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**TO: Freddie Mac Servicers**

November 30, 2016 | 2016-21

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## **SUBJECT: SERVICING UPDATES**

This Guide Bulletin announces:

### **Third-party foreclosure sales**

- Updates to our requirements for submitting all required data for settling [third-party foreclosure sale transactions via Workout Prospector®](#)

### **Remittance requirements**

- Updates to our [remittance requirements](#) for deeds-in-lieu of foreclosure and charge-offs

### **Evidence of insurance**

- Expansion of our [evidence of project-level insurance requirements](#) for condominiums, cooperatives and Planned Unit Developments (PUDs) to allow additional options

### **Forms 16SF and 1107SF**

- [Updates to Forms 16SF and 1107SF](#) – January 27, 2017

### **Additional Guide updates and reminders**

- Further updates and reminders 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.

## **THIRD-PARTY FORECLOSURE SALES**

We are updating Guide Section 9301.43 to reduce potential delays associated with settling third-party foreclosure sale transactions via Workout Prospector.

When submitting all required data for settling a third-party foreclosure sale transaction via Workout Prospector pursuant to Section 9301.43, the Servicer must submit the transaction no later than the 15<sup>th</sup> Business Day following the Servicer’s receipt of the sale proceeds. The previous requirement was no later than the 10<sup>th</sup> Business Day following the Servicer’s receipt of the sale proceeds.

This additional time will help Servicers avoid edits that may otherwise result from a Servicer’s attempt to complete the reporting and remittance requirements pursuant to Section 8303.10, which, in turn, will aid Servicers in settling third-party foreclosure sale transactions successfully via Workout Prospector. We have also updated the [Resolving Loan-Level Edits Quick Reference Guide](#) to help prevent these edits from reoccurring.

As a reminder, a Servicer does not need to settle a third-party foreclosure sale transaction via Workout Prospector if the net sale proceeds meet or exceed the total indebtedness of the Mortgage (e.g., the UPB of the Mortgage plus accrued interest, Escrow advances and expenses).

Guide impact: Section 9301.43

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## REMITTANCE REQUIREMENTS

We are updating the Guide to reflect that the required remittances for short sales, deeds-in-lieu of foreclosure, charge-offs and other remittances pursuant to Section 9701.20, may be sent via wire transfer or check within the time frames prescribed in the Guide.

Additionally, the following remittance requirements have been updated:

- Deed-in-lieu of foreclosure remittances must be submitted to Freddie Mac following completion of the reporting requirements in Section 9209.8(a)(3), but no later than six Business Days of the Servicer's receipt of the executed deed or, for a leasehold Mortgage, the executed lease assignment or a new lease
- Charge-off remittances must be submitted to Freddie Mac, regardless of whether the lien is released or not released on a charge-off of a Mortgage, following completion of the reporting requirements in Section 9210.5(b), but no later than three Business Days of the Servicer's receipt of Freddie Mac's approval of the charge-off request

Guide impacts: Sections 9208.8, 9209.8, 9210.5, 9210.6 and 9701.20 and Directory 5

## EVIDENCE OF INSURANCE

The FHFA has directed Freddie Mac and Fannie Mae to expand evidence of project-level insurance requirements for condominiums, cooperatives and PUDs. As a result, Freddie Mac is now allowing Servicers to obtain a blanket insurance policy or an agreement with an insurer to issue insurance that provides unit owner coverage and loss assessment coverage in the event of an uninsured loss.

These are additional options available for Servicers which are intended to provide relief for a Servicer when it is unable to obtain evidence of insurance for a Condominium Unit, unit in a PUD or, where applicable, a cooperative unit (if permitted by the Seller's negotiated Purchase Documents). Servicers may choose to continue their current processes for meeting our requirements for evidence of insurance.

These options do not relieve Servicers of the responsibility of ensuring that all insurance coverages required in Topic 8200 and any other Purchase Documents are met. The requirements for evidence of insurance in negotiated terms of business (TOBs) that permit the sale to, and Servicing of, Cooperative Share Mortgages for Freddie Mac are not being changed by the revisions to Section 8202.8, except that such TOBs are deemed amended to reflect the additional options described in this Bulletin and in Section 8202.8.

