.48, *Closing, Reporting and Remittance Requirements*, to require that the Servicer verify that the Mortgaged Premises is undamaged, free of exterior and interior debris and in broom-swept condition at the time of possession.

## **MLS requirement for short sales**

To expose short sale opportunities to a larger number of prospective buyers and to obtain the best price, we are requiring that the property must have been listed for sale with a licensed real estate broker who in turn must have listed the Mortgage Premises on the MLS covering the local market for at least five consecutive days, which must include one weekend. The listing must be in an “active” status for at least the five days immediately preceding the day on which the purchase offer is accepted by the Borrower and submitted to the Servicer for approval. In the event the Mortgaged Premises is located in an area not covered by an MLS, the Mortgaged Premises must be advertised for sale by the real estate broker in a manner customary for that market for at least five consecutive days, which must include one weekend. The Servicer must retain in the Mortgage file a copy of the MLS listing of the Mortgaged Premises or documentation of the advertisement(s). The Servicer may not approve a short sale until the Borrower has fulfilled this requirement.

This change should help mitigate the potential for short sale fraud and prevent non-arm’s length transactions. This additional short sale eligibility requirement is effective for all new evaluations of short sale purchase offers occurring on or after **July 1, 2013**.

Section B65.36, *Short Sale Eligibility Requirements and Servicer Approval Authority*, has been revised to reflect this change.

## **HAMP**

### **Income documentation requirements**

We are eliminating the requirement that, for most Borrowers being evaluated for HAMP, the Servicer submit Form 4506T-EZ or 4506-T to the Internal Revenue Service (IRS) if the Borrower has not provided his or her signed federal income tax return. However, the Servicer must continue to process Form 4506T-EZ or Form 4506-T, as applicable, in the following instances:

- To reconcile inconsistencies between other information the Borrower provided (e.g., information the Borrower provided in Form 710, *Uniform Borrower Assistance Form*) and the income documentation
- The Borrower has income that is required to be documented by the Borrower’s most recent federal income tax return but the Borrower has not provided his or her signed federal income tax return, complete with all schedules and forms (i.e., Borrowers who are self-employed, earn rental income or file returns on a fiscal year)
- As otherwise required by Freddie Mac

Sections 65.18, *Borrower Income Documentation*, and C65.5.1, *Verification of Eligibility*, have been updated to reflect this change.

### **Repurchases**

In November 2012, the Program Administrator released [Supplemental Directive 12-09](#), which provided Servicers with guidance regarding mortgages that are repurchased from the Government Sponsored Enterprises (GSEs) while in a Trial Period Plan or after being permanently modified under HAMP.

We are updating the Guide with respect to any Mortgage that has been repurchased to require Servicers to cancel the related record of the HAMP modification or HAMP Trial Period Plan in the HAMP Reporting Tool. When cancelling records of repurchased Mortgages in the HAMP Reporting Tool, Servicers must comply with the Program Administrator’s instructions, including those set forth in [Supplemental Directive 12-09](#).

Sections C65.8, *Other General Requirements*, and C65.11, *HAMP Activity Reporting Requirements*, have been updated to reflect this guidance.

## HHF

We currently require the Servicer to re-evaluate the Borrower for an alternative to foreclosure 30 days following notification of the Borrower's re-employment or 30 days prior to the expiration of the period of assistance, whichever is earlier. However, inconsistent periods of unemployment assistance make it difficult for the Servicer to determine when to begin evaluating the Borrower for another alternative to foreclosure.

With this Bulletin, we are revising our unemployment assistance program to eliminate the requirement that the Servicer re-evaluate the Borrower for a reinstatement or relief option 30 days prior to the expiration of the period of HFA assistance. Instead, upon notification of expiration of the period of assistance, the Servicer must re-evaluate the Borrower for a reinstatement or relief option as provided in Chapter A65, *Reinstatements and Relief Options*, or a workout option in accordance with the evaluation hierarchy provided in Section 64.6(a).

Servicers may implement this change immediately, but are required to implement it no later than **September 1, 2013**.

## ADDITIONAL SERVICING CHANGES

### Retirement of IAM

Since we introduced the Freddie Mac Service Loans application in Bulletin 2011-1, we have enhanced the report features to improve the user experience. To provide one central source from which the user can now access all of their reporting needs, we are retiring IAM on **September 16, 2013** and migrating all reports that have previously only been available in IAM to the Service Loans application.

Effective **June 24, 2013**, Servicers will no longer be able to request user access to IAM and the reports listed below that were previously available only in IAM will be available in the Service Loans application:

- Current Cycle ARM Adjustments
- Loan Level Trial Balance
- Newly Funded Loans
- Newly Transferred In Loans
- Loan Modification
- ARM Notification
- Remittance Detail
- Create Your Own Report
- S/S Amount Due Drilldown
- S/S Amount Received Drilldown
- Negotiated Payoff Report

Adding these reports to the Service Loans application provides Servicers with the easy-to-navigate web-based interface that has enabled Servicers to more efficiently extract loan-level data, and research and correct data errors since 2011.

Current authorized users of the Service Loans application (i.e., those who have a User ID and password from Freddie Mac) are not impacted and will automatically have access to the reports that are being migrated from IAM to the Service Loans application.

