



**TO: Freddie Mac Servicers**

November 14, 2014 | 2014-19

## **SUBJECT: SERVICING UPDATES**

**(This is a reissuance of Bulletin 2014-19, with corrections to the section titled “Default management criteria comparison” and Attachment A of this Bulletin, *Definitions and Weights for the Revised Servicer Success Scorecard Criteria*, made on December 2, 2014.)**

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

- Revisions to the default management criteria and ranking methodology in the Freddie Mac Servicer Success Scorecard
- A change to the Servicer Success File Review appeal process
- Increases to certain State foreclosure time lines
- Adjustments to State foreclosure time line compensatory fees
- A new supplemental Borrower incentive for Borrowers who complete Freddie Mac Standard Deeds-in-Lieu of Foreclosure (“DILs”) in certain States

## **SERVICER SUCCESS SCORECARD CHANGES**

In response to the evolving market, and as a result of discussions among Freddie Mac, Fannie Mae and the Federal Housing Finance Agency (FHFA), we are revising certain Servicer Success Scorecard criteria.

We are adding two new criteria, “Cure Efficiency” and “Beyond Timeline Resolution Rate,” and removing four criteria from the default management criteria. Additionally, the calculations and weights for certain default management criteria are being revised. The revised calculations and weights are provided in Attachment A of this Bulletin, *Definitions and Weights for the Revised Servicer Success Scorecard Criteria*. All of these updates reflect the focus on activities of importance to Freddie Mac. There are no changes to the investor reporting criteria; however, changes to the ranking methodology apply to the default management and investor reporting criteria. Freddie Mac, in consultation with Fannie Mae and FHFA, will continue to review Servicer performance and market conditions to determine if performance expectations need to be revised.

Certain Servicers will receive individualized performance requirements from their Freddie Mac representatives. For such Servicers, their Freddie Mac representative will review the specific objectives and goals contained in their Servicer Success Account Plan and work with the Servicer to mitigate challenges and implement action plans for improvement.

### **Effective date**

The revised default management criteria in the Servicer Success Scorecard will be effective with a Servicer’s **January 1, 2015** performance. These performance results will be visible on the Servicer Performance Profile web site on **March 6, 2015**.

### **Preview period**

We will provide a preview period beginning December 5, 2014 to allow Servicers to view their performance against the new criteria.

Servicers should begin to review their operations to determine what they may need to change in order to meet our revised Servicer Success Scorecard criteria.

## Default management criteria comparison

The following table compares the current criteria to the revised criteria. While current and future criteria may appear to be unchanged in the table below, all of the calculations for the criteria, with the exception of the 12-month performance criterion and the data integrity criteria, have changed. Therefore, it is important that Servicers refer to Attachment A of this Bulletin for specific information regarding the future criteria.

Current Criteria	Future Criteria
<b>Loss Mitigation</b>	
Transition to 60+	Transition to 60+
60 to Worse	60 to Worse
90+ to Better	Deleted
90+ to Worse	90+ to Worse
	Cure Efficiency <b>(New)</b>
Retention Efficiency	Retention Efficiency
Liquidation Efficiency	Liquidation Efficiency
<b>Workout Effectiveness</b>	
6-Month Performance	Deleted
12-Month Performance	12-Month Performance
Timing of Liquidation Solutions	Deleted
<b>Default Timeline Management</b>	
Loans Beyond FCL Sale Threshold	Deleted
<b>(This was updated to correct the 2014 criterion title.)</b> Avg Age Beyond FCL Sale Std	<b>(This was updated to correct the 2015 criterion title.)</b> Average Age Past FCL Sale Standard
	Beyond Timeline Resolution Rate <b>(New)</b>
<b>Data Integrity</b>	
Initial Delinquency Reporting	Initial Delinquency Reporting
Final Delinquency Reporting	Final Delinquency Reporting
Accuracy of DDLPI Reporting	Accuracy of DDLPI Reporting
Timely REO Notifications	Timely REO Notifications

Definitions and weights for each of the default management criteria on the Servicer Success Scorecard are set forth in Attachment A.

Guide Sections 65.8 and 76.5, *Performance Standards*, have been updated to reflect the new or amended criteria as set forth in the Servicer Success Scorecard.

