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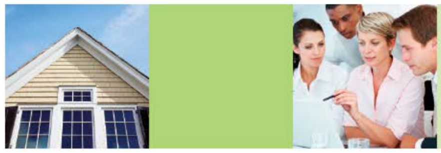

Bulletin

TO: Freddie Mac Servicers June 15, 2015 | 2015-9

SUBJECT: SERVICING UPDATES

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

Modifications

- The one-year extension of the Home Affordable Modification Program (HAMP®)
- Revised requirements relating to application of HAMP Pay for Performance incentives to principal, additional guidance for handling funds from the Program Administrator and offers to reamortize the Mortgage
- The elimination of the expiration date for the Freddie Mac Streamlined Modification
- A Servicer compensation clarification for certain instances when the modification is the third modification to the Mortgage
- The requirement that all modification agreements in connection with a partial principal curtailment be written, executed by at least the Servicer and provided to the Document Custodian

Foreclosure and Real Estate Owned

- The mandatory use of the Freddie Mac Default Fee Appeal System for submitting appeals of late foreclosure sale reporting compensatory fees
- Servicer reimbursement of "unearned" property insurance premiums under certain conditions
- New monthly Internal Revenue Service Form 1099-C filing reports

In addition to the above changes, 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.

MODIFICATIONS

Home Affordable Modification Program (HAMP) extension

As a result of Treasury and the Federal Housing Finance Agency's previous announcements of the extension of HAMP, Guide Section C65.4 has been updated to require that all HAMP modifications must have a Modification Effective Date on or before **September 1, 2017** and that all evaluations for HAMP must be based on a complete Borrower Response Package submitted on or before **December 31, 2016**.

HAMP Pay for Performance incentive

Application

With the introduction of the HAMP Year Six Pay for Performance incentive in Bulletin 2015-1, we included requirements regarding the application of the incentive. These requirements applied not only to the HAMP Year Six Pay for Performance incentive, but also to existing HAMP Pay for Performance incentives not yet applied during the first five years under HAMP. The guidance issued in Bulletin 2015-1 represented a change to the application of incentive process. Under the change, rather than always applying the full incentive amount to principal, the Servicer would have been required to first apply the funds in accordance with application of payment requirements of the Note and Security Instrument, which would result in funds being applied to arrearages, as applicable.

In response to Servicer feedback and in an effort to simplify this process, we are reverting back to the requirements in place prior to Bulletin 2015-1, and eliminating the requirement to first apply the incentive in accordance with the application of payment requirements of the Note and Security Instrument. As a result, for all HAMP Pay for Performance incentives, Servicers must always apply the incentive to principal in accordance with the following requirements:

If the HAMP Pay for Performance incentive…	Then the Servicer must apply the HAMP Pay for Performance incentive…
Is less than the interest-bearing unpaid principal balance (UPB)	To the interest-bearing UPB
Is greater than or equal to the interest-bearing UPB	In the following order to the: 1. Deferred UPB, if any, and then 2. Interest-bearing UPB Note: After applying the incentive in the above order, the Servicer must remit any remaining incentive payment directly to the Borrower.

Sections C65.9 and C65.10 have been updated to reflect this change.

Additional guidance for handling funds from the Program Administrator

Servicers must follow the Making Home Affordable (MHA) reporting requirements for the expanded Borrower Pay for Performance incentives for a HAMP modification.

Reamortization

In Bulletin 2015-1, we announced a new requirement for Servicers to offer a Borrower who may be eligible for the HAMP Year Six Pay for Performance incentive the opportunity to reamortize the Mortgage, provided the Borrower and Mortgage meet certain conditions. Bulletin 2015-1 announced that Servicers are required to provide at least one written notification to an eligible Borrower the opportunity to reamortize the Mortgage as early as the 120th day and no later than the 60th day prior to the sixth anniversary of the HAMP Modification Effective Date.

To provide Servicers additional time for implementation, we are revising the timing requirements to send the reamortization offer for Mortgages that become eligible for the HAMP Year Six Pay for Performance incentive prior to September 1, 2015. In these instances, Servicers are encouraged to send the reamortization offer to an eligible Borrower in accordance with the requirements in Section C65.9(c), but will be permitted to provide the required written notification no later than 30 days following the application of the HAMP Year Six Pay for Performance incentive. The reamortization offer requirements for Mortgages that reach the sixth anniversary of their HAMP Trial Period Plan Effective Date on or after September 1, 2015 are unchanged.

