



TO: Freddie Mac Servicers

July 15, 2014 |

2014-14

SUBJECTS

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

- Updating our alternative to foreclosure requirements to:
 - Announce the new “Loan Modification Settlement” screen in Workout Prospector® for submitting settlement data for a modification of a conventional First Lien Freddie Mac-owned or guaranteed Mortgage
 - Amend our mortgage modification signature requirements
 - Add new Guide Exhibit 101, *Income Calculation Guidelines for Alternative to Foreclosure Options*
- Updating our transfer of ownership and assumption requirements
- Revising certain requirements for Mortgages insured by the FHA or guaranteed by the VA or Rural Housing Service (RHS)
- Adding several new expense codes related to attorney fees and costs and updating certain attorney fees and costs reimbursement requirements

In addition to the changes listed above, we are making further updates and revisions, as described in the “Additional Guide Updates” section of this Bulletin.

EFFECTIVE DATE

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

ALTERNATIVES TO FORECLOSURE

Mortgage modification settlements

The following requirements are effective on and after **December 1, 2014**; however Servicers may begin implementing them on and after **August 25, 2014**.

Servicers are currently required to complete Guide Form 1128, *Loss Mitigation Transmittal Worksheet*, with required settlement data and submit the form to Freddie Mac to facilitate settlement of a mortgage modification.

We are announcing a new automated settlement process. Servicers must submit the required settlement data for a modification of a conventional First Lien Freddie Mac-owned or guaranteed Mortgage via the new “Loan Modification Settlement” screen in Workout Prospector.

Beginning **August 25, 2014**, Servicers may begin submitting settlement data via the “Loan Modification Settlement” screen in Workout Prospector for modifications of conventional First Lien Freddie Mac-owned or guaranteed Mortgages in lieu of submitting Form 1128. On or after **December 1, 2014**, Servicers must submit all required settlement data for modifications of conventional First Lien Mortgages via the “Loan Modification Settlement” screen in Workout Prospector. Freddie Mac will not accept or review any Form 1128 submitted for settlement of a conventional First Lien Freddie Mac-owned or guaranteed Mortgage on or after December 1, 2014. Servicers are encouraged to adopt the new submission process immediately after the “Loan Modification Settlement” screen becomes available.

Servicers that begin submitting data through the “Loan Modification Settlement” screen prior to December 1, 2014 must also, beginning on the date they start submitting the data in this manner, comply with the applicable requirements in the December 1, 2014 effective date versions of the Guide sections and exhibit listed below:

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- Subsection 65.42(b), *Paying Compensation*
 - Subsection B65.18(c), *Workout Prospector*[®]
 - Section B65.25, *Loan Modification Documents and Settlement Data Submissions*
 - Subsection B65.40(j), *Workout Prospector*[®]
 - Subsections C65.6(b), *Sequential Process for Calculating a Target Payment*, and C65.6(g), *Workout Prospector*
 - Subsection C65.7(f), *Loan Modification Documents and Data Submissions*
 - Exhibit 61, *Interest and Principal Due Freddie Mac*

As a reminder, Servicers must use Workout Prospector to transmit the settlement data to Freddie Mac no later than the fourth Business Day of the month in which the first modified payment is due. When submitting the data through the “Loan Modification Settlement” screen, the Servicer must comply with the instructions for each Freddie Mac modification offer as set forth in the Workout Prospector Users’ Guide. After the data entered into the “Loan Modification Settlement” screen has been submitted to Freddie Mac for settlement, the Servicer should monitor the status of the modification in Workout Manager[®].

For Mortgages insured by the FHA, or guaranteed by the VA or RHS, Servicers must submit Form 1128 for settlement of a mortgage modification, subject to the applicable agency’s modification guidelines.

Additionally, for Servicer convenience, **effective immediately**, we have updated Form 1128 to include instructions for completing the form for Mortgages modified under the Freddie Mac Streamlined Modification and Mortgages modified under FHA, VA or RHS guidelines.

