



TO: Freddie Mac Servicers

September 21, 2016 | 2016-18

SUBJECT: FREDDIE MAC PRINCIPAL REDUCTION MODIFICATION UPDATE

Effective October 1, 2016; however, Servicers may implement sooner if they are able to do so

In Bulletin 2016-7, we announced the Principal Reduction Modification. This Bulletin announces a new form, [Form 1205-PR, Post Settlement Correction Request for the Principal Reduction Modification](#), to facilitate the processing of the Principal Reduction Modification. [Form 1205-PR](#) is provided as Attachment A to this Bulletin.

[Form 1205-PR](#) reflects additions to Guide Form 1205, *Post Settlement Correction Request*, to include specific fields related to the Principal Reduction Modification. Servicers must use [Form 1205-PR](#) for submissions to Freddie Mac for Borrowers who:

- Opted out of the principal reduction post-settlement option
- Completed an active Trial Period Plan under a mortgage modification program other than the Principal Reduction Modification, and for whom the Servicer is requesting that forbore principal be forgiven post-settlement

For complete reporting requirements, including when to submit [Form 1205-PR](#) in relation to the Principal Reduction Modification, refer to the “Workout Prospector®” section of Bulletin 2016-7. All references to Guide Form 1205 in Bulletin 2016-7 are to be deemed a reference to [Form 1205-PR](#). This Bulletin does not adjust or make any changes to the reporting requirements we published in Bulletin 2016-7, and instead introduces a new form to be used under the previously published reporting requirements.

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,



Yvette W. Gilmore
Vice President
Servicer Performance Management



Form 1205-PR

Post Settlement Correction Request for the Principal Reduction Modification

Submit the completed form to Post Settlement Correction Team at Freddie Mac via e-mail at Post_Settlement_Correction@freddiemac.com.

Data Elements		Fredd Record	Servic Recor	Correct Values	Comments		
GENERAL	a	Freddie Mac 9-digit loan number					
	b	Servicer Loan number					
	c	Transaction type					
	d	Which Accounting Cycle did Freddie Mac settle the workout?					
	e	Was the loan submitted via Bypass? (Y/N)					
	f	What data element(s) need correction? IBUPB (interest bearing UPB), Detail Adjustment Report (DAR), NOTE Rate, Accounting Net Yield (ANY) Rate)					
Data Elements		Freddie Record	Servicer Record	Correct Values	Principal Reduction Modification Section		
MODIFICATION	g	Loan Modification Capitalized Interest Adjustment based on Servicer's record			Data Element	Data Value	
	h	Misc. Interest Adjustment (MISI) posted DAR (if applicable)			Borrower Opt-Out		
	i	Modified Note Rate			Date Trial Approved		
	j	Accounting Net Yield (ANY)			Date Final Mod Settled		
	k	Effective Date of the modification			Pre-Modification UPB		
	l	1st Payment Due Date			Forgiven/Forgone UPB		
	m	Maturity Date			(Modified) Gross UPB		
	n	Current UPB (pre-modification)			Interest Rate Adjustment Schedule		
	o	Modified Interest Bearing UPB					
	p	Modified Deferred UPB					
	q	Modified Gross UPB			<i>Note: If the modified Note Rate and ANY are changing, this section must be completed to account for any changes to future rate adjustments</i>		
	r	Interest from DDLPI to effective date					
	s	Other amounts advanced			Years	Interest Rate	Interest Rate Change Date
	t	Legal fees and costs					
	u	Property preservation expenses					
	v	Amount held in suspense/Escrow					
	w	Borrower cash contribution					
x	MI contribution amount						
y	Super accelerated remittance cycle (Super ARC) Payments to be capitalized (if applicable)						
Data Elements		Freddie Record	Servicer Record	Correct Values	Interest Rate Adjustment Schedule		
LIQUIDATION	I	Total Amount posted in Detail Adjustment Report			Years	Interest Rate	Interest Rate Change Date
	II	Net Proceeds					
	III	Date DDLPI Reported					
	IV	Unpaid Principal Balance					
	V	Accounting Net Yield (ANY)					
	VI	Exception Date					

Helpful Links :

E-mail Address to Submit this Form	post_settlement_correction@freddiemac.com
Post Settlement Correction Interest Calculator for Liquidations	http://www.freddiemac.com/learn/service/settle_proc.html
Post Settlement Charge off Form for Liquidations (Fixed Rate or ARM)	http://www.freddiemac.com/learn/service/settle_proc.html
To Track the Status of the Post Settlement Correction	https://www.freddiemac.goldworks.com/spp/servlet/FamilyReportServlet?wm.htm
Freddie Mac Learning Center	http://www.freddiemac.com/learn/index.html?intcmp=SFTLC-T



POST SETTLEMENT CORRECTIONS - GLOSSARY OF TERMS

Abbreviated Name	Full Name	Definition	Calculation/Link to Calculator
LMCI	Loan Modification Capitalized Interest	Combination and subtraction of various values from either the: (1) LMTW submission; or (2) Loan Modification Settlement screen submission via WP	FORM 1128 Addition Lines 11,12,13,14 Subtraction Lines 16, 17, 18 FROM LOAN MODIFICATION SETTLEMENT SCREEN Addition Lines: Delinquent interest calculation, Advanced amounts, Legal fees/costs, Property preservation expenses Subtraction Lines: Suspense Amounts/Restricted Escrow, Borrower Cash Contribution
MISI	Miscellaneous Interest Adjustment	Miscellaneous interest due to the Servicer because of back dated modification.	Not available at the moment
DAR	Detailed Adjustment Report	The report containing the transactional details of the credit / debit made to servicer's custodial accounts.	http://www.freddiemac.com/learn/service/docs/FM_Int_Calc_May_2014.xls
CRAMDOWNS	Bankruptcy Cramdown	A court mandated modification in which all the modified terms are determined by court.	Section 9401.8