



TO: Freddie Mac Servicers

March 9, 2016 | 2016-5

SUBJECT: SERVICING UPDATES

This Guide Bulletin announces:

Mortgage modifications

- The eligibility of a [Mortgage subject to an indemnification agreement for a modification](#), provided certain requirements are met – **New**

Foreclosure

- Revisions to certain [State foreclosure timelines](#)
- The [cessation of the temporary suspension of State foreclosure timeline compensatory fee assessment and billing in certain States](#)
- [Additional circumstances in which it may be in Freddie Mac's best interest to waive the right to collect a deficiency](#)

REO

- Revisions to our [payment and reimbursement requirements for real estate taxes and homeowners association \(HOA\), condominium and Planned Unit Development \(PUD\) dues for REO](#) – **June 16, 2016**
- Updates to our rollback [requirements to be consistent with our Single-Family News Center article dated January 25, 2016](#)
- Additional detail regarding our [REO expense reimbursement requirements following completion of a deed-in-lieu of foreclosure](#)

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.

MORTGAGE MODIFICATIONS

Mortgages subject to indemnification agreements

To assist more Borrowers, we are updating the Guide to permit a Mortgage subject to an indemnification agreement to be eligible for a mortgage modification.

If a Mortgage is subject to an indemnification agreement and is otherwise eligible for a Freddie Mac mortgage modification, the Servicer has discretion to approve the mortgage modification provided the following conditions are met:

- The modified Mortgage retains its credit enhancement

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- If the Servicer is not the credit enhancement provider, the Servicer obtains in writing any required approval under the terms of the credit enhancement from the entity providing the enhancement to enter into a modification agreement.

NOTE: Pursuant to Guide Section 9204.6, the Servicer is not eligible to receive an incentive for completing a modification on a Mortgage that is subject to an indemnification agreement; and

- The Servicer remits to Freddie Mac an annual payment for the amount of all modification-related costs (e.g., interest rate shortfall) as calculated by Freddie Mac pursuant to Freddie Mac's "Modification Loss Amount" methodology. The Modification Loss Amounts due will be calculated on a monthly basis, and billed on an annual basis for the life of the modified Mortgage. If the Mortgage is subject to a partial indemnification, each year the Servicer will be billed the appropriate percentage of the Modification Loss Amount that corresponds with the partial indemnification agreement. Modification Loss Amounts will be determined by Freddie Mac in accordance with a process described by the example below:
 1. Calculate "Original Accrual Rate" – the lesser of (i) the pre-modified Accounting Net Yield (ANY) as of the evaluation date; and (ii) the pre-modified Note Rate **MINUS** 0.35%
 2. Calculate "Current Accrual Rate" – the lesser of (i) the post-modified ANY as of the evaluation date; and (ii) the post-modified Note Rate **MINUS** 0.35%
 3. Calculate "Modification Shortfall" – the excess, if any, of (i) one-twelfth of the Original Accrual Rate multiplied by the pre-modified UPB; over (ii) one-twelfth of the Current Accrual Rate multiplied by the post-modified, interest-bearing UPB
 4. Calculate "Modification Excess" – the excess, if any, of (i) one-twelfth of the Current Accrual Rate multiplied by post-modified, interest-bearing UPB; over (ii) one-twelfth of the Original Accrual Rate multiplied by the pre-modified UPB
 5. Calculate the Modification Loss Amount – the excess of the aggregate monthly Modification Shortfall over the aggregate monthly Modification Excess

This Modification Loss Amount calculation is comparable to what is used to assess the impacts of mortgage modifications for Mortgages included in Structured Agency Credit Risk transactions. The calculation example above represents how the Modification Loss Amount will be determined for any initial mortgage modification completed on and after March 9, 2016 for any Mortgage subject to indemnification. For any subsequent mortgage modification completed on a single Mortgage, the pre-modified Note Rate used in the calculation will be the Note Rate in effect prior to the initial mortgage modification.

This change will be applicable to all Borrower evaluations for any Freddie Mac mortgage modification available under the Purchase Documents including, but not limited to, the Home Affordable Modification Program (HAMP®), Freddie Mac Standard Modification, Freddie Mac Streamlined Modification, Capitalization and Extension Modification for Disaster Relief ("Disaster Relief Modification") and Freddie Mac MyCity Modification.

