



TO: Freddie Mac Servicers

September 13, 2017 | 2017-18

IMPORTANT NOTE: This Guide Bulletin provides updates to Freddie Mac's standard Servicing policies, and is not directly related to our special requirements designed to assist Borrowers who are impacted by disasters. For information pertaining to special requirements related to Hurricanes Harvey and Irma, refer to Bulletins 2017-14, 2017-16 and 2017-19.

In addition, refer to Guide Chapter 8404 for our standard requirements for Servicing Mortgages impacted by a disaster.

SUBJECT: SERVICING UPDATES

This Bulletin announces:

Borrower hardship, income and other documentation

- Revisions to our requirements related to [Borrower hardship, income and other documentation](#) that must be submitted for a complete Borrower Response Package – **June 1, 2018**

Maintenance and storage of Security Instruments

- Revisions to our requirements regarding Servicer [maintenance and storage of Security Instruments](#) that have not been electronically recorded

Expense reimbursement

- [Increases to the reimbursable expense limits for the certain expense codes](#) that are associated with the preservation and maintenance of abandoned Mortgaged Premises securing Freddie Mac-owned or guaranteed Mortgages – **October 9, 2017**
- [New expense code 090033](#) (Clear Boarding – Broken Windows) – **September 25, 2017**
- The [removal of the requirement that the Servicer obtain written pre-approval](#) from Freddie Mac and removal of the functionality to submit a request for pre-approval (RPA) via the Freddie Mac Reimbursement System to extend the number of days to submit a claim for expense reimbursement – **September 25, 2017**

Additional Guide updates

- Further updates as described in the [Additional Guide Updates](#) section of this Bulletin

BORROWER HARDSHIP, INCOME AND OTHER DOCUMENTATION

Effective June 1, 2018; however, Servicers may implement earlier if they are able to do so

At the direction of the FHFA, under the Servicing Alignment Initiative ("SAI") and jointly with Fannie Mae, we are announcing specific requirement changes related to hardship, income and other documentation that must be submitted for a complete Borrower Response Package. To promote a better Borrower experience and in response to industry feedback, we are:

- Rebranding Guide Form 710 from *Uniform Borrower Assistance Form* to *Mortgage Assistance Application* (MAAp) and updating the form. These changes provide a more flexible, streamlined application process for Borrowers and evaluation process for Servicers.
 - Reducing the supporting documentation required to substantiate the Borrower's hardship and income. These changes simplify the solicitation process and improve the Borrower's experience.
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Mortgage Assistance Application

We are revising Form 710 as follows:

Form 710, Mortgage Assistance Application	
Category	Revisions
Borrower information	<p>We are:</p> <ul style="list-style-type: none"> • Adding counseling resources, including counseling information for Borrowers with Limited English Proficiency (LEP) • Adding preferred contact method information fields • Specifying that active duty members with the military includes National Guard and Reserves Servicemembers
Property information	<p>We are adding a field for Borrowers to specify whether they prefer to keep, sell or transfer ownership of the Mortgaged Premises to the Servicer (i.e., a deed-in-lieu of foreclosure)</p>
Hardship information	<p>We are no longer requiring:</p> <ul style="list-style-type: none"> • Supporting documentation for disaster hardships • Disclosure of detailed information when a Borrower or dependent family member is experiencing long-term or permanent disability, or serious illness. In these instances, the Borrower is required only to provide a written statement or other documentation verifying disability or illness. • Disclosure of a business failure, as such a Borrower is likely to experience reduced income
Monthly household expenses and debt payments	<p>We are no longer requiring collection of monthly household expenses, including non-housing expenses</p>
Borrower income and required income documentation	<p>We are:</p> <ul style="list-style-type: none"> • Reformatting the income type, amount and required income documentation fields • Providing more optionality regarding what types of supporting documentation a Servicer must collect to meet our requirements • Reducing, and in some cases eliminating, the required set of supporting documentation for certain income types
Borrower certification and agreement	<p>We are simplifying the Borrower certification and agreement language</p>

Servicers may send Borrowers a customized equivalent of Form 710 provided it requests the same financial information, hardship information, supporting documentation and attestations from the Borrowers. However, if the Servicer receives Form 710 rather than its customized equivalent, the Servicer must accept Form 710.