To allow IAM users who do not currently use the Service Loans application to have access to the reports that are being migrated to the Service Loans application, Servicers must complete and submit the applicable Guide forms listed below to enroll such IAM users as a “Read Only Analyst” in the Service Loans application. This new user role enables users to retrieve, view and print reports only. We have updated the following Guide forms to add this new user role:

- Form 902, *Freddie Mac Service Loans Application Authorized User Roles Form – For Use by Servicers Only*
- Form 902A, *Addendum to Freddie Mac Service Loans Application Authorized User Roles Form – For Use by Servicers Only*
- Form 902SA, *Freddie Mac Service Loans Application Authorized User Roles Form – For Use by Servicing Agents Only*
- Form 902ASA, *Addendum to Freddie Mac Service Loans Application Authorized User Roles Form – For Use by Servicing Agents Only*

If, as a result of the reports migrating from IAM to the Service Loans application, the Servicer determines that the previous IAM user requires greater access than that permitted for a “Read Only Analyst” (i.e., retrieve, view and print reports only) in the Service Loans application, the Servicer should select the appropriate designated user role and submit the applicable form to Freddie Mac.

Within five Business Days of receiving the correct completed form, we will e-mail User IDs for all new authorized users to the Customer Administrator designated as the Servicer’s Service Loans application Primary Contact.

To facilitate a smooth transition, Servicers must submit the applicable form no later than **September 6, 2013**, to allow sufficient time to set up access to the Service Loans application prior to the retirement of IAM on September 16, 2013.

Servicers must review the terms and conditions for use of the Service Loans application in Chapter A50, *Special Requirements for Servicing Mortgages Using the Freddie Mac Service Loans Application*.

## **BPO**

### ***Form 1092 retirement***

Effective immediately, we are retiring Form 1092 from the Guide as the information provided on this form is also located in BPOdirect.

### ***BPO value estimations marketing time frame***

Currently, the BPO value that Freddie Mac provides to Servicers via BPOdirect includes value estimations that are representative of a 90-day, 120-day and 180-day marketing time frame.

BPOdirect will be updated on **August 17, 2013** to reflect a BPO value estimation that represents a 90-120 day marketing time frame, which reflects standard industry default valuation practices. As a result, effective **August 17, 2013**, Servicers must use the 90-120 day “as is” value when a BPO value is required for foreclosure sale bidding.

Section 66.43, *First Lien Mortgages Not Covered by Mortgage Insurance*, has been updated to reflect this change.

## **Non-reimbursable expenses**

We have updated Section 71.24, *Non-Reimbursable Expenses*, to specify that Freddie Mac does not reimburse for credit reports obtained in connection with Servicing activities because this is a standard operating cost for Servicers. Servicers may not include the expense of credit reports in requests for expense reimbursements of other reimbursable items.

## **OFAC compliance**

Effective **July 15, 2013**, we are revising Section 53.8, *Compliance with Applicable Law*, to require Servicers to notify Freddie Mac's Compliance Division within 24 hours of blocking or rejecting a Mortgage or Mortgage transaction based on a valid match to the OFAC SDN List. The change revises the current Servicer obligation to notify Freddie Mac's Compliance Division within 24 hours of filing a blocked property report with OFAC.

All Servicers are currently required to comply with OFAC regulatory requirements and should already have OFAC compliance controls in place. To help ensure compliance with this revision to Section 53.8, Servicers should inform their relevant compliance personnel of Freddie Mac's revised OFAC SDN List notification requirements.

## **Post-settlement adjustment requests**

Form 1205, renamed from *Charge-off Reconciliation* to *Post-Settlement Adjustment Request*, has been updated to include the data elements required for modifications related to post-settlement requests.

## **Execution of documents**

We have updated Sections 59.4, *Execution of Documents*, and 66.17, *Foreclosing in the Servicer's Name*, to specify that the [Request for Assistance Form](#) found on our "Execution of Legal Documents" web page is the correct form to submit with documents requesting Freddie Mac execution.

## **Inspection reports for REO properties**

We have updated Section 70.19, *Eviction Requirements*, to provide that rather than forward copies of the monthly inspection reports required for REO properties to Freddie Mac, the Servicer must maintain copies of the monthly inspection reports in the Mortgage file and provide them to Freddie Mac upon request.

## **Living Trusts**

Effective **September 1, 2013**, we are updating Volume 2 of the Guide to reflect the updates and revisions to our Living Trust requirements announced in Bulletin 2013-8.

## **TRAINING**

Servicers are encouraged to visit [Freddie Mac's Learning Center](#) web page for current information on Freddie Mac training programs and reference tools.

## **REVISIONS TO THE GUIDE**

The revisions included in this Bulletin impact the following:

- Chapters A50, 53, 59, 64, 65, B65, C65, 66, 70, 71, 76, 77, 78, 80 and A83
- Forms 902, 902A, 902SA, 902ASA, 1092 and 1205
- Exhibits 57A, 74, 81 and 88
- Directory

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2013-10 (Servicing) Guide Updates Spreadsheet available at <http://www.freddiemac.com/sell/guide/spreadsheets.html>.

## **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,

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

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