



TO: Freddie Mac ServicersSeptember 14, 2016 | 2016-17

SUBJECT: SERVICING UPDATES

This Guide Bulletin announces:

Freddie Mac Servicing Success Program

- [Freddie Mac Servicer Success Scorecard \(“Scorecard”\)](#) changes, including revisions to default management and investor reporting metrics, and ranking methodology for the default management category – **January 1, 2017**

Freddie Mac State foreclosure timelines

- Updates to our [State foreclosure timelines](#)

Freddie Mac Standard Deed-in-Lieu of Foreclosure

- Updates to our closing, reporting and remittance requirements when closing a [deed-in-lieu of foreclosure](#) – **November 14, 2016**

Reimbursement

- Updates to our [reimbursement requirements](#) for when a foreclosure must be restarted – **October 24, 2016**

Additional Guide updates and reminders

- Further updates and revisions as described in the “[Additional Guide Updates and Reminders](#)” section of this Bulletin

SERVICER SUCCESS SCORECARD**Effective date**

These changes will be effective beginning with a Servicer’s **January 1, 2017** performance. These performance results will be visible on the Servicer Performance Profile web site in late February 2017 and we plan to publish performance results on the last Business Day of each month thereafter. Servicers will be notified once a specific date is established.

Overview of changes

In continuing to review Servicer performance and market conditions, and as a result of discussions among Freddie Mac, Fannie Mae and the FHFA, we are revising certain Scorecard metrics.

We are making a number of changes for both default management and investor reporting metrics, including:

- Adding new metrics
 - Revising some existing metrics (including calculation changes)
 - Removing some existing metrics
 - Amending weights so that all of the default management metrics will be equally weighted
 - Changing ranking methodology and Servicer segmentation
 - Changing the term “peer group” to “rank group”
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- Introducing a “Pass/Fail” system as a performance indicator for investor reporting metrics

The revised calculations are provided in [Attachment A to this Bulletin, Definitions for the Revised Servicer Success Scorecard Metrics](#).

Preview period

We will provide a preview period beginning in November 2016 to allow Servicers to view their performance under the new/revised metrics. Servicers will be notified once the preview period has begun.

Servicers should begin to review their operations to determine what they may need to change in order to meet our revised Scorecard metrics.

Servicer Success Scorecard metrics comparison

The following table compares the current metrics to the new/revised metrics. While current and future metrics may appear to be unchanged in the table below, **all of the calculations for the metrics are changing**. For example, while current metrics may have a rolling three-month performance period, the new/revised metrics will typically have a one-month performance period. Therefore, it is important that Servicers refer to [Attachment A to this Bulletin](#) for specific information regarding the future metrics.

Current Metrics	Future Metrics
Default Management	
	Transition from 30 to 60+ (New)
Transition to 60+	Deleted
60 to Worse	Deleted
90+ to Worse	Deleted
Cure Efficiency	Cure Efficiency
Retention Efficiency	Retention Efficiency
Liquidation Efficiency	Liquidation Efficiency
12-Month Performance	6-Month Modification Performance (Revised)
	Total Timeline Trend (New)
Avg Age Past FCL Sale Std	Deleted
Beyond Timeline Resolution Rate	Deleted
Initial Delinquency Reporting	Deleted
Final Delinquency Reporting	Deleted
Accuracy of DDLPI Reporting	Deleted
Timely REO Notifications	Deleted

Current Metrics	Future Metrics
Investor Reporting	
Shortage Percentage	Cash Shortage (Revised)
Percent Hard Rejects Over 90 days old	Deleted
Percent Soft Rejects Over 90 days old	Deleted
Percent of Hard Rejects Which Occurred in Reporting Cycle to Total Loans in Portfolio	Deleted
Percent of Soft Rejects Which Occurred in Reporting Cycle to Total Loans in Portfolio	Deleted
Percent of Ending Hard Rejects to Total Loans in Portfolio	Deleted
Average Number of Days to Report Payoffs	Average Number of Days to Report Payoffs
	Aged Edits Past 30+ Days (New)

Definitions for the revised Scorecard metrics are also set forth in [Attachment A to this Bulletin](#).

Ranking changes for default management metrics

Rank groups

To address confusion related to the use of the term “peer group,” we are amending the term (as defined in Guide Section 3501.2) from “peer group” to “rank group.”

To further minimize the impact that portfolio composition differences among Servicers may have on rankings in the default management category, we are revising how Servicers are ranked. Servicers will now be placed into four different rank groups (Groups 1 through 4) based on the total number of Mortgages serviced for Freddie Mac:

- Group 1: Servicers Servicing 100,000 or more Freddie Mac Mortgages
- Group 2: Servicers Servicing between 20,000 and 99,999 Freddie Mac Mortgages
- Group 3: Servicers Servicing between 10,000 and 19,999 Freddie Mac Mortgages
- Group 4: Servicers Servicing less than 10,000 Freddie Mac Mortgages

While Servicers in Groups 3 and 4 will see their actual performance and the performance of their synthetic portfolios, as applicable, they will not receive rankings for each metric nor an overall ranking within their rank groups.