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The performance criteria, weightings, and rankings for each Servicer are published monthly in the Servicer Success Scorecard at <http://www.freddie.mac.com/singlefamily/service>.

## Ranking changes

To further minimize the impact that portfolio composition differences among Servicers may have on rankings, we are revising how Servicers are ranked. Servicers will be placed into groups based on similarities in Servicers' portfolios (each a "peer group") in both default management and investor reporting. The peer groups will be determined based on portfolio composition parameters chosen by Freddie Mac, and may be amended from time to time. The peer groups are:

- Top 10 Servicers as determined by the total number of Mortgages serviced for Freddie Mac
- Servicers servicing 25 or more Mortgages for Freddie Mac that are 90 or more days delinquent and that are not in the previous peer group
- Remaining Servicers that are not in the above two peer groups

During the preview period ranks for the 2015 Servicer Success Scorecard will not be displayed. Servicers will see their ranks within their applicable peer group beginning on March 6, 2015.

As a result of these ranking changes, a Servicer will be presumed to have an unacceptable Servicer Success Scorecard result if the Servicer's ranking is in the bottom 25% of Servicers in the Servicer's peer group.

Freddie Mac will continue to consider factors such as trends in performance, adequacy of staffing, audit results, the Servicer Success Scorecard results, Servicer Success File Reviews, and/or compliance with all requirements of the Purchase Documents in evaluating whether the Servicer's overall performance is unacceptable for purposes of Section 5.2, *Disqualification or Suspension of the Seller or the Servicer*.

Section 51.11, *Servicer Performance Criteria*, has been revised to include a reference to ranking by peer group.

## Ranking calculations

As a reminder, Servicers earn points based on their performance in each measurement criterion in investor reporting, as well as default management. Servicers can earn a maximum number of points for each measurement criterion equal to the weight Freddie Mac has applied to each criterion.

For example, default timeline management is worth a maximum total of 38 points, which includes:

- Average Age Beyond FCL Sale Standard (20 points)
- Beyond Timeline Resolution Rate (18 points)

A Servicer is given a rank for each measurement criterion, which is derived from ranking the Servicer's performance for that criterion against the performance of other Servicers that are within the same peer group. To derive the overall rank for investor reporting or default management, the points are added among all measurement criteria, and those total points are ranked against the total points of other Servicers within a Servicer's peer group.

All Servicers will receive a rank within their peer groups in investor reporting. If the Servicer services 25 or less Mortgages for Freddie Mac that are 90 or more days delinquent, they will not receive a rank in default management.

## Training

To help Servicers further understand the Servicer Success Scorecard changes announced in this Bulletin, training information and reference documents will be available when the preview period begins. Servicers should watch for additional communications and visit the [Freddie Mac Learning Center](#) for additional training updates when notified that the preview period has begun.

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## **SERVICER SUCCESS FILE REVIEW APPEAL PROCESS**

### **Effective January 8, 2015, beginning with the January 2015 review cycle**

We are permitting Servicers to submit documentation to support appeals of File Review conclusions.

As noted in Section 51.9.1, *Freddie Mac Servicer Success File Reviews*, upon completion of the File Review, Freddie Mac will provide its conclusions in writing to the Servicer. Servicers may provide Freddie Mac with a response or appeal to such conclusions up to 15 Business Days after the date of Freddie Mac's written conclusions. Previously, the Servicer was not permitted to submit documentation in support of its appeal. With this change, if the defect was the result of a missing or incorrect document, that document may now be submitted on appeal to support clearing the defect. However, if the Servicer failed to submit any documents in response to Freddie Mac's initial File Review request, and the overall result is "Fail – Missing Docs," the Mortgage is not eligible for an appeal. Freddie Mac, in its sole and absolute discretion, may choose to rely on its conclusions or upon any other available information in determining whether to pursue any other right or remedy available to Freddie Mac under the Purchase Documents or applicable law.

## **STATE FORECLOSURE TIME LINES**

### **Effective for all foreclosure sales completed on or after November 1, 2014**

We are increasing the State foreclosure time lines in 47 of the 55 jurisdictions listed in Guide Exhibit 83, *Freddie Mac State Foreclosure Time Lines*.

