



TO: Freddie Mac Servicers

November 25, 2013 | 2013-24

SUBJECTS

This *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin updates and revises our **Servicing** requirements as follows:

- Updating our eligibility requirements for exceptions to Borrower documentation for short sales and deeds-in-lieu of foreclosure (“DIL”)
- Updating the Guide to specify that Servicers are not delegated to approve a short sale or DIL when the Borrower’s Cash Reserves exceed \$50,000
- Revising our short sale and DIL processing and foreclosure suspension requirements
- Revising our Borrower Response Package (BRP) review requirements for short sales
- Updating our Trial Period Plan requirements

In addition, we are reminding Servicers of the retirement of Investor Accounting ManagerSM (IAM).

EFFECTIVE DATE

The changes announced in this Bulletin are effective **January 10, 2014** unless otherwise noted.

SHORT SALES AND DILS

Streamlined Short Sales and Streamlined Deeds-in-Lieu of Foreclosure

To be eligible for a short sale or DIL, a Servicer must obtain and review a complete BRP. However, we currently permit exceptions to these Borrower documentation requirements for short sales in Guide Section B65.37(a) and for DILs in Section B65.44(a) when the Borrower is 90 days or more delinquent and has a FICO[®] score below 620 as of the evaluation date.

The following revisions to the eligibility requirements for exceptions to Borrower documentation for short sales and DILs were developed and adopted under the direction of the Federal Housing Finance Agency (FHFA), and are part of the Servicing Alignment Initiative (SAI):

- Permitting a Borrower whose Mortgage debt has been discharged in a Chapter 7 Bankruptcy to be eligible for an exception to Borrower documentation, regardless of the Borrower’s FICO score
- Removing Mortgages that were originated as Investment Properties from eligibility for an exception to Borrower documentation. The Servicer must obtain and review a complete BRP in order to evaluate the Borrower for a short sale or DIL if the Borrower’s Mortgage was originated as an Investment Property.

Additionally, we now refer to a short sale that meets the requirements for exception to Borrower documentation requirements in Section B65.37(a) as a “Streamlined Short Sale” and a DIL that meets the requirements for exception to Borrower documentation requirements in Section B65.44(a) as a “Streamlined Deed-in-Lieu of Foreclosure.”

Sections B65.1, *Introduction*, B65.3, *Chapter Contents*, B65.4, *Approval Authority*, B65.37 and B65.44, each titled *Borrower Documentation*, and B65.37.1 and B65.44.1, each titled *Borrower Contributions and Relocation Assistance*, have been revised to reflect these changes.

These changes are effective **February 1, 2014**; however Servicers are encouraged to implement them sooner if they are operationally able to do so.

Borrower contribution

As stated in Sections B65.37.1 and B65.44.1, the Servicer must submit a Borrower contribution request for a short sale or DIL to Freddie Mac for review when the Servicer has determined that the Borrower's Cash Reserves exceed \$50,000. We are updating Sections B65.36, *Short Sale Eligibility Requirements and Servicer Approval Authority*, and B65.43, *Deed-in-Lieu of Foreclosure Eligibility Requirements and Servicer Approval Authority*, to reflect that Servicers are not delegated to approve a short sale or DIL when the Borrower's Cash Reserves exceed \$50,000; Servicers must submit a short sale or DIL recommendation for these Borrowers to Freddie Mac for review.

This change is effective **February 1, 2014**; however Servicers are encouraged to implement this change sooner if they are operationally able to do so.

Processing and foreclosure suspension

In Bulletin 2013-21, at the direction of FHFA and as part of our aligned effort with Fannie Mae, we revised certain Servicing requirements in response to the Consumer Financial Protection Bureau's (CFPB) Mortgage Servicing final rule, as defined in Bulletin 2013-21. In this Bulletin, we are adding requirements in response to the Mortgage Servicing final rule that describe the actions a Servicer must take when the First Complete Borrower Response Package is received more than 37 days prior to a scheduled foreclosure sale and the evaluation of that First Complete Borrower Response Package results in an offer to proceed with a short sale or DIL.

