



**TO: Freddie Mac Servicers**

August 12, 2015

2015-14

## **SUBJECT: SERVICING UPDATES**

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

### **Default management**

- A [settlement automation process for all liquidation transactions](#) via Workout Prospector® – **March 1, 2016 (New)**
- An [Extension of the submission deadline](#) for an executed Dodd-Frank Certification, or its Freddie Mac equivalent, Guide Form 720, *Real Estate Fraud Certification*, for a Home Affordable Modification Program (HAMP®) Year Six “Pay for Performance” incentive
- [Guide Exhibit 1191B, Streamlined Modification Solicitation Letter for Day 60 Rate Reset](#), to account for changes to the evaluation hierarchy for loss mitigation alternatives **(New)**

### **Property inspections**

- Updates to [property inspection frequency requirements](#) – **January 1, 2016**
- Updates to [Form 1013, 1-4 Unit Property Inspection Report](#) – **January 1, 2016**

### **Subsequent Transfers of Servicing**

- [Updates to Form 1034T, Subsequent Transfer Document Custodial Certification Schedule](#)

## **EFFECTIVE DATE**

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

## **DEFAULT MANAGEMENT**

### **Settlement automation process for liquidation transactions**

The following requirements are effective **March 1, 2016**; however, Servicers are encouraged to implement them beginning **November 23, 2015**, when the new liquidation settlement screens will become available in Workout Prospector.

To help ensure efficient and timely settlements for Freddie Mac-owned or guaranteed Mortgages, we are announcing a new automated settlement process for liquidation transactions including short sales, deeds-in-lieu of foreclosure (DILs), charge-offs and third-party foreclosure sales.

Beginning November 23, 2015, Servicers may submit settlement data via the new liquidation settlement screens in Workout Prospector. As a result:

- For short sales, Servicers will no longer need to submit the Settlement/Closing Disclosure Statement to Freddie Mac as currently required by Guide Section B65.41, and
- For third-party foreclosure sales, Servicers will no longer need to submit a third-party foreclosure sale claim package or Form 1160 to Freddie Mac as currently required by Section 66.37

Once the Servicer submits the appropriate liquidation transactions in Workout Prospector and receives approval, the “Liquidation Settlement” link becomes available providing access to the new liquidation settlement screens. Prior to submitting settlement data via the liquidation settlement screens, Servicers must first report the liquidation via the Freddie Mac Service Loans application. Servicers must also continue to comply with all settlement time frames in the Guide, and report and remit, as applicable, any approved short sales, DILs, charge-offs and third-party foreclosure sales in accordance with the requirements of Guide Chapter 78. If the reporting and

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remittance requirements for the liquidation are not completed, Workout Prospector will not allow the liquidation transaction to be submitted for settlement in Freddie Mac's systems.

Beginning **March 1, 2016**, Servicers must submit all required data for settling liquidation transactions via the applicable liquidation settlement screens in Workout Prospector. As of this date, Freddie Mac will not accept or review the Settlement/Closing Disclosure Statement previously required by Section B65.41, or a third-party foreclosure sale claim package or Form 1160 (unless submitted as supporting documentation at the request of Freddie Mac) previously required by Section 66.37. Freddie Mac reserves the right to request a copy of the Settlement/Closing Disclosure Statement for review.

If, prior to March 1, 2016, a Servicer chooses to submit data through the liquidation settlement screens in accordance with the updated procedures announced in this Bulletin, then it must immediately comply with the changes announced herein, and the March 1, 2016 effective versions of the Guide sections impacted, as of the date of its first submission.

After the Servicer submits all required settlement data to Freddie Mac through the appropriate liquidation settlement screens and the liquidation transaction is accepted for settlement by Freddie Mac, the Servicer may begin reviewing the Detail Adjustment Report (DAR) the following Business Day to confirm the total adjustment/credit on the report.

Similar to modifications settled via Workout Prospector, the Servicer must retain a portable document format (PDF) download or printout of the required settlement data for each liquidation transaction submitted via the "Liquidation Settlement" option in Workout Prospector. The Servicer must retain the PDF or printout in its Mortgage file or servicing system. In addition, the Servicer must provide a digital copy of the PDF or printout to Freddie Mac for review upon request.

Guide impacts: Sections 65.42, B65.6, B65.40, B65.41, B65.47, B65.48, B65.53, 66.33 and 66.37 and Directory 5

### ***Workout Prospector Users' Guide and training and resources***

When submitting required settlement data to Freddie Mac for a liquidation transaction, the Servicer must comply with the instructions in the [Workout Prospector Users' Guide](#). Training and resources for the settlement automation process for liquidation transactions, including an updated Workout Prospector Users' Guide, will be provided at a later date.

### ***DAR changes for third-party foreclosure sales***

#### **Effective November 23, 2015**

Freddie Mac is making enhancements to the DAR with respect to charge-offs following a third-party foreclosure sale. Effective November 23, 2015, the amount posted to the DAR will be determined, in part, by the gross sale proceeds (i.e., the sale price plus any excess proceeds received by the Servicer), and not the net sale proceeds from the sale of the property.

If the net sale proceeds do not equal the sale price because of shortages in the sale proceeds (such as sheriff or auctioneer fees), then the Servicer must submit a claim in the Freddie Mac Reimbursement System using expense code 030000 (Sheriff/Auctioneer Fees) for reimbursement of these shortages.

As a reminder, the Servicer must review the DAR and report any discrepancies to Freddie Mac by submitting Form 1205 within 30 calendar days following Freddie Mac's posting of the amount to the DAR.

