



**TO: Freddie Mac Servicers**

June 21, 2017 | 2017-9

## **SUBJECT: SERVICING UPDATES**

This Guide Bulletin announces:

### **Loss mitigation property valuation requirements**

- Updates to the property valuation requirements when evaluating a Borrower for a [modification of a Mortgage](#) secured by a 3- or 4-unit property, a Manufactured Home, a dwelling subject to a leasehold estate or a cooperative unit
- Clarifications regarding obtaining a property valuation when evaluating a Borrower for a [workout Mortgage assumption](#)

### **First Lien and enforcement requirements for mortgage modifications**

- Servicers may implement the simplified [modified Mortgage First Lien and enforcement requirements](#) announced in Bulletin 2016-22 immediately for all mortgage modifications offered under the Guide

### **Mortgaged Premises with income-based resale restrictions**

- [Freddie Mac Standard Short Sale \("short sale"\) evaluation requirements](#) for Mortgages secured by Mortgaged Premises with income-based resale restrictions
- [Foreclosure sale bidding requirements](#) on Mortgaged Premises with income-based resale restrictions that survive foreclosure

### **Updates to Guide Form 1205, *Post-Settlement Correction Request***

- Updates to allow Servicers to submit multiple loans to Freddie Mac on a single [Form 1205](#)

### **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.

## **LOSS MITIGATION PROPERTY VALUATION REQUIREMENTS**

Servicers are encouraged to implement these updated requirements immediately, but must comply with them on and after **August 21, 2017**.

### **Mortgage modifications**

In response to Servicer feedback, we are revising our requirements to state that Servicers must order an **exterior** property valuation, instead of an interior property valuation, through Freddie Mac's BPOdirect® web site at <https://www.bpodirect.com> in accordance with revised Guide Sections 2406.4 and 9202.17, when evaluating a Borrower for a modification of a Mortgage secured by a:

- 3- or 4-unit property
- Manufactured Home
- Dwelling subject to a leasehold estate, or

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- Cooperative unit

The value from the exterior property valuation must be used to calculate the mark-to-market loan-to-value ratio of the Mortgage to determine eligibility for a Trial Period Plan and the terms of the modification.

### **Workout Mortgage assumptions**

With respect to workout Mortgage assumption recommendations, we are updating our property valuation requirements set forth in revised Section 9207.4 to clarify that the Servicer must order a new property valuation in accordance with revised Sections 2406.4, 9202.17 and 9202.19 if:

- An automated value is not available in BPOdirect for a 1-unit property
- The Mortgage is secured by a 2- to 4-unit property, a Manufactured Home, a dwelling subject to a leasehold estate or a cooperative unit; or
- The Servicer does not have a previously obtained Freddie Mac-compliant property valuation (i.e., Freddie Mac-provided BPO, Freddie Mac-provided appraisal or an appraisal obtained in compliance with Guide Chapter 5601) that is less than 90 days old on the date the Servicer recommends the workout Mortgage assumption to Freddie Mac

### **Guide updates**

We are updating Sections 2406.4, 9202.17, 9202.19, 9206.8, 9207.3 and 9207.4 to reflect these updated loss mitigation property valuation requirements.

## **MODIFIED MORTGAGE FIRST LIEN AND ENFORCEMENT**

In Bulletin 2016-22, effective October 1, 2017, we simplified our requirements in Section 9206.12.

Today's Bulletin clarifies those requirements and, in response to Servicer feedback and in general alignment with Fannie Mae, authorizes Servicers to implement the changes to Section 9206.12 referenced below for any mortgage modification with a Modification Effective Date on and after **January 1, 2017**.

### **Recordation requirements**

The Servicer must record a modification agreement when necessary to ensure that the modified Mortgage:

- Retains its First Lien position; and
- Continues to be fully enforceable in accordance with its terms at the time of the modification, throughout its modified term, and during any bankruptcy or foreclosure proceeding

If recordation is not immediately necessary, but may, in the future become necessary, the Servicer must have the modification agreement in recordable form.

Guide impact: Section 9206.12

### **Title endorsements or similar title insurance products**

The Servicer must obtain a title endorsement or similar title insurance product prior to or at the time of modification only when the Servicer is required to record the modification agreement to retain the modified Mortgage's First Lien position.

### **Flex Modification reminder**

As a reminder, Servicers may implement the Freddie Mac Flex Modification® prior to the mandatory implementation date of October 1, 2017. Once a Servicer begins to evaluate Borrowers for Flex Modifications, the Servicer must discontinue evaluations for Standard and Streamlined Modifications.