In some instances the State foreclosure time line is not being updated at this time based on the reasons provided in the "Temporary suspension of State foreclosure time line compensatory fee assessments in certain States" section of this Bulletin.

Additionally, the State foreclosure time lines will remain unchanged in Guam, Puerto Rico and the Virgin Islands at this time.

Servicers should review Exhibit 83 in its entirety for the revised requirements.

## **STATE FORECLOSURE TIME LINE COMPENSATORY FEES**

### **Effective for all foreclosure time line compensatory fees on foreclosure sales completed on or after January 1, 2015**

#### **Temporary suspension of State foreclosure time line compensatory fee assessments in certain States**

Based on a combination of limited performance data and undetermined impacts of legislative changes and court delays, Freddie Mac is temporarily suspending the assessment and billing of foreclosure time line compensatory fees in the following jurisdictions:

- District of Columbia
- Massachusetts
- New York (including New York City)
- New Jersey

Each State suspension will last, at minimum, through foreclosure sales occurring on or before June 30, 2015. At the completion of the respective State suspension, we will revise and update our published State foreclosure time lines in the respective jurisdiction based on the data collected from foreclosure sales completed during the suspension period. The respective revised State foreclosure time lines will be updated and retroactively applied to foreclosure sales completed on or after January 1, 2015.

Upon the completion of a State suspension and retroactive revision to the respective State foreclosure time line, Freddie Mac will assess and bill Servicers for State foreclosure time line compensatory fees (should they be subject to any) in a supplemental monthly billing for those Mortgages referred to foreclosure on or after October 1, 2011. Servicers will be provided the opportunity to appeal any assessment through the normal appeals process prior to the supplemental monthly billing.

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We do not expect any supplemental billings for Mortgages that were referred to foreclosure prior to October 1, 2011. Foreclosure sales related to these Mortgages are subject to compensatory fees billed in annual installments per Section 66.44.2(d), *Billing Process for Compensatory Fees*. However, if this changes, we will notify Servicers in advance.

At a later date, and prior to the completion of the suspension, Freddie Mac will notify Servicers of when to expect these supplemental monthly assessments and billings and will identify separate periods for the appeal process per Section 66.44.2(c), *Servicer Appeal Process for State Foreclosure Time Line Compensatory Fees*.

### **De minimis exception on assessment of monthly compensatory fees billed**

Freddie Mac evaluates a Servicer's performance on a monthly basis and determines if it exceeded the State foreclosure time line requirements. Currently, compensatory fees are not billed if a Servicer's aggregate monthly foreclosure time line compensatory fees are \$1,000 or less. This *de minimis* exception for foreclosure time line compensatory fees will be raised from \$1,000 to \$25,000.

Section 66.44.2, *State Foreclosure Time Line Performance Assessment*, and Exhibit 83A, *Determining State Foreclosure Time Line Performance Compensatory Fees*, have been updated accordingly.

### **Additional guidance**

While the changes reflected in this Bulletin will be effective for foreclosure time line compensatory fees on all foreclosure sales completed on or after January 1, 2015, these changes may not be reflected on a Servicer's Compensatory Fee Analysis Report (as referenced in Section 66.44.2(c)) containing January 2015 foreclosure time line compensatory fees.

Servicers are reminded that they will not need to submit any appeals at this time for foreclosure time line compensatory fees on foreclosure sales completed on or after January 1, 2015 if the Mortgaged Premises is located in one of the States where compensatory fees will be temporarily suspended or if the Servicer's aggregate monthly foreclosure time line compensatory fees are \$25,000 or less.

If Servicers are unsure of the impact of these changes not being immediately reflected on their Compensatory Fee Analysis Report, they are encouraged to contact their Servicing Account Manager, if applicable, or call Customer Support at (800) FREDDIE and select "Servicing."