### **HAMP Year Six Pay for Performance incentive**

HAMP Year Six Pay for Performance incentive requirements introduced in Bulletin 2015-1 included an eligibility requirement that established a deadline for submission of an executed Dodd-Frank Certification ("DFC"), or its Freddie Mac equivalent, Form 720. The deadline for submission of the executed document was on or before the later of: a) the sixth anniversary of the HAMP Trial Period Plan Effective Date or b) September 1, 2015.

To provide additional time for Servicers to solicit eligible Borrowers, and for eligible Borrowers to submit the executed document, we are extending the September 1, 2015 date to January 1, 2016.

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Therefore, to be eligible for the HAMP Year Six Pay for Performance incentive, the Borrower must submit an executed DFC or its Freddie Mac equivalent, Form 720, on or before the later of:

- The sixth anniversary of the HAMP Trial Period Plan Effective Date, or
- **January 1, 2016**

No other HAMP Pay for Performance incentive requirements are being revised at this time (including requirements related to eligibility, application of funds, Borrower solicitation or reporting).

Freddie Mac strongly encourages each Servicer to take advantage of this extension by continuing its efforts to solicit all eligible Borrowers and assist them in earning the HAMP Year Six Pay for Performance incentive.

Guide impacts: Sections C65.2, C65.7 and C65.9

### **New Exhibit 1191B**

We are updating Exhibit 1191 and introducing Exhibit 1191B, *Streamlined Modification Solicitation Letter for Day 60 Rate Reset*, to more clearly distinguish a regular Freddie Mac Streamlined Modification solicitation for a Borrower who has become 90 days delinquent from a day 60 solicitation for an eligible Borrower with a Step-Rate Mortgage. The new Exhibit 1191B eliminates the instructions encouraging the Borrower to submit a Borrower Response Package in order to be evaluated for the Home Affordable Modification Program (HAMP<sup>®</sup>), as these Borrowers are ineligible for HAMP as a result of having been previously modified under that program.

Guide impacts: Sections 64.6 and B65.19 and Exhibits 1191 and 1191B

## **PROPERTY INSPECTIONS**

### **Updated property inspection frequency requirements**

#### **Effective January 1, 2016, but Servicers are encouraged to implement prior to the effective date**

Section 65.33(a) currently requires Servicers to order and obtain a complete property inspection report by the 60<sup>th</sup> day of Delinquency and to continue obtaining new inspection reports every 30 days if:

- The Mortgage secured by the property remains more than 45 days delinquent, and
- The Servicer has not achieved a quality right party contact with the Borrower or has not received a Property Condition Certificate (PCC) from the Real Estate Owned (REO) broker

In response to Servicer feedback, we are eliminating the 30-day requirement and instead requiring Servicers, for Mortgages meeting the above criteria, to complete a new property inspection every calendar month, and to ensure that no two monthly inspections are completed within a 20-day period.

Property inspections reimbursable under expense codes 404016 (Ordinance Required Property Inspection (weekly)) and 404017 (Ordinance Required Property Inspection (Biweekly)) are exempt from the 20-day requirement. See Bulletin 2013-15 for additional information on the use of these expense codes.

Guide impacts: Section 65.33

### **Updated Form 1013**

#### **Effective January 1, 2016, but Servicers are encouraged to implement prior to the effective date**

Over the past several months, Freddie Mac has worked with Fannie Mae and Federal Housing Finance Agency (FHFA) to develop aligned property inspection forms that more closely reflect the type of information that must be gathered when conducting Guide-required property inspections. Both Freddie Mac and Fannie Mae will continue to use their own inspection forms (Form 1013 for Freddie Mac and Form 30 for Fannie Mae); however, the information requested on the forms will, for the most part, be the same.

For ease of use, we have categorized the questions in the updated Form 1013 into 11 sections. Servicers are not expected to fill out all questions or all sections on each inspection report. Instead, the number of questions and sections completed by the inspector will depend on the type of inspection required (exterior vs. interior) and the characteristics and condition of the property (e.g., the presence of a pool will require the completion of section 4 "Pool").

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The updated Form 1013 will provide inspectors with the ability to capture a more complete record of the conditions at the Mortgaged Premises and will, therefore, help Servicers meet their obligation to protect our interest in the Mortgaged Premises. Servicers may continue to use their own proprietary inspection forms if they are equivalent in content to Form 1013.

Adoption of the updated Form 1013 or its proprietary equivalents is required by January 1, 2016. However, if feasible, Servicers are encouraged to adopt the new form or proprietary equivalents prior to the effective date.

We are not introducing any new reporting requirements with this change.

Guide impacts: Form 1013

## **SUBSEQUENT TRANSFERS OF SERVICING – UPDATES TO FORM 1034T**

We are updating Form 1034T to address questions from Servicers and for ease of Servicer use. The updated form:

- Provides explicit instructions for the Transferor Servicer's and Document Custodians, as well as Transferee Document Custodians
- Has been renamed from "Subsequent Transfer Custodial Certification Schedule" to "Subsequent Transfer Document Custodial Certification Schedule"

Guide impacts: Sections 18.7 and 56.9 and Form 1034T

## **GUIDE UPDATES SPREADSHEET**

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2015-14 (Servicing) Guide Updates Spreadsheet available at [http://www.freddiemac.com/singlefamily/guide/docs/bll1514\\_spreadsheet.xls](http://www.freddiemac.com/singlefamily/guide/docs/bll1514_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