



TO: Freddie Mac Servicers

November 17, 2014 | 2014-20

SUBJECT: SERVICING UPDATES

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

- MI delegations of authority for foreclosure sale bidding
- Aligned requirements for handling insurance loss settlements when the Mortgaged Premises is located in an Eligible Disaster Area or not
- Clarifications and revisions to our Servicing requirements for Borrowers who are Servicemembers and their Dependents (as those terms are referenced in Guide Section 82.1, *Overview*)
- The retirement of Expense ManagerSM

In addition to the changes listed above, we are announcing further updates and reminders, as described in the "Additional Guide Updates and Reminders" section of this Bulletin.

EFFECTIVE DATE

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

MI DELEGATIONS OF AUTHORITY FOR FORECLOSURE SALE BIDDING

Effective January 16, 2015

Freddie Mac has reached agreements with several MIs allowing Freddie Mac and its Servicers to establish bids at foreclosure sale according to Freddie Mac's guidelines for Mortgages covered by mortgage insurance policies provided by participating MIs. This delegated authority will create new efficiencies for a Servicer when preparing for a foreclosure sale.

The list of participating MIs is available in the Freddie Mac Service Loans application. To access the list, select the "My Home" tab located in the Service Loans application and click on the link to "Delegated MI Companies." The list will be updated when MIs are added or removed from the list. Servicers must refer to the list when preparing for foreclosure sales scheduled on or after January 16, 2015 for Mortgages covered by mortgage insurance policies.

For each participating MI, the Servicer must follow the foreclosure sale bidding instructions in Section 66.29, *First Lien Mortgages Not Covered by Mortgage Insurance or Subject to Credit Enhancements*, for Mortgages insured by that MI.

Foreclosure sales scheduled prior to January 16, 2015

A participating MI's requirements or guidelines may reflect or require adoption of the referenced delegation prior to January 16, 2015. Servicers are required to implement this change in accordance with the applicable MI's requirements or guidelines.

Preservation of deficiency rights

Notwithstanding the above, if the Mortgage has mortgage insurance and the MI's bidding instructions or requirements include preserving deficiency rights, when permitted by applicable law, the Servicer must preserve the MI's right to pursue a deficiency action. The Servicer should bid an amount at foreclosure sale that reserves the right to pursue deficiencies after the foreclosure sale on a case-by-case basis. This requirement applies whether or not the MI has delegated authority to Freddie Mac for foreclosure sale bidding.

Credit bids

As a reminder, 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 FHA, not guaranteed by the VA or the Rural Housing Service (RHS) and not subject to a credit enhancement. If the Mortgage is covered by mortgage insurance, insured by the FHA, guaranteed by the VA or RHS or subject to a credit enhancement, then the Servicer must bid an amount approved by the responsible party, unless Freddie Mac has a delegation of authority from the applicable party. Refer to Sections 66.26, *Delegated Bidding*, through 66.32, *Failure to Bid Appropriately*, for requirements on the foreclosure sale bidding process.

INSURANCE LOSS SETTLEMENTS

We currently have different requirements for handling insurance loss settlements based on whether the cause of loss is disaster-related or non-disaster-related. This Bulletin updates Sections 58.10, *Insurance Loss Settlements*, and 68.3, *Insurance Loss Settlements after an Eligible Disaster*, to introduce one set of uniform requirements for Servicers.

With this change, we are providing the Servicer with delegated authority to release insurance proceeds to the Borrower based on the Mortgage status at the time the Servicer is notified of the loss. We are providing separate requirements for losses when the Mortgage is current or less than 31 days delinquent at the time of loss or 31 or more days delinquent at the time of loss.

Servicers are encouraged to implement the new requirements immediately, but must implement them no later than **February 1, 2015**.

SERVICING REQUIREMENTS FOR BORROWERS WHO ARE SERVICEMEMBERS AND THEIR DEPENDENTS

Foreclosure relief

In Bulletin 2013-15, we highlighted our commitment to active duty Servicemembers and their families by offering additional foreclosure relief to Servicemembers and their Dependents. In response to inquiries from Servicers, we are clarifying our requirements in Section 82.2(c), *Foreclosure Relief Extended to Servicemembers and Their Dependents by Freddie Mac in Addition to SCRA Provisions and State Military Relief Laws*.

Freddie Mac will extend foreclosure relief to a Servicemember and his or her Dependent during the period of Military Service and for one year after the date Military Service ends when the Borrower:

- Is a Servicemember, regardless of when the Mortgage was originated, and the Mortgaged Premises serves as his or her Primary Residence
- Is a Dependent of a Servicemember and the Mortgaged Premises is the Primary Residence of the Servicemember or a Dependent of a Servicemember
- Was a Servicemember who died during his or her Period of Military Service and the Mortgaged Premises continues to serve as the Primary Residence of a Dependent of the Servicemember

Servicers may refer to the [Freddie Mac Military Relief Options for Service Members](#) web page for examples of how to determine if a Borrower is a Dependent of a Servicemember.

Reporting Mortgages eligible for the SCRA interest rate cap

We have recently updated our operational procedures related to the SCRA interest rate cap. As a result, Servicers no longer need to submit Guide Forms 1066, *SCRA Accounting Data Form*, or 1071, *Supplemental Accounting Report of SCRA Mortgages*. Instead, Servicers may submit a CSV file to identify Mortgages that are eligible for the SCRA interest rate cap and extensions to a Servicemember's Period of Military Service and, on a monthly basis, submit a text file to claim their interest rate differential reimbursement for each SCRA-capped Mortgage. Servicers may submit these files directly to their investor reporting specialist. We have updated Section 82.7, *Accounting Reports and Remittances*, to outline our updated SCRA-related reporting and remittance requirements.