In addition, Servicers may leverage the ***Treasury Model MHA Recast Notice*** when offering potentially eligible Borrowers the opportunity to reamortize the Mortgage in accordance with Section C65.9(c). The notice must be modified as necessary to comply with all Freddie Mac requirements and applicable law. With respect to Borrowers who may have future step-rate increases, Servicers are reminded to specify changes to the Borrower's payment schedule for each step-rate as a result of the reamoritzation.

Section C65.9(c) has been updated to reflect this change.

Streamlined Modification indefinite extension

Under the Servicing Alignment Initiative, we are indefinitely extending the Streamlined Modification to help Servicers continue to assist seriously delinquent Borrowers and avoid foreclosure. With this change, we are eliminating the expiration date for this program. Servicers must continue to offer the Streamlined Modification to Borrowers eligible pursuant to the requirements in Section B65.12.1 until otherwise instructed by Freddie Mac.

Sections 64.6 and B65.12.1 have been updated to reflect this change.

Compensation program

In Bulletin 2015-3, for the Freddie Mac Standard Modification, Streamlined Modification and Capitalization and Extension Modification for Disaster Relief ("Disaster Relief Modification"), we raised the permitted total of previous mortgage modifications so that Mortgages that have been modified three or more times are ineligible for another modification. We are clarifying that Servicers will be compensated for completing a Standard Modification, Streamlined Modification or Disaster Relief Modification in accordance with Section 65.42 and Guide Exhibit 98, in instances when the new mortgage modification is the third modification of a particular Mortgage.

Section 65.42 has been updated to reflect this clarification.

Modification agreements for modifications resulting from partial principal curtailments

In Bulletin 2015-2, to offer additional flexibility, we modified the requirements in Section 59.2 to provide that Servicers may determine, in their discretion, but subject to applicable law, whether to require an executed modification agreement or no written modification agreement that result from a reamortization of the unpaid principal balance, including reamortization of the interest-bearing balance of Step-Rate Mortgages where Pay for Performance incentives have been applied.

Servicer feedback has indicated that Servicers are requiring a written modification agreement for each Mortgage modified in accordance with the requirements in Section 59.2. To maintain consistency with other loss mitigation processes in the Guide, we are globally removing the "no written modification agreement" option. In connection with the written modification agreement requirements, Servicers must determine whether they must obtain the Borrower's signature or whether only the Servicer's execution of the modification agreement is sufficient to ensure that the modified Mortgage is in First Lien position and enforceable under applicable law.

We are providing additional requirements with respect to sending a Servicer-only executed modification agreement to the Document Custodian. In such instances, the Servicer must send one original written modification agreement to the Document Custodian within 25 days of the modification effective date to be maintained with the Note. Additionally, the Servicer must send one original written modification agreement executed by the Servicer to the Borrower and retain a copy of the executed modification agreement in the Mortgage file or an electronic image of the modification agreement in the Servicing system.

As a reminder, if the Servicer elects to require a modification agreement to be executed by both the Borrower and the Servicer, the Servicer must send one original executed modification agreement to the Document Custodian within 25 days after receiving it from the Borrower to be maintained with the Note in accordance with the requirement of Section B65.25.

Sections 59.2, 64.12 and C65.9 have been updated to reflect these changes.

FORECLOSURE AND REAL ESTATE OWNED

Mandatory use of the Default Fee Appeal System for late foreclosure sale reporting compensatory fee appeals

Effective September 1, 2015

In Bulletin 2014-16, Freddie Mac made available the Default Fee Appeal System (DFAS), which enables Servicers to submit appeals of State foreclosure time line compensatory fee assessments.

We are announcing that DFAS may also be used for submitting appeals for late foreclosure sale reporting compensatory fees. Servicers or their authorized Servicing Agents are encouraged to begin using DFAS to submit their appeals for late foreclosure sale reporting compensatory fees prior to September 1, 2015 if they are able to do so; however, Servicers must use DFAS to submit their appeals beginning on September 1, 2015. We will not accept or review appeals of late foreclosure sale reporting compensatory fees through the **NPL_Invoices@freddiemac.com** mailbox beginning on September 1, 2015.

Additionally, as part of this effort, we have developed a template to submit appeals of late foreclosure sale reporting compensatory fees in bulk. This template is available with upload instructions on the **Default Fee Appeal System web page**. This will allow Servicers to submit more than one compensatory fee appeal at a time.

Section 66.33 has been updated to reflect DFAS.

