



TO: Freddie Mac Servicers

February 3, 2016 | 2016-2

SUBJECT: SERVICING UPDATES

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

Freddie Mac Servicer Success Scorecard

- Revisions to [certain investor reporting and default management criteria in the Servicer Success Scorecard](#)

Reimbursement

- The requirement that all [Servicers be set up to receive reimbursement of expenses and payment of incentives via Automated Clearing House \(ACH\) credit entries](#) into their commercial checking accounts – **August 1, 2016**
- Updates to provide greater detail when [requesting reimbursement on Mortgages insured by the FHA or guaranteed by the VA or Rural Housing Service \(RHS\) not subject to recourse or indemnification](#)

Mortgage modifications

- Revisions to our requirements for the [modification of a Mortgage in a bankruptcy plan](#) – **June 1, 2016**
- Additional detail regarding [who must execute Guide Form 720](#), or its equivalent, the Dodd Frank Certification, to be eligible for a Home Affordable Mortgage Program (HAMP®) Year Six “Pay for Performance” incentive

Electronic Default Reporting (EDR) for repayment plans

- Revisions to our [EDR requirements for Mortgages in repayment plans](#) – **June 1, 2016**

Freddie Mac Default Legal Matters

- Updates to provide greater detail on the [reporting requirements for law firms retained for Freddie Mac Default Legal Matters](#)

Additional Guide updates and reminders

In addition to the changes listed above, we are making further updates and revisions as described in the [Additional Guide Updates and Reminders](#) section of this Bulletin.

EFFECTIVE DATE

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

SERVICER SUCCESS SCORECARD

The revisions below will be effective with respect to a Servicer’s January 2016 performance. These performance results will be visible on the Servicer Performance Profile web site on March 7, 2016.

After a review of Servicer performance and to reflect our focus on activities of importance to Freddie Mac, we are removing and revising the following Servicer Success Scorecard criteria:

- In the investor reporting category, we are removing the weights, ranks and percentiles from all of the criteria because the number of loans measured is too small compared to the active loan portfolio to provide a statistically meaningful measurement. Performance results in each criterion will continue to be calculated and reflected for applicable Servicers. Performance for the combined peer will also continue to be displayed.

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- In the default management category, we redistributed the 5% weight for the “Accuracy of Due Date of Last Paid Installment (DDLPI) Reporting” criterion within the “Data Integrity” subset of criteria to the “Transition to 60+” criterion within the “Loss Mitigation” subset of criteria

Notwithstanding the removal of ranking for the investor reporting category, Freddie Mac retains all available remedies in the Guide for a Servicer’s failure to report timely and accurately.

Guide impact: Guide Section 51.11

REIMBURSEMENT

Reimbursement of expenses and incentive payments via ACH credit entries

Servicers must be set up to receive reimbursement of expenses and payment of incentives via ACH credit entries into their commercial checking accounts by **August 1, 2016**; however, Servicers are encouraged to elect to receive ACH credit entries as early as possible, if they have not already elected to do so.

To authorize receipt of ACH credit entries, a Servicer must follow the steps outlined in Guide Exhibit 98 and submit the authorization agreement to the address provided. Servicers must submit the authorization agreement at least seven Business Days prior to the mandatory effective date in order to receive expense reimbursements and incentive payments via ACH credit entries on or after August 1, 2016.

As a reminder for Servicers with a subservicing arrangement, while reimbursement of expenses may be credited to the subservicer, payment of incentives will be credited directly to the Servicer and the Servicer will be responsible for providing any funds due to the subservicer in accordance with any applicable subservicing arrangement.

For questions regarding setup, Servicers may contact Freddie Mac at [Reimbursement System setup@freddiemac.com](mailto:Reimbursement_System_setup@freddiemac.com). Additionally, once set up, Servicers may submit any ACH credit-related questions or concerns to Freddie Mac at [104 Expense@freddiemac.com](mailto:104_Expense@freddiemac.com).

Guide impacts: Sections 64.2 and 71.2 and Exhibits 91, 92 and 98

Mortgages insured by the FHA or guaranteed by the VA or RHS

We are updating the Guide to provide greater detail related to requesting reimbursement on Mortgages insured by the FHA or guaranteed by the VA or RHS not subject to recourse or indemnification.

For expense reimbursement to occur following a completed short sale, completed deed-in-lieu of foreclosure, or third-party foreclosure sale on a Mortgage insured by the FHA or guaranteed by the VA or RHS not subject to recourse or indemnification, the Servicer must first file a claim pursuant to Section 70.5 and Freddie Mac must receive the claim payment from the applicable entity.