Sections 65.42, *Compensation Program*, B65.18, *Determining the Terms of a Freddie Mac Standard Modification and Freddie Mac Streamlined Modification*, B65.25, B65.40, *Short Sale Transaction and Processing Requirements*, C65.6, *Underwriting the Borrower*, and C65.7, *Modification Process*, Exhibit 61 and Form 1128 have been updated to reflect these changes.

Mortgage modification agreement signature requirements

Section B65.20, *Modified Mortgage Conditions*, requires all Borrowers and any other signatory to the Security Instrument to sign the modification agreement and all other required documents to qualify for a mortgage modification, with certain limited exceptions provided in Subsection B65.21(e), *Execution of Documents*.

However, Fannie Mae/Freddie Mac Uniform Security Instruments state that any Borrower who co-signs the Security Instrument but does not execute the Note (a “co-signer”) agrees that a lender and any other Borrower can agree to extend, modify, forbear or make any other accommodations with regard to the terms of the Security Instrument or the Note without the co-signer’s consent.

To ensure consistency with Fannie Mae/Freddie Mac Uniform Security Instruments, we are amending our mortgage modification signature requirements to provide that a Servicer and any other Borrowers can agree to extend, modify, forbear or make any accommodations with regard to a Fannie Mae/Freddie Mac Uniform Security Instrument or the Note, as otherwise authorized by Freddie Mac, without obtaining the co-signer’s signature or consent on the condition that the Security Instrument that was signed by the co-signer contained a provision allowing for such action.

Sections B65.21, *Other Conditions and Requirements*, and C65.7 have been updated to reflect this change.

New Exhibit 101, *Income Calculation Guidelines for Alternative to Foreclosure Options*

Effective September 15, 2014

In response to questions from Servicers on income calculation requirements, we have created Exhibit 101. The exhibit provides Servicers with detailed instructions to calculate income based on the documentation required in Section 65.18, *Borrower Income Documentation*, and on Form 710, *Uniform Borrower Assistance Form*, in accordance with the Servicing Alignment Initiative.

Section 65.18 has been updated to include a reference to the exhibit.

TRANSFERS OF OWNERSHIP AND ASSUMPTIONS

Effective September 15, 2014

In response to Servicer questions, we have updated and reorganized Guide Chapter 60, *Transfers of Ownership and Assumptions*, to provide more detail related to the following Transfer of Ownership and assumption requirements:

- Transfers of Ownership protected by federal law restricting the exercise of a due-on-transfer clause
- Transfers of Ownership where the Servicer is required to determine if the transferee is creditworthy
- Transfers of Ownership where the transferee requests to assume the Mortgage or the transferor requests release of liability

In addition, we have:

- Retired Exhibit 54, *List of Items for Assumption Application*. The information contained in this exhibit for FHA and VA Mortgages has been incorporated into Section 60.2, *Mortgages Insured by the FHA or Guaranteed by the VA or Rural Housing Service*.
- Updated Section 60.4, *Window Period Mortgages*, to remove Utah from the list of States with Window Period restrictions as the law has been repealed
- Updated the Guide to reflect that a transferee who assumes a Mortgage is not required to pay 5% of the sales price when federal law restricts the exercise of a due-on-transfer clause and in certain other Transfers of Ownership

As a reminder, Freddie Mac does not need to be notified of Transfers of Ownership permitted under Sections 60.5, *Federal Restrictions on the Exercise of the Due-on-Transfer Clause*, and 60.6, *Additional Permitted Transfers of Ownership*, unless the Mortgage is assumed by the transferee.

MORTGAGES INSURED BY THE FHA OR GUARANTEED BY THE VA OR RHS

Effective September 15, 2014

Filing claims for insurance or guaranty benefits

For Mortgages insured by the FHA, or guaranteed by the VA or RHS, Servicers must file and process the claims for the applicable insurance or guaranty benefits.

