

TO: Freddie Mac Servicers

May 15, 2014

2014-9

SUBJECTS

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

- Updating our **foreclosure** requirements as follows:
 - Permitting Servicers to begin utilizing the New York Foreclosure Inquest Program as an alternative foreclosure process to accelerate foreclosure actions in New York
 - Providing Servicers with greater flexibility on when to refer a Mortgage secured by a Primary Residence to foreclosure
 - Revising our foreclosure sale bidding requirements in States with the right of redemption
- Updating our **expense reimbursement** requirements as follows:
 - Adding six new income codes for submitting expense reimbursement claims in the Freddie Mac Reimbursement System
 - Allowing permitted vendors access to the Reimbursement System for the purpose of submitting claims for Servicer reimbursement using the expense and income codes listed in Guide Exhibit 74, *Expense and Income Codes for Expense Reimbursement Claims*
- Updating our submission requirements for Guide Form 105, *Multipurpose Loan Transmittal*
- Extending our submission time frame for subsequent Transfers of Servicing requests and submission of a fully executed Form 981, *Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages*
- Revising the contact information for notifying Freddie Mac of a proposed or confirmed reorganization plan that includes a bankruptcy cramdown
- Updating Exhibit 88, *Servicing Tools*, to include the Freddie Mac Service Loans application

EFFECTIVE DATE

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

FORECLOSURE

New York Foreclosure Inquest Program

Effective May 19, 2014

We have added new Guide Section A66.10, *Expedited Foreclosures – New York*, to enable Servicers to expedite Freddie Mac Default Legal Matters in New York. This section provides that Servicers may begin utilizing the New York Foreclosure Inquest Program as an alternative foreclosure process to accelerate foreclosure actions in New York. Similar to the bulk-trial foreclosure process in Florida, the New York Foreclosure Inquest Program allows for a hearing with live testimony that is followed by a judgment on the foreclosure petition.

Servicers and their counsel must use their discretion to determine if the use of the New York Foreclosure Inquest Program is in Freddie Mac’s best interest based on the local jurisdiction, the Mortgage and the Mortgaged Premises that is the subject of the foreclosure. Additionally, the foreclosure action must meet the eligibility criteria for inclusion in the New York Foreclosure Inquest Program as determined by the participating county or judge.

This option can be used for new Freddie Mac Default Legal Matter referrals to law firms, and for previous Freddie Mac Default Legal Matter referrals where a motion for final judgment has not been filed or final judgment of foreclosure has not been entered.

Foreclosure time line requirements set forth in Section 66.30, *State Foreclosure Time Lines*, will not be waived as a result of using the New York Foreclosure Inquest Program, and will remain in effect.

Reimbursement of expenses

Servicers will be reimbursed for additional attorney fees associated with the New York Foreclosure Inquest Program up to a maximum of \$1,750 for claims submitted through the Reimbursement System. This is the maximum legal fee for all work necessary to complete an inquest, including, but not limited to:

- Identification of New York Foreclosure Inquest Program candidates
- Pre-trial preparation and correspondence
- Preparation of trial orders
- Witness preparation
- All necessary court appearances

This fee is in addition to the approved routine foreclosure attorney fee. The Servicer 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 a Servicer's use of the New York Foreclosure Inquest Program. Legal expenses paid by the Servicer must match or exceed the reimbursement request.

Exhibits 57A, *Approved Attorney Fees and Title Expenses*, and 74 have been updated to reflect these changes.

Foreclosure referral on a Primary Residence

Effective July 1, 2014

We have updated Sections 63.2 and 64.5, each titled *Collection Efforts*, and Section 66.9.1(a), *When to Refer a Mortgage to Foreclosure*, to remove the requirement that a foreclosure referral on a Primary Residence must be made no later than five Business Days after the 121st day of Delinquency (i.e., 151 days from Due Date of Last Paid Installment (DDLPI)).

Servicers are reminded that, under Section 51.1, *Servicers' General Responsibilities*, they must act in the most timely, efficient and responsible manner to protect Freddie Mac's interests. As a result, absent a delay of the foreclosure referral that is beyond the Servicer's control or other allowable delay, the Servicer's performance will be measured against Freddie Mac's State foreclosure time lines (refer to Exhibit 83, *Freddie Mac State Foreclosure Time Lines*).

Foreclosure sale bidding

We have updated Section 66.43, *First-Lien Mortgages Not Covered by Mortgage Insurance or Subject to Credit Enhancements*, to provide that in the event State law gives the Borrower a post-foreclosure sale right of redemption and the Borrower can redeem the property for the successful foreclosure sale price, the Servicer must start its bid at an amount equal to the lesser of:

- 100% of the credit bid obtained from the Service Loans application,
- Total indebtedness, which includes the unpaid principal balance, accrued interest, Escrow advances and expenses (see Exhibit 57A for the applicable expense limits), or
- Such other amount as may be required by applicable State law (e.g., amount of the judgment)

As a reminder, in the event a third party enters a bid, the Servicer must bid up to, but not exceed, an amount equal to the lowest amount listed above.