As a reminder, the portfolio composition parameters chosen by Freddie Mac to determine rank groups may be amended from time to time.

Ranking methodology and calculation changes

For default management metrics, a Servicer’s rank is determined by comparing the actual performance for each metric against the performance of the Servicer’s synthetic portfolio. To calculate the actual performance, create the synthetic portfolio and determine the rank for each metric, there must be at least 20 Mortgages that fit the parameters for the denominator of each metric in the default management category.

For example, there must be at least 20 Mortgages that qualify for the denominator of the “Transition from 30 to 60+” metric in the measured time period.

Further, in the event the ranking cannot be determined for any of the below metrics, a Servicer will not receive an overall rank within its rank group. Specifically, for a Servicer to receive an overall rank within its rank group, all of the following default management metrics must have a rank that can be determined:

- Group 1: Transition from 30 to 60+, Cure Efficiency, Retention Efficiency, Liquidation Efficiency, 6-Month Modification Performance and Total Timeline Trend
- Group 2: Transition from 30 to 60+, Cure Efficiency and Retention Efficiency

Determination of unacceptable Scorecard result

As a reminder, a Servicer will be presumed to have an unacceptable Scorecard result if the Servicer’s overall rank is in the bottom 25% of ranked Servicers in the Servicer’s rank group. If the Servicer does not receive an overall rank within its rank group, this will not apply.

Freddie Mac will continue to consider factors such as trends in performance, adequacy of staffing, audit results, the Scorecard results, Servicer Success File Reviews and/or compliance with all requirements of the Purchase Documents in evaluating whether the Servicer’s overall performance is unacceptable for purposes of Section 2301.2.

Guide impacts

We are updating Sections 3501.2, 8301.3, 8303.30 and 9201.5 to reflect these Scorecard changes.

Training

To help Servicers understand the Scorecard changes announced in this Bulletin, training and reference documents will be available when the preview period begins. We will communicate to Servicers when additional training and resources are available on the [Freddie Mac Learning Center](#). Servicers should also visit the [Freddie Mac Servicing Success Program](#) web page for periodic updates.

STATE FORECLOSURE TIMELINES

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

At the direction of the FHFA and in response to our periodic review, Freddie Mac and Fannie Mae are increasing the State foreclosure timelines in 22 jurisdictions (Alaska, Delaware, Illinois, Indiana, Iowa, Kentucky, Massachusetts, Montana, New Hampshire, New Jersey, New Mexico, New York, New York City, Oklahoma, Oregon, Puerto Rico, Rhode Island, South Carolina, South Dakota, Vermont, Washington and Wisconsin).

Additionally, the State foreclosure timelines in eight jurisdictions (Arizona, Georgia, Hawaii, Kansas, Minnesota, Mississippi, Nebraska and West Virginia) will be decreased.

All other State foreclosure timelines will remain unchanged at this time. While all updated State foreclosure timelines will be effective for foreclosure sales completed on and after September 1, 2016, the decreased timelines in the eight jurisdictions will be applicable only to Mortgages with a DDLPI on and after April 1, 2016.

Servicers should review Guide Exhibit 83, *Freddie Mac State Foreclosure Timelines*, in its entirety for the revised requirements.

Guide impact: Exhibit 83

DEED-IN-LIEU OF FORECLOSURE

Servicers must comply with the revised requirements below on and after **November, 14, 2016**; however, Servicers are encouraged to implement these changes as early as possible.

We are updating Section 9209.8 to increase Servicer efficiencies when closing a deed-in-lieu of foreclosure and reduce associated mailing costs.

Following receipt of the executed deed, or for a leasehold Mortgage, the executed lease assignment or a new lease, as applicable (collectively, the "lease"), the Servicer must e-mail Freddie Mac at [DIL_Lease Personal Property Release Documentation@freddiemac.com](mailto:DIL_Lease_Personal_Property_Release_Documentation@freddiemac.com):

- A copy of the signed personal property release and, for a leasehold Mortgage, a copy of the lease within five Business Days of receiving the executed deed or lease
- The recorded deed or lease within one Business Day of receiving the recorded deed or lease

The Servicer must ensure that the recorded deed or lease and all other required deed-in-lieu of foreclosure documents (including the personal property release) are maintained in the Mortgage file and available to Freddie Mac upon request.

