



TO: Freddie Mac Servicers

October 1, 2014

2014-17

SUBJECT: SERVICING UPDATES

This *Single-Family Seller/Servicer Guide* ("Guide") Bulletin announces:

- Revisions to the eligibility requirements for the Freddie Mac Streamlined Modification to remove the Delinquency cap
- Removal of the non-routine litigation eligibility exclusion for the Freddie Mac Standard Modification, Streamlined Modification and the Capitalization and Extension Modification for Disaster Relief ("Disaster Relief Modification")
- Changes to streamline our expense reimbursement process when funds are due to Freddie Mac

STREAMLINED MODIFICATION ELIGIBILITY REQUIREMENTS

In Bulletin 2013-5 we announced our requirements for the Streamlined Modification, including the requirement that the Borrower must be at least 90 days delinquent, but no more than 720 days delinquent, to be eligible for the modification. In order to extend a valuable home retention option to Borrowers who are greater than 720 days delinquent, we are revising the eligibility requirements to remove the 720-day Delinquency cap.

Guide Section B65.12.1, *Freddie Mac Streamlined Modification*, has been updated to reflect this change.

Servicers must comply with the new Streamlined Modification eligibility requirement for new evaluations conducted on or after **April 1, 2015**. However, if feasible, Servicers are encouraged to implement this change as early as October 1, 2014.

In accordance with the revised requirements in Section B65.12.1, Servicers must evaluate any Borrower who has never been evaluated for a Streamlined Modification and any Borrower who previously was determined to be ineligible for a Streamlined Modification because of the 720-day Delinquency cap. If the Servicer determines that a Borrower is eligible for a Streamlined Modification, the Servicer must send at least one solicitation that includes the Streamlined Modification Solicitation Letter and the Streamlined Modification Trial Period Plan Notice no later than 15 days after the eligibility evaluation, provided it is not 60 or fewer days prior to the foreclosure sale date for a judicial foreclosure or 30 or fewer days prior to the foreclosure sale date for a non-judicial foreclosure.

Servicers are reminded that after sending the initial Streamlined Modification solicitation they may use their discretion when deciding whether to continue soliciting Borrowers for the Streamlined Modification. However, Servicers must continue to comply with the solicitation requirements described in Section 64.6, *Evaluation Hierarchy, Borrower Solicitation and Communication*. This includes the requirement that they continue to try to contact and solicit Borrowers for alternatives to foreclosure throughout the Delinquency and foreclosure process, and up to 60 days prior to the foreclosure sale date for a judicial foreclosure and 30 days prior to the foreclosure sale date for a non-judicial foreclosure, unless:

- The Servicer has established direct contact with the Borrower and the Borrower does not want to pursue an alternative to foreclosure, or
- The Servicer has evaluated the Borrower for alternatives to foreclosure in accordance with the Guide and determined that foreclosure is the appropriate course of action

As a reminder, all existing Streamlined Modification requirements not specifically addressed in this Bulletin remain in effect.

LOAN MODIFICATION ELIGIBILITY EXCLUSIONS

We are eliminating the requirements that rendered Mortgages subject to certain active non-routine litigation ineligible for Standard Modifications, Streamlined Modifications and Disaster Relief Modifications as such a modification may, under certain circumstances, be an appropriate workout solution for resolving the non-routine

litigation. Servicers may now offer Trial Period Plans to Borrowers engaged in active non-routine litigation provided the Servicer first notifies Freddie Mac and the outside counsel retained by the Servicer to handle the litigation of its proposal, in accordance with the following requirements:

- Notifications must be sent via e-mail to non-routine_litigation@freddiemac.com and to the Servicer's outside counsel
- Servicers must allow Freddie Mac and outside counsel sufficient opportunity, but no less than five Business Days, to review and provide comments prior to sending a Trial Period Plan Notice to the Borrower

Servicers must comply with the updated eligibility exclusions for new evaluations conducted on or after **April 1, 2015**. However, if feasible, Servicers are encouraged to implement these changes as early as October 1, 2014.

Sections B65.12.1, B65.12.2, *Capitalization and Extension Modification for Disaster Relief*, B65.14, *Ineligibility for Freddie Mac Standard Modification*, and 67.18, *Reporting and Notification Requirements for Freddie Mac Default Legal Matters*, have been updated to reflect these changes.

EXPENSE OFFSETS THAT RESULT IN RECEIVABLES TO FREDDIE MAC

When submitting reimbursement requests, Servicers must offset or deduct certain funds or amounts (i.e., income) from reimbursable expenses incurred pursuant to Section 71.28, *Expense Offsets*. Currently, in the event the income reported by the Servicer exceeds the expenses requested, or the Servicer has no expenses to offset the income that is due to Freddie Mac, Servicers are required to send the funds to Freddie Mac via check.

In order to streamline this process, we are amending Section 71.28 to no longer require Servicers to send the funds via check; instead, the funds will be billed on the Performing Loans monthly Servicer Billing Statement (Servicer Billing Statement) or the Non-Performing Loans (NPL) Invoice, respectively. Servicers will begin seeing these funds as billable loan-level items on their March 2015 statements and/or invoices.

Servicers will no longer be required to send the funds to Freddie Mac via check for reimbursement claims filed on or after **February 1, 2015**. Instead, Servicers will pay these amounts as part of Freddie Mac-initiated Automated Clearing House (ACH) drafts on the Servicer's designated accounts for the payment of invoices in accordance with Section 64.2, *General Requirements*, and Guide Form 1132, *Authorization for Automatic Transfer of Funds through the Automated Clearing House (ACH)*.

In order to ensure the appropriate amount of funds were billed, Servicers should reconcile the Servicer Billing Statements or NPL Invoices against the filed reimbursement claims. If a discrepancy exists and the Servicer believes the amount of funds was incorrectly billed, then it may contact Freddie Mac at 104_Expense@freddiemac.com.

Directory 5 has also been updated to reflect this change. We also updated Section 64.2 to clarify the invoice types referenced in Form 1132.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call Customer Support at (800) FREDDIE and select "Servicing."

Sincerely,



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Servicer Performance Management