



**TO: Freddie Mac Servicers**

December 8, 2014 | 2014-23

## **SUBJECT: SERVICING UPDATES**

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

- The requirement that Servicers file and settle any property insurance claims with the applicable property insurer before submitting a recommendation to Freddie Mac to charge off a Mortgage
- The requirement that Servicers send Freddie Mac a copy of the fully executed modification agreement of Home Mortgages and Second Mortgages when the modification reduces monthly payments due to a partial principal curtailment
- A revision to our reporting requirements for distressed properties
- A new requirement regarding when Servicers can approve a request to release a portion of the Mortgaged Premises or to grant an easement to the Borrower
- Reduced fees for interior and exterior property valuations

In addition to the changes listed above, we are announcing 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.

## **CHARGE-OFFS**

We are revising the requirements in Guide Section B65.51, *Submitting a Recommendation to Freddie Mac*, to provide that Servicers must file and settle any property insurance claims with the applicable property insurer before submitting a recommendation to Freddie Mac to charge off a Mortgage. When making a recommendation to Freddie Mac, the Servicer must submit the recommendation via Workout Prospector® with a detailed explanation of the recommendation documented under the comments section.

Additionally, we are revising the requirement in Section B65.53, *Closing, Reporting and Remittance Requirements*, to provide that Servicers must send the collateral documents to a Freddie Mac-approved vendor. Servicers are no longer required to send the documents to Freddie Mac. Upon request from the approved vendor, the Servicer must forward the required collateral documents to the vendor. Further, when the Servicer submits any claim proceeds to Freddie Mac, the Servicer now has the option either to wire transfer the proceeds or send a check to Freddie Mac.

Directory 5 has also been revised to reflect these changes.

## **MODIFICATIONS ON MORTGAGES WITH PARTIAL PREPAYMENTS (CURTAILMENTS)**

The requirements in Section 59.2, *Partial Prepayments (Curtailments)*, provide that modifications of Home Mortgages and Second Mortgages that result in reduced monthly payments due to a partial principal curtailment may be approved by the Servicer without Freddie Mac's approval. If the Borrower requests a change to the monthly principal and interest payment on the Mortgage, the Servicer is required to have the Borrower and all necessary parties to the transaction execute a modification agreement specifying the new modified principal and interest payment. However, the Servicer was not previously required to send a copy of the modification agreement to Freddie Mac.

We are updating Section 59.2 to require the Servicer to send a copy of the fully executed modification agreement to Freddie Mac (see Directory 3) by the last Business Day of the month of the effective date of the new monthly principal and interest payment. Freddie Mac will update its systems with the new payment as set forth in the

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executed modification agreement. If the number of Mortgages that the Servicer is modifying in accordance with the requirements in Section 59.2 exceeds a total of ten in a given month, the Servicer must complete and attach new Form 1102, *Modified Principal and Interest Payment*, with its submission to Freddie Mac.

Servicers must send an original fully executed modification agreement to the Document Custodian within 25 days after receiving it from the Borrower to be maintained with the Note. Servicers must also maintain a copy of the modification agreement in the Mortgage file.

As a reminder, Servicers must report and remit the new monthly modified principal and interest payments in accordance with the requirements in Guide Chapter 78, *Reporting and Remitting Requirements*.

Section 51.20, *Application of Payments: Partial Prepayments (Curtailments)*, and Directory 3 have also been updated to reflect these changes.

## **DISTRESSED PROPERTIES**

We are clarifying Servicers' reporting obligations with respect to certain Mortgages secured by distressed properties. The Servicer should report a Mortgage secured by a distressed property to Freddie Mac via the contact information provided in Directory 5 only when a Risk of Property Ownership exists, as described in Section 65.20, *Risk of Property Ownership*, even if the Mortgage is not delinquent. Mortgages secured by distressed properties in which a Risk of Property Ownership does not exist should not be reported to Freddie Mac via the contact information provided in Directory 5.

As a reminder, Servicers must report all Mortgages secured by distressed properties to Freddie Mac via Electronic Default Reporting (EDR) regardless of whether or not a Risk of Property Ownership exists.