Guide impacts: Section 9209.8 and Directory 6

REIMBURSEMENT REQUIREMENTS FOR WHEN A FORECLOSURE MUST BE RESTARTED

These changes will be effective for all reimbursement claims submitted in the Freddie Mac Reimbursement System **on and after October 24, 2016**.

To increase Servicer efficiencies, we are updating the reimbursement requirements for foreclosure attorney fees and costs when a non-judicial foreclosure must be restarted.

In certain States identified in Exhibit 57A, *Approved Attorney Fees and Title Expenses*, if the Servicer must restart a foreclosure proceeding, in whole or in part, due to an allowable delay as defined in Section 9301.46, Freddie Mac will reimburse the Servicer as follows:

- All of the reimbursable costs (per the requirements of the Guide) of each foreclosure attempt and the completed foreclosure
- Up to 70% of the approved foreclosure attorney fees for the first foreclosure attempt
- Up to 100% of the approved foreclosure attorney fees for the completed foreclosure

Additionally, for any foreclosure attempt subsequent to the first foreclosure attempt, except for the completed foreclosure, the Servicer may be reimbursed up to 70% of the approved foreclosure attorney fees with prior written approval from Freddie Mac. To obtain written approval from Freddie Mac, the Servicer must submit a request for pre-approval (RPA) via the RPA functionality in the Reimbursement System.

Freddie Mac will not reimburse the Servicer for any fees or costs associated with a restarted foreclosure if the Servicer has to restart a foreclosure proceeding due to a delay that is not considered an allowable delay as defined in Section 9301.46, or due to Servicer non-compliance with the Guide.

We have also updated Exhibit 57A to add Nebraska and Utah as States impacted by the reimbursement requirements above.

Guide impacts: Sections 9301.46 and 9701.12 and Exhibit 57A

ADDITIONAL GUIDE UPDATES AND REMINDERS

Effective immediately

Electronic recording of Paper Closing Documents

As announced in Bulletin 2016-16 and in response to Seller/Servicer feedback, we are removing the requirement that a Seller/Servicer retain the original paper Security Instrument signed by the Borrower ("Original Security Instrument") if an Electronic (as defined in Section 1401.2) copy of the Original Security Instrument is electronically recorded at the recorder's office, as long as:

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- The Seller securely stores (with other Electronic Mortgage file documents) either (1) the electronically recorded copy of the Original Security Instrument or (2) the recorder's office other form of recording confirmation with the recording information thereon, and
 - Applicable law does not require storage of the Original Security Instrument signed by the Borrower

We have updated Section 1401.14 to reflect these changes for Original Security Instruments and any other paper closing documents. Section 1401.15 has also been updated to correspond to the changes made in Section 1401.14.

Removing this requirement addresses one of the barriers for eMortgage adoption in the industry, permitting more Mortgage file documents to be Electronic and reducing some storage costs for Seller/Servicers.

Sections 1401.2, 1401.14, 1401.15, 3301.2 and 3302.2 were revised in Bulletin 2016-16 to reflect these changes.

Custodial Account documentation requirements

We are updating Exhibit 58, *Draft Letter of Authorization*, to add fields for the Principal and Interest Custodial Account or Principal and Interest Disbursement Clearing Custodial Account number and American Bankers Association (ABA) routing number for the Custodial Account. Exhibit 58 is used to authorize the Servicer's bank to honor electronic debits initiated through the Automated Clearinghouse (ACH) system against the subject account at the Servicer's bank.

We are also updating the Guide to remove the requirement for a Servicer to provide a voided blank check or magnetic ink character recognition (MICR) specification sheet to Freddie Mac upon opening a Custodial Account at an Eligible Depository.

Guide impacts: Sections 8302.7, 8302.13 and Exhibit 58

Exhibit 96, *Servicing Incentives and Compensatory Fees*

We are updating Exhibit 96 to align the loan level compensatory fee calculation for State foreclosure timelines with the information provided in Exhibit 83A.

Guide impact: Exhibit 96

Form 1034T, *Subsequent Transfer Document Custodial Certification Schedule*

We are updating the Freddie Mac contact information for submitting Form 1034T following a Transfer of Servicing or transfer of custody. Servicers should now mail the form to our Loan Acquisitions department at 1551 Park Run Drive, McLean, VA 22101 or e-mail it to us at Loan_Delivery_Funding_Ops@freddiemac.com.

Guide impact: 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 2016-17 (Servicing) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bll1617_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



Attachment A to Bulletin 2016-17
Definitions for the Revised
Servicer Success Scorecard Metrics

Definitions and calculations for all the Servicer Success Scorecard metrics are provided in the table below.