Guide impacts: Sections 9101.3, 9102.5, 9205.4, 9205.11, 9206.3 through 9206.6 and 9206.12 and Guide Exhibit 96

FORECLOSURE

State foreclosure timelines

Effective for all foreclosure sales completed on and after March 1, 2016

At the direction of FHFA and in response to our periodic review, Freddie Mac and Fannie Mae are increasing the State foreclosure timelines in six jurisdictions (District of Columbia, Maine, Massachusetts, New Jersey, New York and New York City) listed in Exhibit 83.

Additionally, the State foreclosure timelines in 35 jurisdictions (Alabama, Alaska, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Idaho, Illinois, Indiana, Iowa, Kentucky, Maryland, Michigan, Montana, Nevada, New Hampshire, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, Rhode

Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington and Wisconsin) will be decreased.

All other State foreclosure timelines remain unchanged at this time. While all updated State foreclosure timelines will be effective for foreclosure sales completed on or after March 1, 2016, the decreased timelines in the 35 impacted jurisdictions will be applicable only to Mortgages with a DDLPI on or after October 1, 2015.

Servicers should review Exhibit 83 in its entirety for the revised requirements.

Guide impact: Exhibit 83

Cessation of temporary suspension of State foreclosure timeline compensatory fee assessments in certain States

At the direction of FHFA, Freddie Mac and Fannie Mae are ending the temporary suspension of the assessment and billing of State foreclosure timeline compensatory fees in District of Columbia, Massachusetts, New Jersey, New York and New York City that was originally announced in Bulletin 2014-19. We will resume the normal assessment and billing of State foreclosure timeline compensatory fees in these jurisdictions with **foreclosure sales occurring on and after March 1, 2016**.

We are retroactively updating the State foreclosure timelines in these jurisdictions for **foreclosure sales that occurred from January 1, 2015 through February 29, 2016** (the "Suspension Period") as follows:

Jurisdiction	State foreclosure timeline
District of Columbia	1,350 days
Massachusetts	1,080 days
New Jersey	1,170 days
New York	1,140 days
New York City	1,230 days

In the near future, Freddie Mac will notify impacted Servicers via a supplemental assessment of State foreclosure timeline compensatory fees accrued during the Suspension Period, based on the above retroactive State foreclosure timelines. Servicers will be able to appeal any supplemental assessment prior to any supplemental billing.

Waiving Freddie Mac's deficiency rights

In many jurisdictions, applicable law provides Freddie Mac the right to pursue a deficiency balance after a foreclosure sale. However, in some instances, it may be in Freddie Mac's best interest to waive the right to pursue the deficiency.

We are updating Section 9301.23 to provide that it may be in Freddie Mac's best interest to waive the right to collect the deficiency in cases where a waiver will:

- Expedite or result in the entry of an order confirming or ratifying the foreclosure sale by the court
- Minimize or avoid the imposition of additional redemption, confirmation or ratification periods, if State law would impose such additional periods

As a reminder, if the Servicer determines that waiving Freddie Mac's right to pursue a deficiency is in Freddie Mac's best interest, then the Servicer may use its discretion without obtaining Freddie Mac's prior approval to waive Freddie Mac's right to pursue a deficiency.

Guide impact: Section 9301.23

REO

Property taxes and HOA, condominium or PUD dues during the REO holding period

Servicers must comply with the revised requirements below **on and after June 16, 2016**; however, Servicers are encouraged to implement these changes as early as possible.

Payment requirements

In response to Servicer feedback, we are updating the Guide requirements outlining when Servicers must pay real estate taxes and homeowners association (HOA), Planned Unit Development (PUD) and condominium dues (collectively, “taxes or dues”) during the REO holding period (i.e., the time period from Freddie Mac’s acquisition of the property to the sale of the REO). The revised requirements are designed to eliminate, or at least minimize, the duplication of the payment of the taxes or dues by the Servicer and the Freddie Mac REO closing agent.