Guide impacts: Sections B65.41, B65.48, 66.37 and 70.5

MORTGAGE MODIFICATIONS

Mortgages in bankruptcy plans

Servicers must comply with the revised requirements below for all mortgage modifications completed **on and after June 1, 2016**; however, Servicers are encouraged to implement these changes as early as possible.

To better streamline the mortgage modification process, we are eliminating the requirement that Servicers work with bankruptcy counsel to secure the release of the Mortgage from the bankruptcy plan on or before the first modified payment due date under the modification agreement. The Servicer will no longer be required to attempt to have the Mortgage released from the bankruptcy plan when processing a mortgage modification.

This change is applicable for Mortgages modified under HAMP, the Freddie Mac Standard Modification, Freddie Mac Streamlined Modification and Freddie Mac Capitalization and Extension Modification for Disaster Relief (“Disaster Relief Modification”).

Guide impacts: Sections B65.19 and C65.7.1

HAMP Year Six Pay for Performance incentive

In response to Servicer questions, we are updating our requirements related to the execution of Form 720, or its equivalent, the Dodd Frank Certification (DFC). The Borrower must submit Form 720 or the DFC to be eligible for the HAMP Year Six Pay for Performance incentive. We are updating our requirements to provide additional detail regarding who is responsible for executing Form 720 or the DFC.

All Borrowers and any other signatory to the Security Instrument must sign Form 720 or the DFC, except the following:

- A Borrower, co-Borrower or any signatory to the Security Instrument who is deceased, as evidenced by a death certificate, or an obituary or newspaper article reporting the death
- A Borrower, co-Borrower or any signatory to the Security Instrument who is divorced or legally separated from another party, as evidenced by a divorce decree signed by the court or court filed separation agreement, except for the Borrower or co-Borrower retaining possession and title to the property
- A Borrower, co-Borrower or any signatory to the Security Instrument who is unrelated by marriage, civil union or similar domestic partnership under applicable law and who purchased or owned the property and has since vacated and no longer occupies the property, provided the remaining Borrower submits a copy of a recorded quit claim deed evidencing that the departed party has relinquished all rights to the property; or
- Any signatory to a Security Instrument who is not a Borrower obligated on the Note provided the Security Instrument contains a provision that authorizes any Borrower to modify the terms of the Security Instrument or the Note without such signatory's consent

Guide impact: Section C65.9

EDR FOR MORTGAGES IN REPAYMENT PLANS

Servicers must comply with the revisions to repayment plan reporting requirements announced below **on and after June 1, 2016**; however, Servicers are encouraged to implement these changes as early as possible.

In an effort to increase Servicer efficiencies when managing repayment plans on its Freddie Mac portfolio, we are amending and removing certain Servicing requirements related to the reporting and processing of a repayment plan, including repayment plans with a preceding partial reinstatement.

Current requirements

Sections A65.10 and A65.17.1 provide that in accordance with Section 64.10, the Servicer must notify Freddie Mac via an EDR transmission within the first three Business Days of the month following the month that it entered into a repayment plan with a Borrower. The Servicer is required to report default action code 12 (Repayment Plan) and provide the date the Servicer enters into a repayment plan with the Borrower. Further, the Servicer must continue to report default action code 12 for the Mortgage and the DDLPI until the Mortgage has been fully reinstated or paid off, a foreclosure sale is held or a workout completed.

Revised requirements

We are revising our requirements to provide that rather than reporting default action code 12 with the date the Servicer entered into a repayment plan with a Borrower, the Servicer must now report:

- Default action code 12 once the initial repayment plan payment is received and the DDLPI after the payment is applied and continue reporting in this manner for every payment received thereafter, except when reporting the final payment that reinstates the Mortgage
- Default action code 20 (Reinstatement (Full or Partial)) in the last month of the repayment period in which the Mortgage is fully reinstated upon receipt of the final payment under the repayment plan

Guide impacts: Sections A65.10 and A65.17.1

Reminder

As a reminder, if the Borrower fails to make payments due under the repayment plan, the Servicer must discontinue reporting default action code 12. The Servicer must resume or commence foreclosure proceedings in accordance with the Guide and report default action code 43 (Referred to foreclosure (EDI Term: Foreclosure Started)) on its EDR transmission.

For additional information about EDR, refer to Section 64.10 and the [Electronic Default Reporting Quick Reference Guide](#).