DEFAULT MANAGEMENT METRICS

Metrics	Definition/Calculation
Transition from 30 to 60+	<p><u>Numerator</u></p> <p>Number of 30 day delinquent (D30) loans in the previous month that rolled to a 60+ days delinquent (D60+) status (not in foreclosure (FCL)) in the current month</p> <p><i>Divided by</i></p> <p><u>Denominator</u></p> <p>Number of D30 loans in the previous month</p> <p>Excluding:</p> <p>Government Loans, Transfer of Servicing (Global Family change between Denominator and Numerator), Probate, Government Seizure, Service Members Civil Relief Act (SCRA), Unemployment Forbearance, Disaster Forbearance, Appeal of Loan Mod, Litigation, Bankruptcy, Condemned Property, Non-Bankruptcy Trials less than four months old and Bankruptcy Trials less than 12 months old</p>
Cure Efficiency	<p><u>Numerator</u></p> <p>Number of D60+ loans (including loans in FCL) that cure or payoff in the current month. Full reinstatements, closed loan modifications, successful repayment plans, payoffs (prepayment/maturity) and repurchases will be considered in the numerator.</p> <p><i>Divided by</i></p> <p><u>Denominator</u></p> <p>Number of D60+ loans (including loans in FCL) in the previous month</p> <p>Excluding:</p> <p>Government Loans and Transfer of Servicing (Global Family change between Denominator and Numerator)</p>

Metrics	Definition/Calculation
<p>Retention Efficiency</p>	<p><u>Numerator</u> Number of D60+ loans (including loans in FCL) that initiated a trial period plan in the current month</p> <p><i>Divided by</i></p> <p><u>Denominator</u> Number of D60+ loans (including loans in FCL) in the previous month</p> <p>Excluding: Government Loans, Transfer of Servicing (Global Family change between Denominator and Numerator), Non-Bankruptcy Trials less than four months old and Bankruptcy Trials less than 12 months old</p>
<p>Liquidation Efficiency</p>	<p><u>Numerator</u> Number of 90+ days delinquent (D90+) loans (including loans in FCL) that result in a liquidation (i.e., settled short sale, notified deed-in-lieu of foreclosure (DIL) or a notified foreclosure sale (REO or Third Party)) during the current month</p> <p><i>Divided by</i></p> <p><u>Denominator</u> Number of D90+ loans (including loans in FCL) in the previous month</p> <p>Excluding: Government Loans, Transfer of Servicing (Global Family change between Denominator and Numerator), Non-Bankruptcy Trials less than four months old and Bankruptcy Trials less than 12 months old</p>
<p>6-Month Modification Performance</p>	<p><u>Numerator</u> Number of closed modifications that are current six months after the modification effective date, or paid off (prepayment/maturity) within six months of the modification effective date</p> <p><i>Divided by</i></p> <p><u>Denominator</u> Number of modifications with a modification effective date six months prior to current month</p> <p>Excluding: Government Loans and Transfer of Servicing (Global Family change between Denominator and Numerator)</p>

Metrics	Definition/Calculation
Total Timeline Trend	<p><u>Numerator</u> Total number of delinquent days beyond the allowable State foreclosure timeline in the current month</p> <p><i>Divided by</i></p> <p><u>Denominator</u> Total number of delinquent days beyond the allowable State foreclosure timeline in the previous month</p> <p>Excluding: Government Loans, Transfer of Servicing (Global Family change between Denominator and Numerator), Government Seizure, Service Members Civil Relief Act (SCRA) and Non-performing Sale Loans</p>

INVESTOR REPORTING METRICS

Metrics	Definition/Calculation
Cash Shortage	<p>Definition: The worst cash shortage event in the current month of which the shortage occurrence > two Business Days and shortage amount is > \$2,500</p> <p>Pass/Fail:</p> <ol style="list-style-type: none"> 1. If worst cash shortage event > two Business Days AND cash shortage amount > \$2,500, then FAIL 2. If worst cash shortage event > two Business Days AND cash shortage amount ≤ \$2,500, then PASS 3. If worst cash shortage event ≤ two Business Days, then PASS

Metrics	Definition/Calculation
<p>Average Number of Days to Report Payoffs</p>	<p><u>Numerator</u> Total number of Business Days for each payoff in the current month</p> <p><i>Divided by</i></p> <p><u>Denominator</u> Total number of loans paid off in the current month</p> <p>Pass/Fail:</p> <ol style="list-style-type: none"> 1. If average number of days to report payoffs > two, then FAIL 2. If average number of days to report payoffs ≤ two, then PASS
<p>Aged Edits Past 30+ Days</p>	<p><u>Numerator</u> Number of aged edits (30+ days old) in the current month</p> <p><i>Divided by</i></p> <p><u>Denominator</u> Number of initial edits in the previous month (“error rate”)</p> <p>Pass/Fail:</p> <ol style="list-style-type: none"> 1. If error rate > 1.00%, then FAIL 2. If error rate ≤ 1.00%, then PASS