We have updated our claim filing requirements for Mortgages insured by the FHA, or guaranteed by the VA or RHS, to provide further detail related to whose name the claim must be submitted under, and state that Servicers must ensure the claim recipient receives the maximum claim payment amount, whether the claim recipient is determined to be the Servicer or Freddie Mac:

- For FHA, VA or RHS claim filing for Mortgages subject to a recourse obligation, including indemnification, the Servicer must file the claim in its name to ensure that the claim payment is made directly to the Servicer. Because the Servicer is the claim recipient, the Servicer should ensure that it receives the maximum claim payment amount to apply towards any expenses incurred as Freddie Mac will not reimburse the Servicer for expenses incurred on Mortgages subject to a recourse obligation.
- For FHA, VA or RHS claim filing for Mortgages not subject to a recourse obligation or indemnification, the Servicer must submit the claim in Freddie Mac's name to ensure that the claim payment is made directly to Freddie Mac. Because Freddie Mac is the claim recipient, the Servicer should ensure that Freddie Mac receives the claim payment, in the maximum claim payment amount, before seeking reimbursement for expenses incurred on the Mortgage.

As a reminder, if the Servicer receives a claim payment intended for Freddie Mac, the Servicer must send the funds to Freddie Mac within 10 Business Days after the Servicer receives them, and must also include all supporting documentation relating to the claim payment received from the applicable entity, including a copy of the claim payment check.

Reimbursement of expenses

Servicers may seek reimbursement of expenses incurred on a Mortgage insured by the FHA, or guaranteed by the VA or RHS not subject to recourse or indemnification following Freddie Mac's receipt of the claim payment, in the maximum claim payment amount, from the applicable entity. The expenses must be submitted via a 104SF claim in the Freddie Mac Reimbursement System, and Freddie Mac must receive the 104SF claim no later than 60 days after Freddie Mac has received the claim payment.

Also, pursuant to Section 71.30, *Standard Supporting Documentation for Expense Reimbursement*, Freddie Mac requires Servicers to submit supporting documentation with its expense reimbursement requests on Mortgages insured by the FHA, or guaranteed by the VA or RHS not subject to recourse or full indemnification. We have updated Section 71.30 to clarify that supporting documentation includes, but is not limited to:

- A copy of the claim for benefits filed with the applicable entity,
- Any communication or requests for information from the applicable entity regarding the claim, including any response, and
- Documentation showing the itemization of the distribution of the claim payment received from the applicable entity (e.g., loss claim packet or advice of payment letter)

Applicable sections in Chapters 70, *REO*, and 71, *Reimbursement of Expenses – Reimbursement System*, and Directories 5 and 6 have been updated to reflect these FHA, VA and RHS Mortgage requirement changes.

ATTORNEY FEES AND COSTS

Effective October 20, 2014

We have updated applicable sections of the Guide and Exhibits 57, *1- to 4-Unit Property Approved Expense Amounts*, 57A, *Approved Attorney Fees and Title Expenses*, and 74, *Expense and Income Codes for Expense Reimbursement Claims*, to provide new expense codes for the reimbursement of attorney fees and costs related to uncontested foreclosures, bankruptcies and contested foreclosures. In addition, we have updated our requirements for the reimbursement of attorney fees and costs related to mediation where pre-foreclosure mediation is required by State or local law. These changes to the Reimbursement System will further enhance Freddie Mac's management of default-related legal services reimbursement by allowing a more accurate tracking of default-related expenses and streamlined review and pre-approval of attorney fees that exceed our expense limits.

Foreclosures

We have created six new 104SF expense codes for the "Foreclosure" expense code category:

- 010027 (Attorney Fees to Shorten a Redemption Period)
- 010028 (Additional Mediation Hearings)
- 014005 (Foreclosure on a Cooperative Share)
- 014006 (Final Report/Accounting of the Foreclosure Sale)
- 014007 (Status/Conciliation/Case Management Conference)
- 300008 (Title Preliminary Cost)

Refer to Section 71.19, *Reimbursement of Fees and Costs Incurred during Legal Proceedings*, and Exhibits 57A and 74 for details on the use of these expense codes.

Bankruptcy

We are introducing three new 104SF expense codes for the "Bankruptcy" expense code category:

- 011051 (Chapter 11 – Amended Plan Review)

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- 011052 (Chapter 12 – Amended Plan Review)
 - 011053 (Chapter 13 – Amended Plan Review)

Refer to Exhibits 57A and 74 for details on the use of these expense codes.