Guide impact: Section 8202.8

## FORMS 16SF AND 1107SF

**Effective January 27, 2017**

We periodically review and adapt Forms 16SF and 1107SF to meet changing needs. As a result of our most recent review, we are updating Forms 16SF and 1107SF to add a new section for Seller/Servicers to provide a list of all States, which include the District of Columbia, Guam, Puerto Rico and the U.S. Virgin Islands, in which the Seller/Servicer is licensed to conduct business, together with its license number. Seller/Servicers that are nationally chartered will only need to provide their national registration number.

Additionally, we have corrected the issue that prevented scrolling fields and certain other fields from fully appearing on the printable version of the completed forms. When printing a copy of either form for Seller/Servicer records all information in these fields will now be visible.

For clarity and ease of use, we are making additional changes to Form 16SF, including:

- Adding a new field to require an explanation when a Seller/Servicer indicates that a change has occurred with a Document Custodian or funds custodian relationship
- Adding a new section that will permit Seller/Servicers to designate up to five additional persons to receive Form 16SF reminders and late notices

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- Making the “Certification, Consent and Agreement” language available for review prior to completion of the form by selecting it in the navigation section
  - Adding two new questions in the origination section for Seller/Servicers to indicate if they use a vendor for pre- and postfunding quality control reviews
  - Adding the ability to reopen a form once submitted to make a correction if reported to Freddie Mac the day of the submission

Seller/Servicers that have a draft Form 16SF or 1107SF saved on or after January 27, 2017, will be unable to submit either form until providing the information in the new fields. Beginning January 27, 2017, the new fields must be completed prior to submission.

If a Seller/Servicer has completed and submitted Form 16SF prior to January 27, 2017, it is not required to resubmit to account for these updates. When reporting organizational changes after January 27, 2017, the updated Form 1107SF will be required.

Guide impacts: Forms 16SF and 1107SF

## **ADDITIONAL GUIDE UPDATES AND REMINDERS**

### **Closing requirements for charge-offs**

As a result of Servicer feedback and to provide Servicers with adequate time, Servicers may now complete the closing requirements for a charge-off pursuant to Section 9210.5 within seven Business Days of receiving Freddie Mac’s approval of the charge-off request, as opposed to three Business Days.

Guide impact: Section 9210.5

### **Suspension, disqualification or termination of the Servicing Agent**

We are revising Section 8102.1 to indicate that, in situations where there has been a suspension, disqualification or termination of a Servicing Agent as a Freddie Mac Servicer, the Master Servicer may find it necessary to facilitate a transfer to a new Servicing Agent rather than back to itself. The Master Servicer must obtain Freddie Mac approval prior to such a transfer.

Guide update: Section 8102.1

### **Updated instructions for filing IRS Forms 1099-A and 1099-C**

The Internal Revenue Service (IRS) has revised its instructions for filing IRS Forms 1099-A, *Acquisition or Abandonment of Secured Property*, and 1099-C, *Cancellation of Debt*. We are updating our guidelines and Guide Forms 1065, *Report of IRS Form 1099-A and Form 1099-C Filing*, and 1065A, *Report of IRS Form 1099-A and 1099-C Filing for a Senior Subordinate Trust*, to align with the revised IRS 2016 instructions.

Guide impacts: Sections 8106.3, 8106.4, 8601.9, 8601.10 and Forms 1065 and 1065A

### **References to (800) FREDDIE**

The Customer Support team at (800) FREDDIE recently changed their call menu options for Seller/Servicers. These changes were made to:

- Align more closely with the flow of a Mortgage
- Incorporate Loan Advisor Suite<sup>SM</sup> tools, which is a driver of customer calls
- Improve the routing efficiency and the customer experience (reduce wait times, increase first call resolution)

As a result of the changes to the phone menu options, we have removed references to specific menu options from references to (800) FREDDIE in the Guide.

Guide impacts: Sections 8101.1, 8301.9, 8301.10, 8302.15, 8302.17, 8302.19, 8303.31, 8303.44, 8304.8, 9205.8, 9206.10, 9208.7, 9209.7, 9209.8, 9210.5, 9603.1, 9603.11 and 9701.5

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## Freddie Mac Investor Reporting Change Initiative update

In Bulletin 2016-15, we announced the Freddie Mac Investor Reporting Change Initiative (“initiative”) to convert our single-family investor reporting requirements closer to an industry standard and update our remittance cycles in the second half of 2018.