## **DEED-IN-LIEU OF FORECLOSURE INCENTIVES FOR BORROWERS**

### **Effective February 1, 2015**

To provide an additional tool for Servicers to achieve workouts for Borrowers in States with extended foreclosure time lines, we are implementing a new supplemental Borrower incentive of up to \$7,000. The supplemental Borrower incentive is a temporary offering for DILs where the Borrower evaluation date is on or before December 1, 2015. It will be available for an eligible Borrower whose Mortgaged Premises is located in one of the following eight States, provided the Borrower is not required to make a financial contribution to the workout:

- Connecticut
- District of Columbia
- Illinois
- Maryland
- Massachusetts
- New Jersey
- New York
- Pennsylvania

The supplemental Borrower incentive is in addition to, and not in place of, Freddie Mac's existing Borrower relocation assistance. Unlike Borrower relocation assistance, a Borrower is not required to occupy the

Mortgaged Premises as his or her Primary Residence in order to be eligible for the supplemental Borrower incentive.

The table below displays the maximum amounts a Borrower may be eligible to receive in Borrower relocation assistance and the supplemental Borrower incentive:

Occupancy Type	Borrower Relocation Assistance Amount	Supplemental Borrower Incentive Amount	Total DIL Assistance/Incentive Amount
Primary Residence	Up to \$3,000	Up to \$7,000	Up to \$10,000
2 <sup>nd</sup> Home, Investment Property, Vacant	Ineligible	Up to \$7,000	Up to \$7,000

If the Borrower receives relocation assistance from a source other than Freddie Mac or the Servicer, such as an employer, the Servicer must reduce the amount of Freddie Mac's total contribution (Borrower relocation assistance plus supplemental Borrower incentive) by the amount received from the other source. Further, if the final property inspection reveals that the property is damaged, contains trash or debris or is otherwise not in clean, broom-swept condition, the Servicer must deduct the estimated or actual (if known) cost of repairing and cleaning the property from Freddie Mac's total contribution. The Servicer may, at its discretion, use its own funds to offer the Borrower an additional financial incentive to complete the DIL.

Once Freddie Mac's total contribution has been determined and the deed has been executed, the Servicer must disburse the Borrower relocation assistance and the supplemental Borrower incentive to the Borrower within 30 days of receipt of the executed deed. Servicers may continue to request reimbursement for Borrower relocation assistance from Freddie Mac in accordance with existing requirements in Section B65.44.1, *Borrower Contributions and Relocation Assistance*. Servicers may request reimbursement for the supplemental Borrower incentive by submitting a request for pre-approval (RPA) in the Freddie Mac Reimbursement System.

Servicers must comply with the new supplemental Borrower incentive requirement for new evaluations conducted on or after February 1, 2015. However, if feasible, Servicers are encouraged to implement this change for new evaluations conducted as early as **November 14, 2014**.

Sections B65.44.1 and B65.45, *Property Valuation and Property Inspection Requirements*, have been updated to reflect this change.

## 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,



Yvette W. Gilmore  
Vice President  
Servicer Performance Management

## Attachment A to Bulletin 2014-19

### Definitions and Weights for the Revised Servicer Success Scorecard Criteria

(This is a reissuance of Bulletin 2014-19, with corrections to the section titled “Default management criteria comparison” and Attachment A of this Bulletin, *Definitions and Weights for the Revised Servicer Success Scorecard Criteria*, made on December 2, 2014.)

Definitions and weights for all the default management Servicer Success Scorecard criteria are provided in the table below. There are no changes to the investor reporting criteria.

The following changes have been made to correct Bulletin 2014-19 regarding certain default management criteria calculations:

- Under “Loss Mitigation,” the 30 day trial modifications are not excluded, but were incorrectly indicated as excluded from the numerator for the following metrics:
  - 60 to Worse
  - 90+ to Worse
  - Retention Efficiency
  - Liquidation Efficiency
- Under “Workout Effectiveness,” the 12-Month Performance calculation was corrected to reflect that the metric calculates a single month of performance using one month of data for both the numerator and denominator, not the sum of three months. In the numerator, the calculation was corrected to include loan modifications that are current 12 months after the modification closed or loans that paid off (matured or prepaid) at any point during the 12 months.