Contested foreclosures

We are providing three new 104SF expense codes for the “Contested Foreclosure” expense code category:

- 010024 (Borrower Initiated Motions)
- 010025 (Reply to Affirmative Defenses/Motion to Strike)
- 010026 (Discovery (RFP, RFA, Roggs))

Refer to Section 71.19 and Exhibit 74 for details on the use of these expense codes.

Other Reimbursement System updates

We are also making the following updates to existing 104SF expense codes:

- Renaming 104SF expense code 010009, previously named "Pre-Trial Preparation Attorney Fee." The new expense code name is "Bulk Trial Foreclosure/Inquest Process."
- Permitting Servicer reimbursement for 104SF expense code 600021 (Skip Trace/Investigative Report) for the actual cost up to a maximum of \$90
- Requiring Servicers to obtain written pre-approval from Freddie Mac by submitting a request for pre-approval (RPA) via the RPA functionality in the Reimbursement System for 104SF expense codes 014000 (Receiver Fees), 014004 (Receivership Additional Court Appearance Cost), 013104 (Suit On Note/Deficiency Judgment) and 043006 (Guardian Ad Litem)
- Deactivating 104SF expense code 043000 (Court Costs – Other Actions). This expense code will no longer be available for use in the Reimbursement System

Mediation

We have updated Section 71.19 to state that mediation attorney fees and court costs, when required by State or local law, as well as fees charged by a mediation manager or coordinator for participation in a pre-foreclosure mediation program, are reimbursable with prior written approval from Freddie Mac as follows:

- Freddie Mac will approve mediation attorney fees up to \$375 for counsel's attendance and appearance at the initial mediation hearing or conference when Freddie Mac determines that applicable law requires participation in a pre-foreclosure mediation program. Servicers can request Freddie Mac's written pre-approval by submitting an RPA in the Reimbursement System using expense code 010005 (Mediation Attorney Fees). Freddie Mac will conduct additional review(s) to approve RPAs of mediation attorney fees in excess of \$375 for attendance and appearance at the initial mediation hearing or conference, or in any amount in any State or jurisdiction where Freddie Mac has not determined that applicable law requires a pre-foreclosure mediation program.
- In situations where additional mediation hearings or conferences are required, Freddie Mac will approve mediation attorney fees up to \$250 per occurrence, for up to two additional mediation hearings or conferences. Servicers can request Freddie Mac's written pre-approval for additional mediation hearings or conferences by submitting an RPA in the Reimbursement System using expense code 010028 (Additional Mediation Hearings). Freddie Mac will conduct additional review(s) to approve RPAs of mediation attorney fees in excess of the initial mediation hearing or conference and two additional occurrences.
- For mediation-related court costs, as well as fees charged by a mediation manager or coordinator for participation in a pre-foreclosure mediation program, Servicers can request Freddie Mac's written pre-approval by submitting an RPA in the Reimbursement System using expense code 010004 (Mediation Court Costs)

As a reminder, Servicers must ensure that attorney fees and costs incurred are reasonable and customary for the area in which the property is located. If amounts exceed current expense limits in Exhibit 57A, Servicers must request Freddie Mac's approval prior to incurring the expense.

ADDITIONAL GUIDE UPDATES

Foreclosure sale bidding

The Guide requires Servicers to obtain a credit bid through the Freddie Mac Service Loans application for First Lien Mortgages not covered by mortgage insurance, or when State law does not require that an appraisal report be used to set the bid, when preparing foreclosure bids for scheduled foreclosure sales.

We are updating the Guide to provide that, in the event Freddie Mac decides to update or change the credit bid obtained by the Servicer via the Service Loans application, whether in its sole discretion or in response to a Servicer's dispute of the credit bid obtained in connection with a scheduled foreclosure sale, Freddie Mac will notify the Servicer that the credit bid has been updated prior to the foreclosure sale date. In such cases, Servicers must cooperate with Freddie Mac and make every effort to ensure that foreclosure counsel receives the updated bidding instructions in a timely manner so as not to delay, cancel or stop a scheduled foreclosure sale.