In such circumstances, the Servicer must ensure that foreclosure counsel delays filing the first legal action, the motion for judgment or order of sale, or if the motion has been filed, request the court to delay a hearing or ruling as permitted under State or local law, for up to 30 days for the Servicer to review the First Complete Borrower Response Package and notify the Borrower of the short sale or DIL decision.

Short sales

Section 63.4, *Foreclosure Suspension Obligations Once the First Complete Borrower Response Package is Received*, has been updated to reflect the Servicer's obligations with respect to foreclosure suspension in cases where the Borrower is offered a short sale. These obligations include:

- Delaying filing the first legal action, the motion for judgment or order of sale, or foreclosure sale while the Servicer reviews a First Complete Borrower Response Package
- Allowing time for the Borrower to submit a purchase offer
- Allowing time for settlement when the short sale is approved

In addition, we have reduced the time for a Servicer to review a complete BRP from a maximum of 60 to a maximum of 30 days for consistency with other review time frames.

DILs

We have revised our requirements to provide that when an evaluation of the First Complete Borrower Response Package results in an offer for a DIL and the Borrower accepts that offer, the Servicer must delay the next legal action in the foreclosure process for up to 60 days from the date the Borrower accepted the offer to complete the DIL transaction.

If the Servicer is unable to complete the DIL transaction in 60 days, the Servicer will be allocated an additional 30 days to execute the DIL; however it must not delay the next legal action during the additional 30-day period.

If the Borrower was previously approved for a short sale and transitioned to a DIL because the short sale transaction was not successful, the Servicer must not delay the next legal action while it completes the DIL. In this case, the Servicer must comply with the Borrower communication and execution requirements in Section B65.46, *Borrower Communication and Execution Time Lines*, that apply to non-Primary Residences and any complete BRP received after the First Complete Borrower Response Package.

Sections 63.4, B65.39, *Communication Time Lines*, and B65.46 have been updated to reflect these changes to our processing and foreclosure suspension requirements for short sales and DILs. In addition we are eliminating the “Standard Short Sale – Foreclosure Sale Date Scheduled” model clause as well as revising existing short sale and DIL model clauses in Guide Exhibit 93, *Evaluation Model Clauses*, to reflect these changes.

BRP reviews for short sales

We are eliminating the requirement in Sections 64.6, *Evaluation Hierarchy, Borrower Solicitation and Communication*, and 66.41, *Complete Borrower Response Packages Received after Referral to Foreclosure*, that Servicers conduct an expedited review when a complete BRP with a short sale purchase offer has been received greater than 37 days prior to a scheduled foreclosure sale date. However, Servicers must continue to expedite a review of a complete BRP received between 37 and 15 days prior to a scheduled foreclosure sale date.

TRIAL PERIOD PLANS

In Bulletin 2013-21, in response to the CFPB Mortgage Servicing final rule, we announced new evaluation and communication requirements related to the Borrower’s right of appeal when the Borrower is denied a Trial Period Plan based on the Servicer’s evaluation of the First Complete Borrower Response Package.

We have updated Section 63.3, *Evaluation Requirements and Appeals Process in Response to the First Complete Borrower Response Package*, to provide additional instructions to the Servicer on how to proceed with Trial Period Plans when the Borrower does not accept the initial offer until after receiving the appeal decision.

REMINDER: RETIREMENT OF INVESTOR ACCOUNTING MANAGER (IAM)

Effective November 15, 2013, IAM was retired. The retirement of IAM was first announced in Bulletin 2013-10; however the original retirement date was extended.

With the retirement of IAM, Servicers are only able to access investor accounting reports through the Freddie Mac Service Loans application (“Service Loans application”). Current authorized users of the Service Loans application (i.e., those with a User ID and password from Freddie Mac) are not impacted and automatically have access to the reports that were migrated from IAM to the Service Loans application.

Servicers that do not have access to the Service Loans application are asked to visit the [Service Loans Application Resource Center](#) for instructions on how to register. Choose one of the user roles that provides access to the “Report” tab. (For example, to only retrieve, view and print reports, enroll the user as a “Read Only Analyst” in the Service Loans application.)

TRAINING

Servicers should visit the [Learning Center](#) web page for Servicing training information and training resources.

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
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Single-Family Servicing and REO