



TO: Freddie Mac Sellers and Servicers

October 28, 2015 | 2015-19

SUBJECT: SELLING AND SERVICING UPDATES

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

Information security and business continuity planning

- Minimum standards for [information security programs and business continuity plan governance requirements](#) – **May 2, 2016 (New)**

Risk notification and reporting

- Updates to our [immediate notification and reporting requirements for a scheme or pattern of fraud or other Suspicious Activity](#)
- Revisions to our requirements for the [Freddie Mac Exclusionary List and Federal Housing Finance Agency's Suspended Counterparty Program list](#)
- A new e-mail address for Servicers to [report an Office of Foreign Assets Control violation to Freddie Mac](#)

Guide reorganization preview

- The upcoming [reorganization of the Guide](#), including a limited preview of the reorganized Guide at http://www.allregs.com/tpl/public/fhlmc_preview_tll.aspx **(New)**

Freddie Mac contact information

- Updates to various [Freddie Mac mailing addresses](#) and additional contact information

Additional Guide updates

In addition to the changes listed above, 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.

INFORMATION SECURITY AND BUSINESS CONTINUITY PLANNING

Effective May 2, 2016

Overview

Currently, the Guide provides requirements applicable to specific types of Electronic Transactions (defined in Guide Section 3.2) that Seller/Servicers are permitted to engage in or conduct with Freddie Mac that include adoption of minimum security standards. The Guide also requires that Servicers have and maintain a business continuity plan to ensure their ongoing ability to conduct business operations with us.

As a result of the increasing risks of technological failures and threats to overall security due to natural disasters and other adverse events, Freddie Mac is announcing minimum standards for information security programs and business continuity plan governance requirements for Seller/Servicers. A Seller/Servicer must ensure that its Third Party Providers (defined in Section 3.3.3), and Outsourced Vendors (defined in Section 51.4) meet the information security requirements of Section A6.2.

Freddie Mac's standards are minimum standards. Seller/Servicers should consider and implement additional controls and requirements to align with a Seller/Servicer's risk tolerance and risk management policies.

In addition, if a Seller/Servicer's regulator has established information security and/or business continuity plan requirements that exceed Freddie Mac's minimum requirements, then the more rigorous requirements shall apply.

The Federal Financial Institutions Examination Council (FFIEC) provides detailed guidance on its public [web site](#) on the components of a successful information security program, business continuity plan and related activities. Seller/Service providers are strongly encouraged to review this guidance.

Guide impacts: New Guide Chapter A6, Sections A1.9, 3.3.2, 3.3.3, 4.2, 6.2, 51.3, 51.4, 53.8, C65.17, 66.33, 66.44.2 and 71.5 and Directory 8

Information security

To reduce the impact and likelihood of unauthorized persons (or authorized person(s) with malicious or unlawful intentions) from gaining access to Freddie Mac's proprietary information, data and consumer personal non-public information, effective May 2, 2016, Seller/Service providers must have an information security program that meets the minimum requirements provided in new Section A6.2. The information security program requirements include, but are not limited to:

- Maintaining written information security policies and procedures
- Conducting pre-employment screening
- Conducting information security awareness education and training
- Implementing physical and environmental security controls
- Establishing data encryption and access controls, including granting and removing access
- Implementing a vendor risk management program

If a provision of the Guide or Seller/Service provider's other Purchase Documents require more stringent minimum information security requirements, then the Seller/Service provider must adhere to those more stringent requirements.

Business continuity planning

Pursuant to Section 51.3, a Service provider warrants that it has a business continuity plan (BCP) in place to support its ongoing ability to conduct business operations and maintain or restore Freddie Mac Mortgage files and records in the event of a disaster or other interruption to business operations and processes.

Sellers engage in eligible Electronic Transactions with Freddie Mac and their systems must be able to support those transactions; therefore we are now applying BCP requirements to both our Sellers and Service providers.

Effective May 2, 2016, all Seller/Service providers must have a written BCP in place to support their ongoing ability to conduct business operations with Freddie Mac.