Mortgages subject to credit enhancements

Credit bids provided to Servicers through the Service Loans application are applicable for First-Lien Mortgages that are not covered by mortgage insurance, not insured by the Federal Housing Administration (FHA), not guaranteed by the Department of Veteran Affairs (VA) or the Rural Housing Service (RHS), or not otherwise subject to a credit enhancement.

As stated in Bulletin 2013-27, if the Mortgage is covered by mortgage insurance, insured by FHA, guaranteed by VA or the RHS or otherwise is subject to a credit enhancement, then the Servicer must bid an amount approved by the responsible party, unless Freddie Mac has delegations of authority with the applicable party. If conditions exist that would require the Servicer to establish bids for foreclosure sales outside of the requirements provided in Sections 66.43 through 66.45, *FHA, VA and Rural Housing Service (RHS) Mortgages*, then the Servicer must follow the directions outlined in Section 66.42, *Delegated Bidding*.

We have updated Sections 66.43 and 66.44, *Mortgages not Covered by Mortgage Insurance or Subject to Credit Enhancements*, to include these requirements for a Mortgage subject to a credit enhancement.

EXPENSE REIMBURSEMENT

New income codes

Effective August 15, 2014; Servicers may begin using May 19, 2014

We are adding six new income codes to the Reimbursement System to provide Servicers specific codes for certain income paid to Freddie Mac.

The six new income codes are:

- 815075 (Suspense Payments)
- 815077 (Payments after DDLPI)
- 815078 (Homeowners Association (HOA) Refunds)
- 815079 (Utility Refunds)
- 815081 (Attorney Refunds)
- 815064 (Supplemental Windstorm Coverage)

Exhibit 74 has been updated to reflect these new income codes.

Use of the Reimbursement System by permitted vendors

As a reminder, Servicers have administrative rights to delegate or assign access to the Reimbursement System to vendors for purposes of requesting pre-approvals or submitting reimbursement claims using the expense codes and limits in Exhibits 57, *1- to 4-Unit Property Approved Expense Amounts*, and 57A on their behalf, as provided in Section 71.8, *Use of Reimbursement System by Permitted Vendors*.

We have expanded Section 71.8 to also allow Servicers to delegate authority to permitted vendors to access the Reimbursement System for the purpose of submitting claims for Servicer reimbursement using the expense and income codes listed in Exhibit 74.

As an additional reminder, for any permitted vendor, the Servicer must maintain a completed and signed Exhibit 92, *Reimbursement System User Agreement – Permitted Vendor*, and make it available to Freddie Mac upon request.

FORM 105, MULTIPURPOSE LOAN SERVICING TRANSMITTAL

We have updated applicable Guide sections to remove the requirement for Servicers to submit Form 105 to report disaster information pertaining to distressed properties; risk of ownership issues; changes to the Mortgaged Premises; notification of non-compliance with Texas Equity Section 50(a)(6) Mortgages; Bankruptcy Cramdowns and post eviction requests to approve storage of an occupant's personal belongings. Servicers must continue to submit disaster information pertaining to distressed properties, risk of ownership issues and changes to the Mortgaged Premises as indicated in the applicable Guide sections; however, they no longer need to report the information via Form 105.

In addition to removing options from Part C, *Reason for Transmittal*, of Form 105 that relate to distressed properties, risk of ownership issues and changes to the Mortgaged Premises, we have updated Form 105 to:

- Add a selection in Part C to document information on long-term repayment plans

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- Add fields to capture the date the form is submitted and the Servicer's e-mail address as well as functionality to automatically calculate total indebtedness and pending unpaid expenses

SUBSEQUENT TRANSFERS OF SERVICING

Freddie Mac is extending the submission time frame from 30 days to 45 days prior to the requested Effective Date of Transfer for subsequent Transfers of Servicing requests and for submissions of a fully executed Form 981. The additional 15 days are needed to provide the Servicer with enough time to notify the Borrower of a transfer following Freddie Mac's approval, in accordance with Section 56.11, *Notice to Borrowers*, and applicable laws and regulations including, but not limited to, the Real Estate Settlement Procedures Act.

Section 56.3, *Submitting Requests for Transfers of Servicing*, and Form 981 have been updated to reflect this change.

BANKRUPTCY CRAMDOWNS

We have updated Directory 5 to provide that Servicers must notify Freddie Mac of a proposed or confirmed reorganization plan that includes a bankruptcy cramdown via e-mail at **NPL_File_Prep@freddiemac.com** or fax at (571) 382-4914.

EXHIBIT 88, SERVICING TOOLS

We have updated Exhibit 88 to include the Service Loans application to the list of tools and applications that are available to Servicers to assist them in the monitoring and Servicing of Mortgages for Freddie Mac.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 51, 56, 58, 60, 63, 64, 65, B65, 66, A66, 68, 70 and 71
- Forms 105 and 981
- Exhibits 57A, 74 and 88
- Directory 5

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2014-9 (Servicing) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bl1409_spreadsheet.xls.

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