



**TO: Freddie Mac Servicers**

September 9, 2015 | 2015-15

## **SUBJECT: SERVICING UPDATES**

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

### **Default management**

- Revisions to our [modification eligibility requirements](#) to:
  - Change the [mark-to-market loan-to-value \(MTMLTV\) ratio calculation for Freddie Mac Standard and Streamlined Modification terms](#) – **March 1, 2016**
  - [Remove an eligibility exclusion for Freddie Mac Streamlined and MyCity Modifications](#) – **March 1, 2016**
- Updates to certain requirements related to [Servicers referring bankruptcy cases to counsel and additional details on the Servicer’s responsibility to work with counsel](#)

### **Billing contact information**

- Revisions to our contact information for [Servicer questions and requests regarding billing and cash processing and collections](#) – **October 1, 2015**

## **EFFECTIVE DATE**

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

## **MORTGAGE MODIFICATIONS**

### **Effective March 1, 2016**

Servicers must comply with the mortgage modification changes announced below for new evaluations completed on or after March 1, 2016; however, Servicers are encouraged to implement them as early as possible.

### **MTMLTV ratio calculation for Freddie Mac Standard and Streamlined Modifications**

To enable more Borrowers to qualify for Freddie Mac Standard and Streamlined Modifications, as well as to provide more affordable modified payments, we are revising the MTMLTV ratio calculation for determining the Mortgage eligibility requirements and terms of a modification.

#### ***Current requirements***

Guide Section B65.18 currently provides that the MTMLTV ratio is the gross unpaid principal balance (UPB) of the Mortgage, including any principal forbearance amount, if applicable, divided by the property value obtained in accordance with Section B65.16. For Mortgages with a pre-modification MTMLTV ratio equal to or greater than 80%, forbearance relief is not provided if the ratio is less than or equal to 115%.

#### ***Revised requirements***

We are revising our requirements to provide that whenever a calculation of the MTMLTV ratio is used to determine Standard and Streamlined Modification terms, it must include the UPB, and, if applicable, any principal forbearance amount and/or any arrearages that may be capitalized, divided by the property value. This revision will substantially increase the number of Borrowers who qualify for Standard and Streamlined Modifications and provide additional mortgage payment relief for certain Borrowers.

Guide impacts: Sections B65.18 and B65.19

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## **Workout Prospector®**

We will inform Servicers in a future communication of the date Workout Prospector will be available to process the terms of Standard and Streamlined Modifications to determine the post-modification MTMLTV ratio of a Mortgage. Until Workout Prospector is updated, the Servicer must generate the terms of the Trial Period Plan using its proprietary systems. Once the Servicer has approved the Borrower for a Standard or Streamlined Modification, the Servicer must transmit the terms to Freddie Mac via the Standard Modification exception path in Workout Prospector and indicate the workout has been approved by the Servicer in accordance with the revised eligibility requirements. The Servicer must clearly communicate in the comments section of Workout Prospector that it is submitting the terms for a Standard or Streamlined Modification Trial Period and include the following information, as applicable:

- The Servicer contact name, e-mail address and telephone number
- Indicate that it is a Standard or Streamlined Modification processing request
- Indicate whether the post-modification MTMLTV ratio is equal to or greater than 80% or less than 80%
- The modified interest rate (modified Note Rate)
- The term of the modification (term of the modified Note in months)
- The amount of post-modification deferred UPB (for Mortgages with partial principal forbearance)

## **Freddie Mac Streamlined and MyCity Modification eligibility**

To maximize mortgage modification options for severely delinquent Borrowers and to further streamline the review of a Borrower for the Streamlined Modification and the MyCity Modification, we are expanding our eligibility requirements so that a Mortgage/Borrower with **all** of the following characteristics is eligible for a Streamlined or MyCity Modification, provided all other eligibility requirements are met:

- The Mortgage is not a Step-Rate Mortgage; **and**
- The Borrower was current on his or her Mortgage for each of the five months prior to the Due Date of Last Paid Installment (DDLPI) and never made a payment after becoming delinquent; **and**
- The Borrower has not provided a reason for default or, if right party contact has been made, the Borrower's reason for default is not an eligible hardship as specified under Section 65.17; **and**
- The Borrower's current FICO® score is 750 or greater determined in accordance with Section B65.12.1(b)

We are updating the Guide to remove the bullets referenced above that made such Mortgages/Borrowers ineligible for the Streamlined and MyCity Modifications.