At a minimum, the Seller/Service provider must meet the requirements in new Section A6.3, which include:

- Establishing and maintaining a written business continuity policy and plan, approved by management, that addresses potential local and regional disruptions and is reviewed and updated annually
- Establishing a governing body or committee to provide guidance for the Seller/Service provider's BCP
- At least annually, conducting:
 - A business impact analysis of the organization
 - A test of the Seller/Service provider's BCP. This includes recovering predefined critical business functions.
- At least once every two years, conducting a formal risk and threat assessment of the organization, or more frequently after significant changes to business operations
- Establishing a formal crisis management team, which is responsible for declaring the event a crisis; establishing and implementing a documented crisis management plan; and developing a plan for activating the crisis management team
- Reviewing and updating the crisis management plan at least annually

Guide Form 16SF updates

Form 16SF will be updated in December 2015 to include both information security and BCP questions that are initially for Freddie Mac's information only. Seller/Servicers will certify information security and BCP compliance for Form 16SF submissions that relate to periods (or fiscal years) ending after April 30, 2016. Seller/Servicers will be notified when the update is implemented.

RISK NOTIFICATION AND REPORTING

Fraud and other Suspicious Activity

In response to current market conditions, we are updating our immediate notification and reporting requirements for a scheme or pattern of fraud or other Suspicious Activity. We are decreasing the thresholds for immediate notification from a scheme or pattern of more than 25 Mortgages and/or an unpaid principal balance (UPB) of \$2.5 million to a scheme or pattern of five Mortgages and/or a UPB of \$1 million.

In addition, we are removing the overview sections of Chapters 7 and 57 to align the format of those chapters with other Guide chapters.

Guide impacts: Sections 7.1, 7.3, 57.1 and 57.3

Exclusionary List and FHFA's Suspended Counterparty Program

Screening requirements

To streamline our Exclusionary List and FHFA's Suspended Counterparty Program (SCP) list screening requirements, we are:

- Changing the time at which Sellers must screen names against the Exclusionary List from the Mortgage Delivery Date to the Note Date
- Reducing the scope of the parties involved in a Mortgage that Servicers must screen against the Exclusionary List
- Clarifying Freddie Mac's expectations with respect to Seller/Servicer's assistance in compliance with FHFA's SCP, including moving such requirements from Section 2.24 to new Section 2.28 to distinguish SCP screening requirements from Exclusionary List screening requirements

Seller/Servicers should review Sections 2.24 and 2.28 in their entirety to ensure compliance with our Exclusionary List and SCP list requirements. As a reminder, Seller/Servicers must periodically review FHFA's publicly available SCP list to comply with Section 2.28.

Confidential use of the Exclusionary List

We are clarifying that Freddie Mac's Financial Instrument Fraud and Anti-Money Laundering Officer must provide prior express written authorization for a Seller/Servicer to share the Exclusionary List with certain parties.

Guide impacts: Sections 2.16, 2.24, 2.28, 6.2, 44.3, 46.1, 53.8 and 53.14

Office of Foreign Assets Control violation

Section 53.8(c) requires Servicers to periodically screen Mortgages they service for Freddie Mac against the Office of Foreign Assets Control's list of Specially Designated Nationals and Blocked Persons ("OFAC SDN List") and notify Freddie Mac via e-mail of a valid match.

To facilitate prompt response to a Servicer notification of a match to the OFAC SDN List, we are creating a new e-mail mailbox to be used solely for this purpose.

Servicers must now notify us of an OFAC SDN List match via e-mail at aml_ofac_governance@freddiemac.com.

As a reminder, Section 6.2(d) requires Sellers to screen each Borrower against the OFAC SDN List prior to delivering a Mortgage for sale to Freddie Mac. If a Borrower is on the OFAC SDN List, the Mortgage is ineligible for sale to Freddie Mac.

GUIDE REORGANIZATION PREVIEW

Overview

We are reorganizing the Guide into topic groups to make it easier for Seller/Service providers to do business with Freddie Mac. We have incorporated Seller/Service providers' recommendations for improving the organizational structure of the Guide. The redesigned Guide is more intuitive for Seller/Service provider workflow so Seller/Service providers can navigate to content they need more quickly and efficiently. This reorganized Guide, which will become effective in March 2016, does not introduce new requirements nor change existing requirements. Information about the Guide reorganization is also provided in our [Single-Family News Center article](#).

Guide table of contents preview and preliminary mapping document

Today, we are providing a preview of the reorganized Guide table of contents (TOC) together with a spreadsheet showing where the Guide content currently exists and where it will be located in the reorganized Guide ("Preliminary Guide Reorganization Mapping document") on a preview site at http://www.allregs.com/tpl/public/fhlmc_preview_tll.aspx.

The TOC preview shows the layout of the reorganized Guide. The reorganized Guide layout breaks up our current Guide content into three segments. The **Freddie Mac – Seller/Service Relationship** segment will contain content applicable to both Sellers and Service providers, and/or provisions that pertain to the Seller/Service provider contract with us in general. Content critical for daily workflow (at the loan-level), will be relocated in the **Selling** and/or **Servicing** segments, as applicable.