Additional requirements

As result of streamlining our hardship and income documentation requirements in Form 710, we are revising the following additional requirements related to Borrower evaluations:

Borrower income requirements	
Current requirements	Revised requirements
Tax transcript requirements for Borrowers who are self-employed or are fiscal year tax filers	
<p>Servicers must obtain and process IRS Form 4506T-EZ, <i>Short Form Request for Individual Tax Return Transcript</i>, or IRS Form 4506-T, <i>Request for Transcript of Tax</i>, as applicable, to obtain a Borrower's tax transcript when the Borrower:</p>	
<p>Has income that is required to be documented by the Borrower's most-recent federal income tax return but the Borrower has not provided a signed federal income tax return with all schedules and forms (i.e., Borrowers who are self-employed or file tax returns on a fiscal year basis)</p> <p>Note: See Bulletin 2017-1 for all circumstances under which the Servicer must obtain and process IRS Form 4506T-EZ or IRS Form 4506-T</p>	<ul style="list-style-type: none"> • Is self-employed or files taxes on a fiscal year basis; and • Has not provided any of the required documentation specified in Guide Section 9202.3(b) and described in Form 710, to support his or her income. <p>Note: Fiscal year tax filers file federal income tax returns based on a fiscal year – a tax year beginning in one calendar year and ending in the following year. For these Borrowers, the Servicer must obtain IRS Form 4506-T in lieu of IRS Form 4506T-EZ in this instance.</p>
Income calculations for establishing gross income	
<p>The Servicer must gross up all non-taxable income received by the Borrower if the Borrower can provide documentation verifying that the income is not taxable</p>	<p>The Servicer must gross up:</p> <ul style="list-style-type: none"> • All non-taxable income received by the Borrower only if the Borrower can provide documentation verifying that the income is not taxable; or • Net income if the Borrower submits bank statements to support the income type and the information included in the bank statements represents net income
Non-Borrower income	
<p>Servicers should include non-Borrower household income in the monthly gross income if:</p> <ul style="list-style-type: none"> • It is voluntarily provided by the Borrower • The non-Borrower is a relative, spouse, domestic partner or fiancé • The Servicer verifies that the non-Borrower occupies the subject property as a Primary Residence based on a review of a credit report or other documentation (e.g., utility bills, paystubs, benefits statements); and • Documents support that the income has been, and reasonably can continue to be, relied upon to support the Mortgage payment <p>All non-obligor or "non-Borrower" household income included in the monthly gross income must be documented and verified by the Servicer using the same standards for verifying a Borrower's income.</p> <p>A Servicer must not consider expenses of non-Borrower household members, but may only consider the percentage of such household members' income that they routinely contribute to the household.</p>	<p>Servicers must include non-Borrower household income in the monthly gross income if:</p> <ul style="list-style-type: none"> • It is voluntarily provided by the Borrower • The Servicer verifies that the non-Borrower occupies the subject property as a Primary Residence based on a review of a credit report or other documentation (e.g., utility bills, paystubs, benefits statements); and • Documents support that the income has been, and reasonably can continue to be, relied upon to support the Mortgage payment <p>All non-obligor or "non-Borrower" household income included in the monthly gross income must be documented and verified by the Servicer using the same standards for verifying a Borrower's income.</p> <p>A Servicer must not consider expenses of non-Borrower household members, but may only consider the percentage of such household members' income that they routinely contribute to the household.</p> <p>Note: The Servicer is never required to collect or process non-Borrower income information unless requested by the Borrower.</p>

