



TO: Freddie Mac Sellers and Servicers

June 24, 2014

2014-13

## SUBJECT: PRIVATE MORTGAGE INSURANCE MASTER POLICY UPDATES

This *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin announces the effective date and requirements for the new private mortgage insurance master policies announced in a Federal Housing Finance Agency (FHFA) [press release](#) on December 2, 2013.

### BACKGROUND

Freddie Mac, under the direction of FHFA and in conjunction with Fannie Mae, has worked closely with its approved private MIs to update and approve their master primary policies, related endorsements and other forms (“Master Policies”). These new Master Policies, which are contracts executed between Seller/Servicers and MIs, provide the terms of mortgage insurance coverage on individual Mortgages sold to Freddie Mac. Through the revision process, the new Master Policies were improved in a number of key areas. The key enhancements increase clarity, reduce ambiguity and enhance the insurance protection provided to policyholders. Listed in the following table are several major elements in the master policies that were enhanced as a result of this process.

Enhancements to Master Policies		
Area of Improvement	Issue to be Resolved	Enhancement
Certainty of coverage	No time limits on rescissions due to origination defects and backend underwriting file reviews	Ability to rescind sunsets at 36 months subject to certain conditions, with earlier sunset time frame available for independent upfront validation by the MI
Claims processing and management	Claims perfection standards, processing time lines and appeals processes are not consistent across industry	Claims process aligned and streamlined, and time lines specified; appeals process clearly defined
Loss mitigation	Loss mitigation provisions had not been brought current to incorporate existing practices; lack of clearly defined time lines and responsibilities	Incorporated loss mitigation strategies and practices developed during housing crisis; clear decision time lines established

### EFFECTIVE DATE AND REQUIREMENTS FOR THE NEW MASTER POLICIES

Any Mortgage sold to Freddie Mac that requires private mortgage insurance and has an Application Received Date **on or after October 1, 2014** must be insured under one of the new Master Policies. If such Mortgage is insured under any pre-existing master policies, the Mortgage will not be eligible for sale to Freddie Mac.

Any Mortgage sold to Freddie Mac that requires private mortgage insurance and has an Application Received Date **prior to October 1, 2014** may be insured under either:

- The new Master Policies, or
- Any pre-existing master policies between Seller/Servicers and private MIs, as long as the Seller/Servicer first confirms with the MI that such policies were approved by Freddie Mac for use at the time of the Application Received Date

In addition to requiring mortgage insurance to be issued by a Freddie Mac-approved MI, we are amending Guide Section 27.1, *Mortgage Insurance*, to require Seller/Servicers to ensure that the insurance coverage is issued under a Freddie Mac-approved Master Policy. Guide Exhibit 10, *Freddie Mac-Approved Mortgage Insurers*, has been updated to include the new private mortgage insurance Master Policy form numbers.

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## EXCEPTION FOR FREDDIE MAC RELIEF REFINANCE MORTGAGES<sup>SM</sup>

Relief Refinance Mortgages may continue to be insured under their original master policies regardless of the new Mortgage's Application Received Date subject to the following conditions:

- The new Mortgage must be insured pursuant to a modification of the existing mortgage insurance certificate, which may or may not involve the assignment of a new certificate number by the MI
- The MI did not issue an entirely new mortgage insurance certificate

### CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE. If you have any questions specific to the new Master Policies, please contact your MI directly.

Sincerely,



Laurie Redmond  
Vice President  
Offerings Effectiveness