Duplication of the payment of the taxes or dues occurs when taxes or dues paid by the Servicer are listed as outstanding on the REO closing documents and the Freddie Mac REO closing agent pays these “outstanding” items as part of the REO sales process. The continued listing of the taxes or dues that were previously paid by the Servicer on the closing documents is often the result of the taxing authority or association not having enough time to update their records to reflect the Servicer’s payment of these items. Accordingly, the new requirements as outlined below and in Section 9603.13(a), are intended to avoid the payment of taxes or dues by the Servicer close to the sale of the REO and, in turn, increase the likelihood that the information in the closing documents will be accurate.

Under the new requirements the Servicer must:

- Continue to pay real estate taxes and dues as they become due during the REO holding period
- Monitor REO Manager® (which can be accessed via <http://www.freddie.mac.com/singlefamily/service/>) for the issuance of a “Sale Pending” property status for the REO – **New**
- Stop making such payments once a sale pending status has been issued – **New**
- Notify the closing agent of any payments that may not be reflected in the closing documents – **New**
- Resume making payments, including any missed payments, if notified within REO Manager that the sale has been canceled or if directed to in writing by Freddie Mac – **New**

Guide impacts: Section 9603.1, 9603.10 and 9603.13 and Directory 6

Reimbursement requirements

While the above requirements should eliminate the duplication of tax or dues payments during the REO holding period, it is possible, in limited instances, that duplication of such payments will still occur. Accordingly, we have updated the Guide to allow for the reimbursement of duplicate real estate taxes or dues if the Servicer has complied with the new payment requirements and applicable requirements in Guide Chapter 9701. Any late fees, penalties or interest paid by the Servicer that were a direct result of the Servicer’s cessation of real estate tax or dues payments in accordance with the new requirements will also be eligible for reimbursement.

Guide impacts: Sections 9701.6 and 9701.10

Rollbacks

As announced in our [Single-Family News Center article dated January 25, 2016](#), Servicers are now able to directly change the reporting of a third-party foreclosure sale to an REO without submitting a rollback request via Guide Form 106. We are updating the Guide to reflect these changes.

We are updating Section 9301.39 to advise that the Servicer does not need to request a rollback if the Servicer reported that the property was purchased by a third party at the foreclosure sale (erroneously or otherwise), but needs to report that Freddie Mac acquired the property at the foreclosure sale. Instead of requesting a rollback, the Servicer must re-report the foreclosure sale results within one Business Day of the Servicer’s determination that Freddie Mac acquired the property at the foreclosure sale.

Guide impacts: Sections 9301.38 and 9301.39

Reimbursement of certain REO expenses

To increase Servicer efficiencies when requesting reimbursement of REO expenses following completion of a deed-in-lieu of foreclosure (DIL), we are updating the Guide to provide more detail on the requirements for expense reimbursement for certain REO expenses.

The Servicer must complete the workout settlement pursuant to Section 9209.8 for reimbursement to occur for the following REO expenses following completion of a DIL:

- Expense code 404008 (Deed-in-Lieu Property Inspection)
- Expense code 500002 (Deed-in-Lieu Subordinate Lien Payment)
- Expense code 013005 (Deed-in-Lieu Borrower Relocation Assistance)

All other REO expenses may be reimbursed prior to completion of the workout settlement in accordance with Section 9701.5.

Guide impacts: Section 9701.5 and Exhibit 74

ADDITIONAL GUIDE UPDATES AND REMINDERS

Exhibit 1145

Effective June 1, 2016

Based on industry feedback and in an effort to provide Servicer efficiency, we are updating Exhibit 1145 to include the [Frequently Asked Questions](#) and [Beware of Foreclosure Rescue Scams Notice](#) relating to the Borrower contact and solicitation requirements announced in Bulletin 2015-22.

Additionally, we are correcting Freddie Mac's My Home web site address to <http://myhome.freddiemac.com>.

Guide impact: Exhibit 1145

Reminder: Condominium Project and PUD insurance

Effective August 1, 2016

As announced in Bulletin 2016-3, we are revising certain Condominium Project and PUD insurance requirements. While these revisions impact Sellers, Servicers should familiarize themselves with the changes and note that Chapter 8202 has been updated.

Guide impacts: Sections 8202.2 and 8202.6

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 2016-5 (Servicing) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bll1605_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, appearing to read "Yvette W. Gilmore", with a long horizontal flourish extending to the right.

Yvette W. Gilmore
Vice President
Servicer Performance Management