Servicer access to DFAS

In order to use DFAS by the effective date, Servicers (and Servicing Agents) must submit the applicable authorized user role forms, as described below, sufficiently in advance of September 1, 2015 to allow Freddie Mac time to process the form(s). Servicers and Servicing Agents may immediately register new users following the publication of this Bulletin. Authorized users must be fully registered at least 30 calendar days prior to the effective date in order to have access by the mandatory effective date of September 1, 2015.

Servicers (and Servicing Agents) that have previously enrolled users as “Default Fee Appeal Specialists” for the purposes of appealing State foreclosure time line compensatory fees do not need to enroll a second time. Servicer’s current user role will enable them to access appeals related to late foreclosure sale reporting compensatory fees.

To designate an authorized employee(s) to the user role of “Default Fee Appeal Specialists,” Servicers or authorized Servicing Agents must complete and submit Guide Form 903 or Form 903SA, as applicable, together with the addendum, Form 903A or Form 903ASA, if needed. Following the receipt of the applicable completed form(s), Freddie Mac will e-mail user IDs for all authorized users to the Servicer's or Servicing Agent's designated “Default Fee Appeal System External Servicing Administrator.” Directions on submitting the completed forms are available via the **Default Fee Appeal System web page**.

Servicers and their Servicing Agents must review the DFAS User Agreement set forth in Exhibit 94 ("User Agreement") and comply with its terms. This User Agreement supersedes any other DFAS terms of use document signed by the Servicer. By virtue of the Servicer's and its Servicing Agent's use of the system, the Servicer and Servicing Agent agree to, and are deemed to be bound by:

- All of the provisions of the User Agreement to the same degree as if the Servicer or Servicing Agent has signed such Agreement as a "User"
- Guide Chapter 3 and Section 50.3.1
- All other applicable terms and conditions of the Guide and other Purchase Documents

Reimbursement of “unearned” property insurance premiums

Effective for all foreclosure sales occurring on or after May 1, 2015

In response to Servicer feedback, we have revised our property insurance reimbursement requirements in Section 71.15 to allow for the reimbursement of “unearned” premiums under certain conditions. Unearned premiums are premiums for which the insurer provided no corresponding coverage. They commonly occur when a policy is canceled prior to the conclusion of its scheduled term. If, at the time of this early cancellation, the Servicer has already advanced premiums for future periods, those advanced premiums are said to be “unearned.”

Under the revised requirements, Servicers are able to seek reimbursement for unearned premiums when, on behalf of the Borrower, they have advanced premiums to the insurer through an Escrow account and the insurer fails to refund the advanced amounts back to the Servicer upon early cancellation of the policy.

For escrowed Mortgages secured by properties that were either purchased by a third party or reverted to Real Estate Owned (REO) through foreclosure sale, we will now reimburse premiums advanced by the Servicer for the period of 12 months prior to the Due Date of the Last Paid Installment (DDLPI) through the earlier of the last coverage date or 12 months after the foreclosure sale date.

Notwithstanding the preceding requirements and those in Section 71.15, Servicers must not seek reimbursement for unearned premiums in the following scenarios:

- **Lender-Placed Insurance premiums**: The Servicer places the insurance policy directly, is the beneficiary of the policy and is therefore entitled to the refund of any unearned premiums, which should be sent by the insurer directly to the Servicer
- **Property insurance premiums on non-escrowed Mortgages**: The Servicer does not have a legal obligation to advance insurance premiums on behalf of the Borrower if insurance premiums are not an escrowed item
- **Third-party foreclosure sales where the purchase price met or exceeded total indebtedness**: The Servicer should recover advanced insurance premiums as part of the total indebtedness figure

- **Short sales and deeds-in-lieu of foreclosure**: The Servicer is able to negotiate recovery of the unearned premiums directly with the Borrower

How to request reimbursement for newly reimbursable unearned premium amounts

To provide more immediate relief to Servicers, we are making the above announcement and associated Guide changes prior to our implementing corresponding enhancements to the Freddie Mac Reimbursement System's claims process. As a result, until advised otherwise, Servicers seeking reimbursement for such unearned premiums must, prior to the initial claim submission, submit a request for pre-approval (RPA) through the Reimbursement System's RPA submission process. The requested amount must be limited to the cost of the premiums that are newly reimbursable per the requirements in the preceding paragraphs and Section 71.15. The RPA submission must provide the following:

- The reason for the submission (i.e., reimbursement approval for unearned property insurance premiums)
- Documentation that the Mortgage was escrowed (e.g., screenshot of internal system comments reflecting that the Mortgage was escrowed)
- The policy coverage period
- The policy cancellation date
- An invoice confirming the Servicer's payment of the premiums for which the Servicer is seeking reimbursement