As announced in our October 18, 2016 [Single-Family Update e-mail](#), we have refined our implementation time frame and will implement this initiative in October 2018. We also published [business requirements](#) that provide developmental guidance necessary to plan the required system and business process updates essential to successfully implement this initiative. Servicers are encouraged to periodically visit the [Investor Reporting Change Initiative web page](#) to stay up to date on the latest news. Servicers can also subscribe to the [Single-Family Business News Subscription Center](#) to receive additional initiative updates as they are published.

## Freddie Mac MyCity Modification expiration date reminder

As announced in Bulletin 2014-25, the MyCity Modification Trial Period Plan Effective Date must be on or before December 1, 2016 to be eligible for the program. We are reminding Servicers that no MyCity Modification is permitted to be completed with a Trial Period Plan Effective Date after this date. We are updating the Guide as follows:

- Removing the requirement that a Freddie Mac Streamlined Modification Solicitation Letter must include the date that the Borrower must return a complete Borrower Response Package to be evaluated for a MyCity Modification
- Clarifying that when a Servicer receives a complete Borrower Response Package after the date a Streamlined Modification solicitation is sent to the Borrower and prior to sending the modification agreement, the Servicer is not required to evaluate the Borrower for a MyCity Modification if the Trial Period Plan Effective Date is after December 1, 2016

Guide impacts: Sections 9102.5 and 9206.3

## Freddie Mac’s servicing remedies framework reminder

As a reminder, updates to the servicing remedies framework announced in Bulletin 2016-14 are effective for Servicing Remedy letters issued on or after December 1, 2016. We encourage Servicers to review Freddie Mac’s Servicing Remedies Framework – FAQs, which will be posted on our [Freddie Mac Servicing Success Program](#) web page on December 1, 2016. The FAQs will include, among other things, frequently asked questions pertaining to the Independent Dispute Resolution (IDR) Process.

## Bulletin 2016-20 updates applicable to Servicers

We are notifying Servicers of the following changes announced in Bulletin 2016-20:

### ***Trended credit data***

Freddie Mac is still studying trended credit data and its impact on the Borrower’s creditworthiness and Mortgage performance. At this time, we are not incorporating trended credit data into Loan Product Advisor<sup>SM</sup> or our requirements for Manually Underwritten Mortgages.

We updated the Guide to state that trended credit data:

- Must not be considered by Sellers during the credit assessment for Manually Underwritten Mortgages; and
- Will not be considered by Freddie Mac during postfunding quality control reviews

Guide impacts: Sections 3401.1, 5202.3 and 5202.4

### ***Concurrent Transfers of Servicing***

We updated Form 960, *Agreement for Concurrent Transfer of Servicing of Single-Family Mortgages*, to remove the reference to a Seller/Servicer’s Master Commitment number and Master Commitment Amount.

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Section 7101.2 was also updated to align with operational practices and remind Seller/Servicers that Freddie Mac's approval of multiple Concurrent Transfer of Servicing requests does not constitute approval for a Seller/Servicer to exceed their Master Commitment Amount.

Guide impacts: Form 960 and Section 7101.2

**Form 15/A/C**

We updated Guide sample Forms 15, 15A and 15C to reflect the applicable forms generated by and accessible to the Seller in the Selling System<sup>SM</sup> as the current Guide sample forms were outdated.

Guide impact: Form 15/A/C

**Document Custody Procedures Handbook**

The Document Custody Procedures Handbook has been updated to reflect the Bulletin 2016-12 announcement of revised Freddie Mac/Fannie Mae ARM Notes and Riders and Freddie Mac ARM Notes and Riders that impose a Lifetime Floor equal to the ARM's Margin.

**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 2016-21 (Servicing) Guide Updates Spreadsheet available at [http://www.freddiemac.com/singlefamily/guide/docs/bl1621\\_spreadsheet.xls](http://www.freddiemac.com/singlefamily/guide/docs/bl1621_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,



Yvette W. Gilmore  
Vice President  
Servicer Performance Management