We are repurposing Guide Exhibits 71, formerly titled *SCRA Example of Principle and Interest Payment Calculation*, and 72, formerly titled *SCRA Example of Monthly Interest Rate Differential Credit*, to highlight the new SCRA reporting formats:

- Exhibit 71, *CSV File Format to Report Loans Eligible for the SCRA Interest Rate Subsidy*
- Exhibit 72, *Text File Format to Request SCRA Interest Rate Differential*

We are also updating Sections 82.4, *Applying SCRA Provisions*, 82.5, *Calculation of New Monthly Payment*, 78.22.1, *Quarterly Reporting and Remitting Requirements*, and 78.33, *Additional Monthly Reporting Requirements*, and Directory 3 to conform to the revised investor reporting procedures and retiring Forms 1066 and 1071 from the Guide.

These changes are effective **April 1, 2015**, however, Servicers are encouraged to adopt these changes as soon as it is operationally feasible.

RETIREMENT OF EXPENSE MANAGERSM

Effective **March 1, 2015**, Expense Manager will be retired. Servicers are being directed to utilize the reports in the Freddie Mac Reimbursement System that have been migrated over from Expense Manager for the reconciliation of reimbursement claims filed or needing to be filed. These reports currently exist within the Reimbursement System and include, but are not limited to, Claims Submission Reports, Real Estate Owned (REO) Loans Eligible for Initial or Final 104SF Filing, and Settled Workout Loans Eligible for Final or Supplemental 104SF Filings. Servicers are encouraged to implement this change as soon as possible, as Expense Manager will not be accessible on and after March 1, 2015.

Exhibit 88, *Servicing Tools*, has been updated to reflect this change.

ADDITIONAL GUIDE UPDATES AND REMINDERS

Reminder: Condominium, Planned Unit Development (PUD) and homeowners association (HOA) assessments in super lien States

The Supreme Court of the State of Nevada recently held that foreclosure by an HOA on its lien for delinquent assessments extinguished the existing Mortgage on the property. In light of this ruling, we are reminding Servicers that pursuant to Section 66.22, *Expenses that May Become First Liens on the Property*, Servicers must take steps to ensure that our Mortgage is not adversely affected, including but not limited to, paying any condominium, HOA and PUD regular assessments that are, or may become, superior to our lien and pose a risk to our interest in the Mortgaged Premises if left unpaid.

Accordingly, it is important for Servicers to continue to have adequate procedures and processes in place to ensure that they are notified by the HOA of any activities that affect, or could affect, Freddie Mac's interest in the Mortgaged Premises.

The steps that a Servicer must take vary from State-to-State. For example, in certain super lien States, the Servicer's notification to the HOA of its current name, address and interest in the property may legally obligate the HOA to notify the Servicer of any pending action affecting the property by the HOA. While in other States, such as Nevada, the Servicer may need to take additional steps to ensure the Servicer is notified of a pending foreclosure on a lien for delinquent assessments (e.g., the recordation of a Request for Special Notice by the Servicer).

Audit confirmation requests

Freddie Mac's Single-Family Operations Investor Reporting department recently established a centralized mailbox to receive audit confirmation requests. Servicers must now send their audit confirmation requests to audit_confirmation@freddiemac.com. We have updated Section 55.5, *Audit Confirmation Requests*, and Exhibit 65, *Audit Confirmation Request*, to reflect this new e-mail address.

Directory 1 updates related to document custody eligibility

Effective October 15, 2014

As announced in Bulletin 2014-18, for Seller/Servicer convenience, we have reviewed our contact information for the notification and submission of information to Freddie Mac's Counterparty Credit Risk Management department and determined that the e-mail address, institutional_eligibility@freddiemac.com (which is used for many things, including the submission of Form 1107SF, *Seller/Servicer Change Notification Form*, to Freddie Mac), may also be used as an option for the Seller/Servicer to notify Freddie Mac:

- In the event of any cancellation or non-renewal of any of the required insurance coverages for Document Custodians provided in Sections 18.2(b), *Basic Eligibility Requirements*, and 18.4(c), *Transit Insurance Requirements*
- The Document Custodian fails to comply with any eligibility requirement provided in Guide Chapter 18, *Document Custody*

Directory 1 has been updated to reflect these changes.

Private mortgage insurance master policy reminder

As announced in Bulletin 2014-13, any Mortgage that was sold to Freddie Mac, requires private mortgage insurance and has an Application Received Date on or after **October 1, 2014**, must be insured under one of the new private mortgage insurance master policies. Seller/Servicers should review Exhibit 10, *Freddie Mac Approved Mortgage Insurers*, periodically for current information on Freddie Mac-approved MIs, including the form numbers for the new master policies. Exhibit 10 can be accessed on FreddieMac.com at http://www.freddiemac.com/singlefamily/guide/mortgage_insurers.html.

Reference to "Mortgages Purchased in Whole or in Part"

We have updated applicable Guide sections to remove remaining references to "Mortgages Purchased in Whole or in Part." The term was previously defined in the Glossary but was removed with the retirement of MIDANET®.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 39, 51, 54, 55, 56, 58, 59, 68, 70, 76, 78, 81 and 82
- Forms 1066 and 1071
- Exhibits 65, 71, 72 and 88
- Directory 3

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2014-20 (Servicing) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bl1420_spreadsheet.xls.

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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