If the Servicer is unable to provide the updated bidding instructions to foreclosure counsel in a timely manner, or foreclosure counsel could not use the updated bidding instructions, then the Servicer must document it in the Mortgage file. Under no circumstance should the foreclosure sale be delayed because of the Servicer's receipt of an updated credit bid.

Sections 66.39, *When to Obtain a Credit Bid for Foreclosure Sale Bidding*, and 66.42, *Delegated Bidding*, have been updated to reflect these changes.

Vesting title to a property after a foreclosure sale

Pursuant to Section 66.54, *Vesting the Title and Avoiding Transfer Taxes*, Servicers may vest the title in the Servicer's name after the foreclosure sale if it is determined to be in Freddie Mac's best interest, and transfer the title to the property to Freddie Mac within 30 days of vesting the title in the Servicer's name.

We have updated Section 66.54 to expressly state that the title to the property should be transferred to Freddie Mac via special warranty deed or quitclaim deed, whichever is the most appropriate method of transferring title that will not impair Freddie Mac's sale of the Real Estate Owned. In Florida, we are specifically requiring that the title to the property should be transferred via special warranty deed.

Automated Valuation Model (AVM) report

Section B65.16 and Subsection C65.6(e), each titled, *Property Valuation Requirements*, previously stated that Freddie Mac's AVM report, which is accessible at http://www.freddiemac.com/singlefamily/service/mha_modification.html, will be updated by the fifth Business Day of each month.

We have updated Sections B65.16 and C65.6(e) to state that Freddie Mac's AVM report will be updated by the last Friday of each month. Effective immediately, Servicers must rely on the AVM report publication date to ensure their compliance with the 90-day property valuation requirement for each Mortgage under consideration for a modification (e.g., a Freddie Mac Standard Modification or a Home Affordable Modification Program modification).

Borrower inquiries

In response to Servicer inquiries, we have updated Section 51.5, *Borrower Inquiries*, to remove the requirement that, in response to Borrower inquiries, the Servicer provide information about Mortgage assumability and disclose and explain the terms to the Borrower.

Office of Foreign Assets Control (OFAC) compliance

In response to Servicer inquiries, we have updated Subsection 53.8(c), *Notice of OFAC Match*, to provide that as an example for establishing the frequency for screening Mortgages the Servicer services for Freddie Mac against

OFAC's list of Specially Designated Nationals and Blocked Persons, it can screen the Mortgages with the same frequency it screens Mortgages in its own portfolio.

Reimbursement of fees and costs during legal proceedings

Freddie Mac requires the Servicer to instruct its counsel to submit a post-referral of foreclosure solicitation letter to Borrowers upon receipt of the referral to foreclosure. We have updated Section 71.19 to clarify that the postage cost for mailing the solicitation letter, as required by Freddie Mac, is reimbursable.

Retirement of Exhibit 87, *Servicer Education Resources*

We have retired Exhibit 87. Applicable sections of the Guide and Form 59, *Principal and Interest Custodial Account Reconciliation Worksheet – Monthly Account Statement*, have been updated to remove reference to the exhibit and instead refer Servicers to the [Freddie Mac Learning Center](#) for comprehensive training information and resources.

Investor reporting

We have updated the Guide to reflect:

- Our new mailing address for delivery of Form 1100, *Supplemental Report of Curtailments for Super ARC*
- New contact information for delivery of certain additional investor reporting information

Form 1100 and Directories 3 and 7 have been updated to reflect these updates.

Form 479A, *Single-Family Servicing Agent Certification*

For Servicer convenience, we have made Form 479A a fillable form.

TRAINING

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

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 51, 53, 54, 60, 65, B65, C65, 66, A66, 69, A69, 70, 71, 77, 78 and 79
- Forms 59, 479A, 1100 and 1128
- Exhibits 54, 57, 57A, 61, 74, 87 and 101
- Directories 3, 5, 6 and 7

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2014-14 (Servicing) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bl1414_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