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## MORTGAGED PREMISES WITH INCOME-BASED RESALE RESTRICTIONS

To provide more transparency and certainty to Servicers, we are adding requirements to the Guide specific to Mortgaged Premises with income-based resale restrictions when a Servicer:

- Evaluates a Borrower for a short sale
- Bids at a foreclosure sale

### Short sales

When evaluating a Borrower for a short sale on a Mortgage secured by a Mortgaged Premises with income-based resale restrictions (in accordance with Section 4201.17), the Servicer is not required to obtain a short sale property value and minimum net proceeds via the Freddie Mac Service Loans application. The resale restrictions contain details on the property valuation and/or the restricted resale price, as well as any other terms and conditions that must be met.

Servicers are not delegated authority to approve short sales on Mortgages secured by Mortgaged Premises with income-based resale restrictions. If a Servicer determines that a short sale may be the best option for addressing the Delinquency on such a Mortgage, the Servicer must send its short sale recommendation and the required documentation provided in revised Section 9208.2 to Freddie Mac for review via fax at (571) 382-4914 or e-mail at [NPL\\_File\\_Prep@FreddieMac.com](mailto:NPL_File_Prep@FreddieMac.com).

### Foreclosure sale bidding

When preparing foreclosure sale bidding instructions on a Mortgaged Premises with income-based resale restrictions that survive foreclosure (in accordance with Section 4201.17), the Servicer is not required to obtain:

- If applicable, a property value, or
- A credit bid via the Service Loans application

When a third party enters a bid at the foreclosure sale of such a Mortgaged Premises, the Servicer must bid up to, but not exceed, an amount equal to the lesser of:

- Total indebtedness, as described in Section 9301.34
- The property valuation and/or the restricted resale price, or
- Such other amount as may be required by applicable State law (e.g., amount of judgment)

Notwithstanding the requirements in revised Section 9301.34, the Servicer must refer to the resale restrictions for details on the property valuation and/or the restricted resale price, as well as any other terms and conditions that must be met.

### Guide updates

We are updating Sections 9202.16 through 9202.18, 9208.2, 9208.5, 9208.7, 9301.31, 9301.32 and 9301.34 to reflect these requirements for Mortgaged Premises with income-based resale restrictions.

### Form 1205, *Post-Settlement Correction Request*

In response to Servicer feedback, we are updating Form 1205 to allow Servicers to include multiple loans on a single Form 1205 to report post-settlement discrepancies after mortgage modifications or liquidation transactions are settled. Servicers are encouraged to use the updated version of Form 1205 immediately, but must use it on and after **September 25, 2017**.

Guide impact: Form 1205

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## ADDITIONAL GUIDE UPDATES AND REMINDERS

### Quality Control Advisor<sup>SM</sup>

Effective June 26, 2017

As announced in Bulletin 2017-7, Quality Control Information Manager will be rebranded as Quality Control Advisor<sup>SM</sup> and, in response to Seller/Servicer feedback, will become part of the Freddie Mac Loan Advisor Suite<sup>®</sup>.

Quality Control Advisor, which enables Seller/Servicers to manage performing and non-performing Mortgages through the quality control process, will be accessible via single sign-on to the Loan Advisor Suite portal and have a look and feel consistent with the other tools in the Suite. The functionality of the tool will not change.

We provided current Quality Control Information Manager users with information on the steps to take to be able to access Quality Control Advisor when it becomes available on June 26, 2017. Users will then be able to access Quality Control Advisor through single sign-on to the Suite.

We have updated Sections 2402.2, 2402.8 and 2406.2 and Guide Exhibit 88 to reflect that Quality Control Advisor is a part of the Loan Advisor Suite and to change references from Quality Control Information Manager to Quality Control Advisor.

### Deed-in-lieu of foreclosure reporting requirements

We are updating Section 9209.8 to align reporting requirements for deeds-in-lieu of foreclosure with reporting requirements in Section 8303.25. Servicers must report the Mortgage as a Transfer to REO by the fifth Business Day after **the Accounting Cycle Cutoff** of the accounting cycle in which the Servicer receives the executed deed or, in the case of a leasehold Mortgage, an executed lease assignment or new lease.

Guide impacts: Sections 8303.25 and 9209.8

## 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 2017-9 (Servicing) Guide Updates Spreadsheet available at [http://www.freddiemac.com/singlefamily/guide/docs/bll1709\\_spreadsheet.xls](http://www.freddiemac.com/singlefamily/guide/docs/bll1709_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,



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Servicer Performance Management