Guide impacts: Section B65.12.1

## **BANKRUPTCY REFERRALS AND THE SERVICER'S RESPONSIBILITY TO WORK WITH COUNSEL**

In an effort to increase Servicer efficiencies when handling Freddie Mac Default Legal Matters, we are amending and removing certain Servicing requirements related to referring bankruptcy cases to counsel, as well as explaining in more detail the Servicer's responsibility to work with counsel.

Servicers are no longer required to:

- Refer a bankruptcy case to the same law firm handling the foreclosure if the Borrower is in foreclosure at the time of the bankruptcy referral, or
- Refer a foreclosure to the law firm that handled the bankruptcy matter if the Borrower was current or delinquent at the time of the bankruptcy referral and is subsequently referred to foreclosure

However, when referring a foreclosure or bankruptcy case to counsel, if the Servicer determines it is in Freddie Mac's best interest, the Servicer should give preference to the law firm handling the foreclosure, or that handled the bankruptcy matter, as applicable.

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If the Servicer does not refer the bankruptcy case to the law firm handling the foreclosure, then the Servicer must periodically update the foreclosure counsel regarding the status of the bankruptcy matter. Once the bankruptcy matter is resolved, the Servicer is responsible for transitioning the case back to the law firm handling the foreclosure for any further required proceedings immediately upon release from the bankruptcy, but no later than one Business Day after the resolution of the bankruptcy matter.

Foreclosure time line requirements set forth in Section 66.44 will not be waived in consideration of these changes, and Servicers must use their discretion when referring a foreclosure or bankruptcy case to counsel to determine whether giving preference to the same law firm is in Freddie Mac's best interest.

Additionally, we have updated Directory 5 to reflect that requests for Freddie Mac approval pursuant to Section 67.10(a) must be e-mailed to [Foreclosures@freddiemac.com](mailto:Foreclosures@freddiemac.com). We have also updated Sections 69.7 and S84.28 to provide consistency with other Guide sections being updated to reflect these changes.

Guide impacts: Sections 66.13, 67.7, 67.10, 67.11, 67.12, 67.15, 67.16, 69.7 and S84.28 and Directory 5

## Reminders

Bankruptcy-related expenses incurred by the Servicer will be reimbursed according to the requirements in Section 67.16 and Guide Chapter 71, and subject to the limits listed in Guide Exhibit 57A.

Additionally, Servicers must obtain counsel for the handling of any Freddie Mac Default Legal Matter, including bankruptcies, in accordance with the requirements in Chapter 69.

## FREDDIE MAC ACCOUNTS RECEIVABLE E-MAIL ADDRESS CHANGES

Effective October 1, 2015

The following Freddie Mac e-mail addresses will be retired:

- [Freddie Mac Billing@FreddieMac.com](mailto:Freddie_Mac_Billing@FreddieMac.com)
- [CMO Collections@FreddieMac.com](mailto:CMO_Collections@FreddieMac.com)
- [CMO BO Cash@FreddieMac.com](mailto:CMO_BO_Cash@FreddieMac.com)

On and after October 1, 2015, Servicers must submit:

- Billing questions and requests to [Servicer Billing@FreddieMac.com](mailto:Servicer_Billing@FreddieMac.com)
- Cash processing and collections questions and requests to [CashCollections@FreddieMac.com](mailto:CashCollections@FreddieMac.com)

Guide impacts: Sections 64.2 and 78.46.1

## 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 2015-15 (Servicing) Guide Updates Spreadsheet available at [http://www.freddiemac.com/singlefamily/guide/docs/bll1515\\_spreadsheet.xls](http://www.freddiemac.com/singlefamily/guide/docs/bll1515_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