#### DEFAULT MANAGEMENT CRITERIA

Criteria	Definition/Calculation	Weights
<b>Loss Mitigation</b>		
<b>Transition to 60+</b>	<p><b>Definition:</b> The number of loans that roll from a less than 60 days delinquent status to a 60+ days delinquent or loss liquidation status over a three-month reporting period divided by the Current or 30 days delinquent loan count three months prior. Loss liquidations include settled short sales, notified deeds-in-lieu of foreclosure (DIL) and notified foreclosure (FCL) sales (Real Estate Owned (REO) or third party sale (TPS)).</p> <p><b>Calculation:</b></p> <p>(D60+ loan count or loss liquidation (settled short sales, notified DILs and notified FCL sales (REO/TPS)) that transitioned from the denominator pool) – (Trials initiated during the reporting period on loans that are 30 days delinquent)</p> <p>-----</p> <p>(Current [&lt;30 days] and D30 loan count three months prior - Existing trials that are less than or equal to four months old)</p>	15%

Criteria	Definition/Calculation	Weights
<b>60 to Worse</b>	<p><b>Definition:</b> The number of 60 day delinquent loans in the previous month that rolled to a 90+ days (including in FCL) delinquent status or loss liquidation status in the current month divided by the 60 day delinquent loan count in the previous month. Loss liquidations include settled short sales, notified DILs and notified FCL sales (REO or TPS).</p> <p><b>Calculation:</b></p> $\frac{\text{(D90+ loan count (including FCL) or loss liquidation (settled short sales, notified DILs and notified FCL sales (REO/TPS)) that transitioned from the denominator pool during current cycle)}}{\text{(D60 loan count from previous cycle - Existing trials that are less than or equal to four months old)}}$	10%
<b>90+ to Worse</b>	<p><b>Definition:</b> The number of 90+ days (not including in active FCL) delinquent loans in the previous month that rolled to a 120+ days (not including in active FCL) delinquent status or loss liquidation status in the current month divided by the 90+ days delinquent (not including in active FCL) loan count in the previous month. Loss liquidations include settled short sales, notified DILs and notified FCL sales (REO or TPS).</p> <p><b>Calculation:</b></p> $\frac{\text{(D120+ loan count or loss liquidation (settled short sales, notified DILs and notified FCL sales (REO/TPS)) that transitioned from the denominator pool during current cycle) - (Active FCL)}}{\text{(D90+ loan count from previous cycle - Active FCL - Existing trials that are less than or equal to four months old)}}$	5%
<b>Cure Efficiency</b>	<p><b>Definition:</b> The number of loans between 30 days delinquent and the allowable foreclosure time line that cure or payoff in the current month divided by the number of loans between 30 days delinquent and the allowable foreclosure time line in the previous month. Full reinstatements, successful repayment plans, prepayment/maturity and repurchases will be considered in the numerator.</p> <p><b>Calculation:</b></p> $\frac{\text{Count of loans D30 to time line that prepaid/matured, fully reinstated or completed a successful repayment plan in the current cycle}}{\text{Count of loans D30 to time line in the previous month}}$	10%



Criteria	Definition/Calculation	Weights
<b>Retention Efficiency</b>	<p><b>Definition:</b> The number of loans between 60 days delinquent and the allowable foreclosure time line that initiated a trial modification or settled a non-trial modification during the current month divided by the number of loans that are between 60 days delinquent and the allowable foreclosure time line in the previous month.</p> <p><b>Calculation:</b>            (Count of loans D60 to FCL time line that initiated a trial mod + all settled non-trial mods in the current cycle)            -----            (Count of loans D60 to FCL time line in the previous cycle - Existing trials that are less than or equal to four months old)</p>	10%
<b>Liquidation Efficiency</b>	<p><b>Definition:</b> The number of loans between 90+ days delinquent (including in active FCL) and the allowable foreclosure time line that settled a short sale or notified DILs during the current month divided by the number of loans that are between 90+ days delinquent (including in active FCL) and the allowable foreclosure time line in the previous month. Liquidations include settled short sales and notified DILs.</p> <p><b>Calculation:</b>            (Count of loans D90+ to FCL time line that settled a short sale or notified DILs during the current cycle)            -----            (Count of loans D90+ to FCL time line in the previous cycle - Existing trials that are less than or equal to four months old)</p>	5%
<b>Workout Effectiveness</b>		
<b>12-Month Performance</b>	<p><b>Definition:</b> The percentage of loan modifications that are current 12 months after the modification closed or paid off (matured or prepaid) during the 12-month period.</p> <p><b>Calculation:</b>            Count of mods that are current in the current cycle from the denominator pool + Count of mods that are paid off during the 12-month period            -----            Count of closed mods 12 months prior</p>	2%