Within the three segments, the content is split into nine series:

- Series 1000, *General Contract Terms*
- Series 2000, *Doing Business with Freddie Mac*
- Series 3000, *Risk Management and Remedies*
- Series 4000, *Mortgage Eligibility*
- Series 5000, *Origination and Underwriting*
- Series 6000, *Selling and Delivery*
- Series 7000, *Transfers of Servicing*
- Series 8000, *Servicing All Mortgages*
- Series 9000, *Servicing Default Management*

Within each series, the content is grouped with like topics.

We are applying a modified numbering scheme (XXXX.XX) to help Seller/Service providers navigate the Guide. The first number represents the series, the second number represents the topic, the third and fourth numbers represent the chapter and any number after the decimal point represents the section.

For example, in Section 9201.2:

- **9201.2** – Nine indicates Series 9000, *Servicing Default Management*
- **9201.2** – The first two represents Topic 9200, *Loss Mitigation*
- **9201.2** – One represents that it is Chapter 9201, *Freddie Mac Loss Mitigation Evaluation Hierarchy and Performance Standards*
- **9201.2** – The two after the decimal point represents that it is Section 9201.2, *Freddie Mac Loss Mitigation Evaluation Hierarchy*

We encourage Seller/Service providers to click through the preview TOC and review the [Preliminary Guide Reorganization Mapping document](#) to familiarize themselves with the new layout. Changes to the current Guide layout will impact Guide references in other Purchase Documents, which will be updated in the future.

In early 2016, the preview site will be updated to include all reorganized Guide content in addition to the TOC. In March 2016, the reorganized Guide will become the official authoritative version of the Guide. We will provide more information on the Guide reorganization in future communications.

FREDDIE MAC CONTACT INFORMATION

We no longer have mailstops with our mailing addresses and are therefore updating the Guide to remove all references to mailstops. In addition, we are updating our contact information to, among other things:

- Update Directory 1 to change our mailing address and additional contact information for Servicer submission of Custodial Account documentation and information, including Forms 1057SF, 1058SF, 1059SF and 1060SF, as provided in Sections 77.12 and 79.14
- Change our mailing address information for Seller submission of Forms 483, 987, 987E, 988SF-1, 988SF-2, 988ASF, 989SF, 989ASF, 990SF, 990ASF to: 1551 Park Run Drive, McLean, VA 22102-3110, Attn: Customer System Access
- Change our e-mail address for Seller/Service provider submission of Form 1034T to: TOS@freddiemac.com
- Correct the e-mail address for Servicer submission of Forms 903, 903A, 903SA and 903ASA to: Servicing_Loans_application@freddiemac.com
- Add the following attention line for Seller/Service provider submission of Form 1132: Attn: Freddie Mac Accounts Receivable and Data Change
- Update certain Freddie Mac department names in Directories 1 and 2

Guide impacts: Sections 11.20, 16.11, B65.41, B65.48 and 77.31, Forms 483, 903, 903SA, 987, 987E, 988SF-1, 988SF-2, 988ASF, 989SF, 989ASF, 990SF, 990ASF, 996, 996E, 1034T, 1065, 1065A, 1100 and 1132, Guide Exhibit 98 and Directories 1, 2, 3, 5, 7, 8 and 9

ADDITIONAL GUIDE UPDATES

Document Custodian updates to Form 16SF

The Document Custodian section of Form 16SF will be revised in December 2015 to remove outdated information and include all Document Custodian relationships with their applicable agreement number.

Seller/Service providers will be notified when Form 16SF is updated to reflect the Document Custodian changes.

Purchase Documents Glossary definition

We are updating the Glossary definition of Purchase Documents to include additional terms applicable to Servicing that we may provide to Service providers through electronic means.

Guide impact: Glossary

Guide Snapshot PDF

For Seller/Service provider convenience, we have recently published the [September 16, 2015 Guide Snapshot PDF](#), which includes two comprehensive files:

- A portable document format (PDF) file of the entire Guide, including a table of contents, easy-to-use navigational bookmarks and highlighting designating updates made to the Guide since June 30, 2015, the date of the last Guide Snapshot PDF
- A PDF file containing all of the Bulletins issued from July through September 2015

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 2015-19 (Selling and Servicing) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bll1519_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.

Sincerely,



Christina K. Boyle
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