REPORTING REQUIREMENTS FOR LAW FIRMS RETAINED TO HANDLE FREDDIE MAC DEFAULT LEGAL MATTERS

As announced in our [Single-Family News Center article dated October 29, 2015](#), Servicers can access Attorney Data Reporting (ADR), our reporting system that enables law firms to enter time line and related data for Freddie Mac default-related legal services. We are now updating the Guide to provide greater detail on the reporting requirements for law firms retained for Freddie Mac Default Legal Matters.

Servicers must ensure that law firms report data required by Freddie Mac directly to Freddie Mac accurately and in the time frames prescribed. This includes daily reporting to Freddie Mac via ADR of key metrics such as milestones, delays, successful loss mitigation activities and the completion of the Freddie Mac Default Legal Matter.

Guide impacts: Sections 69.3, 69.10, 69.13 and 69.14 and Directory 1

ADDITIONAL GUIDE UPDATES AND REMINDERS

Guide reorganization reminders

As announced in Bulletin 2015-19, we are reorganizing the Guide into topic groups to make it easier for Seller/Servicers to do business with Freddie Mac. The reorganized Guide does not introduce new requirements nor does it change existing requirements.

As announced in our Single-Family Update e-mail dated January 19, 2016, the reorganized Guide content, which incorporates Bulletins through December 2015, is now available on the AllRegs[®] preview site at http://www.allregs.com/tpl/public/fhlmc_preview_tll.aspx. We encourage Seller/Servicers to click through the preview site to familiarize themselves with the new layout.

Seller/Servicers are also encouraged to:

- Sign up for the [Guide Reorganization webinar \(Using the Reorganized Guide – An Overview\)](#) to learn more about the reorganized Guide
- Review the [Preliminary Guide Reorganization Mapping spreadsheet](#) to see where the Guide content currently exists and where it will be located in the reorganized Guide
- Visit the [Guide Reorganization web page](#) for full information on the Guide reorganization as well as additional resources

As additional reminders:

- The reorganized Guide will become the official authoritative version of the Guide on **March 2, 2016**
- Changes to the current Guide layout will impact Guide references in other Purchase Documents, which will be updated in the future

Reminder: Settlement automation process for liquidation transactions

As announced in Bulletin 2015-14, beginning **March 1, 2016**, Servicers must submit all required data for settling liquidation transactions including short sales, deeds-in-lieu of foreclosure, charge-offs and third-party foreclosure sales, via the applicable liquidation settlement screens in Workout Prospector[®]. As of March 1, 2016, Freddie Mac will no longer 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. As a reminder, Freddie Mac reserves the right to request a copy of the Settlement/Closing Disclosure Statement for review.

Requesting limited powers of attorney for Senior Subordinate Mortgages

We are updating the Guide to add new Section S84.5.1, which provides a Servicer participating in a Senior Subordinate Mortgage transaction with instructions on how to request a limited power of attorney (LPOA) on behalf of the Senior Subordinate Trust when the Servicer determines it is in need of such an LPOA. For more information on Senior Subordinate Mortgages, refer to Bulletin 2015-5 and Guide Chapter S84.

Guide impacts: Section S84.5.1 and Directory 5

Redemptions

In an effort to increase Servicer efficiencies when processing redemptions of properties pursuant to Section 66.36, we are updating the Guide to provide more detail on the applicable reporting and remittance requirements.

Guide impact: Section 66.36

Expense reimbursement claims

Recently, Freddie Mac updated the [Expense Reimbursement Desk Reference](#) to further assist Servicers when completing reimbursement claims in the Freddie Mac Reimbursement System. We are now updating the Guide to reflect these changes. Additionally, we are updating Section 71.19 to advise Servicers that the cost of obtaining a copy of a death certificate, if needed to facilitate prompt and efficient completion of the legal proceedings, is reimbursable.

Guide impacts: Sections 71.8, 71.11 and 71.19

Borrower contact and solicitation

Effective June 1, 2016

We are updating Section 66.12 to align with the revisions made to Section 64.6(b) for the Borrower contact and solicitation requirements announced in Bulletin 2015-22.

Guide impact: Section 66.12

References to (800) FREDDIE

To provide greater efficiency to Servicers, we are updating the Guide to direct Servicers to select option four for Servicing when contacting (800) FREDDIE for any Servicing-related questions.

Guide impacts: Sections 51.1, 51.5, B65.18, B65.40, B65.47, B65.48, B65.53, C65.6, 70.4, 70.16, 71.6, 71.13, 76.11, 76.12, 78.40, 79.11 and S84.30

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 2016-2 (Servicing) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bl1602_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 option four for Servicing.

Sincerely,

A handwritten signature in black ink that reads "Yvette W. Gilmore". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Yvette W. Gilmore
Vice President
Servicer Performance Management