Introduction of monthly Internal Revenue Service Form 1099-C filing reports

In Bulletin 2014-16, we announced the creation of the annual "Servicer 1099-C Filing Report" ("Report") to assist Servicers in meeting their Internal Revenue Service (IRS) Form 1099-C filing obligations when Freddie Mac or a Freddie Mac deficiency recovery vendor has decided not to pursue post-foreclosure deficiency collections (see Section 55.3.1). The Report, available each January through the Default Reporting Manager℠, provides the Servicer with a list of Mortgages for which Freddie Mac or its vendor has decided not to pursue post-foreclosure deficiency collections from the previous calendar year. Servicers are required to review each year's Report by the end of January in order to ensure they meet their IRS Form 1099-C filing obligations.

At the request of Servicers and to help reduce the burden of the required annual review, we are introducing monthly 1099-C filing reports. These monthly reports will be issued from February to December of each year and will be available by the 22nd calendar day of each month. While Servicers are only required to review the annual Report, issued each January, the monthly reports may be used to prepare for that review and the eventual IRS Form 1099-C filings. Each monthly report will provide an aggregate list of Mortgages for which Freddie Mac or its vendor has decided not to pursue post-foreclosure deficiency collections.

When using the monthly 1099-C filing reports, the Servicer must:

- Reconcile any IRS Form 1099-C prepared using information provided in one or more monthly 1099-C filing report(s) with the information in the annual Report
- Ensure that an IRS Form 1099-C is not filed if the status of the account changes, such as when there is a rollback of a foreclosure sale
- Ensure that any IRS Form 1099-C filings that are submitted to the IRS after the Servicer's repurchase of the Mortgage are not filed in the name of, or on behalf of, Freddie Mac
- Verify, in the event of a repurchase of the Mortgage by Freddie Mac from a Senior Subordinate Trust and where the Servicer has not subsequently repurchased the Mortgage from Freddie Mac, that any IRS Form 1099-C filings are completed in the name of, or on behalf of, Freddie Mac, instead of on behalf of the Senior Subordinate Trust

The listing of a Mortgage on each monthly report is tentative as the status of the cancellation of debt may change at a later point in the year (e.g., the Borrower may contact Freddie Mac with a request to negotiate a settlement, in which case, we would contact the Servicer for an update on the status of the IRS Form 1099-C and provide additional instruction when further action is necessary).

Sections 55.3.1 and S84.9 have been updated to reflect the monthly reports.

ADDITIONAL GUIDE UPDATES

Electronic Default Reporting default action code 32 (Military Indulgence)

Servicers must report Electronic Default Reporting (EDR) default action code 32 (Military Indulgence) anytime default action processes are delayed due to a Borrower being in a Period of Military Service and protected under the Servicemembers Civil Relief Act (SCRA).

To ensure accurate monthly EDR, we are updating Section 82.4(j) to require Servicers to also report default action code 32 anytime default action processes are delayed due to a Borrower receiving foreclosure relief provided to Servicemembers and their Dependents in accordance with Section 82.2(c). Servicers must provide the date default process were suspended and continue to report each month that the Servicemember receives foreclosure protection under the SCRA or Section 82.2(c).

We have additionally updated Section 82.4(j) to require Servicers to provide the date default process were suspended and continue to report each month that the Servicemember is receiving foreclosure protection under the SCRA or Section 82.2(c) when reporting EDR default action code 32.

Investor Reporting department contact information

We are making the following Guide updates to reflect the Freddie Mac Investor Reporting department and contact information:

- Form 1034T to reflect that it should be delivered to Investor Reporting
- Directory 9 to reflect the fax number for the Investor Reporting department

Special Asset Unit department contact information

Due to the relocation of Servicing Operation's Special Asset Unit, we are updating Directory 5 to change the mailstop for the department's address from MS C1J to MS B3G.

Guide Chapter PDFs now available on AllRegs®

For Seller/Servicer convenience, printer-friendly versions of our current Guide chapters in Portable Document Format (PDF) are now available on AllRegs. The applicable Guide Chapter PDFs will be updated to reflect changes made in Bulletin publications and any time outdated sections need to be removed. The PDF for each Guide chapter is located within the individual Guide chapter folder on AllRegs above the chapter's first section.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 55, 59, 64, 65, B65, C65, 66, 71, 82 and S84
- Form 1034T
- Directories 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 2015-9 (Servicing) Guide Updates Spreadsheet available at **http://www.freddiemac.com/singlefamily/guide/docs/bll1509_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