Sections 65.20 and 67.27, *Servicing Mortgages on Distressed Properties*, Directory 5 and the Glossary have been updated to reflect these changes

## **CHANGES TO THE MORTGAGED PREMISES**

Section 60.6(b), *Permitted Transfers of Ownership Subject to Conditions*, provides that Freddie Mac will permit a Transfer of Ownership of the Mortgaged Premises if certain conditions are met, including that at least 12 months must have passed since the Origination Date.

Similarly, we are updating Section 51.7, *Changes to the Mortgaged Premises*, to add the condition that at least 12 months must have passed since the Origination Date for a Servicer to have delegated authority to review and approve a request to release a portion of the Mortgaged Premises or to grant an easement to the Borrower.

## **PROPERTY VALUATION COSTS**

Prior to renewing our national vendor contracts, we renegotiated fees for Broker's Price Opinions (BPOs) and appraisals. As a result, we have updated Section 65.40, *Valuation Costs*, to reduce our fees for interior property valuations with interior and exterior photographs to \$105 and exterior property valuations with exterior photographs to \$85.

## **ADDITIONAL GUIDE UPDATES**

### **Requests for a limited power of attorney (LPOA)**

Section 59.4, *Execution of Documents*, requires Servicers to submit all requests for Freddie Mac execution of documents via e-mail at [FMMDM@freddiemac.com](mailto:FMMDM@freddiemac.com) as provided in Directory 9. Additionally, Servicers were previously permitted to request an LPOA in accordance with the requirements in Section 51.3, *Servicing Facilities and Duties*, using the same e-mail address.

As a result of certain operational changes, we have updated Directory 9 to require Servicers to submit all requests for an LPOA via e-mail at [Shortsales@freddiemac.com](mailto:Shortsales@freddiemac.com). All other requests for Freddie Mac execution of documents must continue to be submitted via e-mail at [FMMDM@freddiemac.com](mailto:FMMDM@freddiemac.com).

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## Form 960, Agreement for Concurrent Transfer of Servicing of Single-Family Mortgages

We are updating Form 960 to provide Servicers the ability to identify refinance Mortgages originated under the Home Affordable Refinance Program (HARP) when submitting a Transfer of Servicing.

### Retirement of Guide form and exhibits

We have reviewed our forms and exhibits and determined that the following are no longer necessary, outdated and/or no longer provide value to Servicers and will therefore be retired:

- Form 1076, *Notification of Foreclosure Sale and Acquisition*: Servicers now submit foreclosure sale results via the Freddie Mac Service Loans application
- Guide Exhibit 69, *Seller/Servicer Remittance Analysis*: Examples explaining the Seller/Servicer remittance analysis have been incorporated into numerous products, such as [Investor Reporting to Freddie Mac](#), available through the Freddie Mac Learning Center
- Exhibit 73, *GPM Payment Factors*: This exhibit is no longer referenced in the Guide and does not provide substantive value as a standalone exhibit
- Exhibit 80, *Balloon Loan Modification (Form 3293)*: We have updated Chapter A83, *Additional Servicing Requirements for Maturing Balloon/Reset Mortgages*, with a direct link to [Form 3292, Multistate Balloon Loan Modification Agreement](#), and therefore Exhibit 80 is no longer necessary
- Exhibit 99, *Servicer Selection Form*: This exhibit is no longer referenced in Chapter 69, *Selection, Retention and Management of Law Firms for Freddie Mac Default Legal Matters*, and is no longer necessary. In Bulletin 2013-9, we announced that Servicers must submit their Servicer Selection Forms through the Freddie Mac Servicer Attorney Tracking System (SATS). The Servicer Selection Form is available via SATS and we have updated Chapter 69 with a direct link to SATS as well as instructions to request access.

Applicable Guide sections have been updated to reflect these changes.

### REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 51, 59, 65, B65, 67, 78 and A83
- Forms 960, 1076 and 1102
- Exhibits 69, 73, 80, 96 and 99
- Glossary
- Directories 3, 5 and 9

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2014-23 (Servicing) Guide Updates Spreadsheet available at [http://www.freddiemac.com/singlefamily/guide/docs/bl1423\\_spreadsheet.xls](http://www.freddiemac.com/singlefamily/guide/docs/bl1423_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,



Yvette W. Gilmore  
Vice President  
Servicer Performance Management