Criteria	Definition/Calculation	Weights
<b>Default Timeline Management</b>		
<b>Average Age Past FCL Sale Standard</b>	<p><b>Definition:</b> Average age of 180+ days delinquent loans (including in active FCL) and loss liquidations where the loan was 180+ days delinquent, that are exceeding the allowable foreclosure time line. Loss liquidations include settled short sales, notified DILs and notified FCL sales (REO or TPS).</p> <p><b>Calculation:</b>            (Sum of days exceeding the FCL time line for loans that are D180+ DLQ (including in active FCL) or liquidated at D180+ DLQ and are exceeding the allowable foreclosure time line, in the current cycle)</p> <p>-----</p> <p>(Count of loans D180+ DLQ or liquidated at D180+ DLQ that are exceeding the FCL time line, in the current cycle) - (selected sub-statuses: third-party FCL sale, FCL sale – HUD conveyance, FCL sale – recourse, FCL sale – REO pending, open REO, REO settled and closed)</p>	20%
<b>Beyond Timeline Resolution Rate</b>	<p><b>Definition:</b> As a percentage, the number of loan dispositions (REO, TPS, repurchases, short sales, DILs, full payoffs) and delinquency cures (loans less than 30 days delinquent for a given month and were greater than or equal to 30 days delinquent (including FCL) in the prior month) from loans beyond their allowable foreclosure time line, compared to the total inventory of loans beyond their allowable foreclosure time line.</p> <p><b>Calculation:</b>            (Total number of loan dispositions (notified FCL Sales (REO or third party), notified DILs, full payoffs (prepaid/maturity, settled short sales, repurchases) and cures (loans that are &lt;D30 in the current cycle and were &gt;=D30 (including FCL) in the previous cycle), that exceeded their allowable FCL time line in the previous cycle)</p> <p>-----</p> <p>(Total number of loans that exceed their allowable FCL time line in the previous cycle) - (selected sub-statuses: third-party FCL sale, FCL sale – HUD conveyance, FCL sale – recourse, FCL sale – REO pending, open REO, REO settled and closed)</p>	18%

Criteria	Definition/Calculation	Weights
<b>Data Integrity</b>		
<b>Initial Delinquency Reporting</b>	<p><b>Definition:</b> A percentage, the number of edits generated in the first monthly Electronic Default Reporting (EDR) transmission compared to the total number of 30+ delinquent loans in a Servicer's portfolio.</p> <p><b>Calculation:</b></p> $\frac{\text{Number of edits generated in the first monthly EDR transmission in Month X}}{\text{Total 30+ delinquencies in Month X}}$	0%
<b>Final Delinquency Reporting</b>	<p><b>Definition:</b> A percentage, the number of edits that have not been resolved plus the number of 90+ delinquent loans and loans in foreclosure that have not been reported as of the close of the sixth Business Day of the month compared to the total number of 30+ delinquent loans in a Servicer's portfolio.</p> <p><b>Calculation:</b></p> $\frac{\text{Number of edits in the monthly EDR transmission that have not been resolved as of the close of the sixth Business Day in Month X} + \text{Number of 90+ days delinquent loans and loans in foreclosure that were not reported as of the close of the sixth Business Day in Month X}}{\text{Total 30+ delinquencies in Month X}}$	0%
<b>Accuracy of DDLPI Reporting</b>	<p><b>Definition:</b> The percentage of your 30+ delinquent loans reported with DDLPIs that are inconsistent with the DDLPI information reported via Loan-Level Reporting.</p> <p><b>Calculation:</b></p> $\frac{\text{Number of DDLPI discrepancies between EDR and Loan-Level Reporting in Month X}}{\text{Total 30+ delinquencies in Month X}}$	5%
<b>Timeline REO Notifications</b>	<p><b>Definition:</b> The average number of days from the first Business Day after the foreclosure sale date to the date the Servicer reports the foreclosure sale results to Freddie Mac.</p> <p><b>Calculation:</b></p> $\frac{\text{Total number of days to report foreclosure sale results for the most recent six-month period}}{\text{Total number of foreclosure sales reported for the most recent six-month period}}$	0%