For short sale and deed-in-lieu of foreclosure evaluations of Borrowers who are current or less than 31 days delinquent, the Servicer must:

- Use a credit report to determine the debt obligations for the Borrower; and
- Comply with all other Guide requirements in Section 9208.3 for short sales and Section 9209.3 for deeds-in-lieu of foreclosure to determine debt payment-to-income (DTI) ratios

Guide impacts: Sections 9101.2, 9102.4, 9102.5, 9202.2, 9202.3, 9203.24, 9208.3, 9208.8, and 9209.3, Form 710 and Guide Exhibit 101

MAINTENANCE AND STORAGE OF SECURITY INSTRUMENTS

Effective immediately

To create operational efficiencies for Servicers by reducing some storage costs and making it easier to store and retrieve documents, we have revised our requirements regarding Servicer maintenance and storage of Security Instruments that have not been electronically recorded.

Servicers may convert paper Security Instruments that are not electronically recorded into Electronic Records (as defined in Section 1401.2), and electronically store and maintain such Security Instruments as Electronic Records in the Servicer's Electronic storage System (as those terms are defined in Section 1401.2) (Servicer's "eStorage System"). Such Electronic Records are part of the Mortgage file as Electronic Mortgage file documents. If a Servicer chooses to convert its paper Security Instruments into Electronic Records, it must make certain Servicing representations and warranties to, agreements with, and otherwise indemnify Freddie Mac as set forth in Section 3302.2(b).

For Security Instruments not electronically recorded and stored as paper Mortgage file documents, such Security Instruments must be stored and maintained in the same manner as the original paper documents set forth in Section 3302.2(a).

Guide impacts: Sections 3301.2, 3302.2 and 7101.8

EXPENSE REIMBURSEMENT

Preservation and maintenance of abandoned properties

Effective October 9, 2017

We are increasing the reimbursable expense limits for the following expense codes associated with the preservation and maintenance of abandoned Mortgaged Premises:

Reimbursable expense limits for abandoned properties		
Expense code	Current reimbursement limit	New reimbursement limit
<i>Yard maintenance</i>		
093005 (Initial Yard Maintenance) (Lots up to 10,000 square feet)	\$150	\$250
093004 (Initial Yard Maintenance) (Lots larger than 10,000 square feet)	\$300	\$400
094016 (Yard Maintenance) (Lots up to 10,000 square feet)	\$100	\$180
094013 (Yard Maintenance) (Lots larger than 10,000 square feet)	\$200	\$250
094014 (Trimming Shrubs)	\$400	\$800
094015 (Trimming Trees)	\$600	\$1,000
191003 (Snow Removal)	\$75	\$275

Reimbursable expense limits for abandoned properties		
Expense code	Current reimbursement limit	New reimbursement limit
Property Cleaning and Debris Removal		
091002 (Trash Removal or Dumping Fees)	\$900	\$1,000
Securing Abandoned Properties		
090019 (Securing Padlocks)	<ul style="list-style-type: none"> \$40 per padlock \$80 for all padlocks 	<ul style="list-style-type: none"> \$60 per padlock \$120 for all padlocks
090022 (Security Door)	\$250	\$600
Miscellaneous		
203000 (Sump Pump/HVAC Repair or Replacement)	\$350	\$550
191033 (Dehumidifier)	\$300	\$600
191035 (Mold Treatment)	\$300	\$400
200001 (Gutter Repair/Cleaning)	\$350	\$700
191019 (Fence Repair)	\$300	\$400
090029 (Extermination-Licensed)	\$350	\$500
090024 (Extermination-Non-Licensed)	\$100	\$180

Guide impact: Exhibit 57

Clear boarding broken windows

Effective September 25, 2017

In Bulletin 2017-5, we announced updates to pre-foreclosure sale reimbursement requirements related to expenses associated with clear boarding broken windows for vacant and abandoned properties. To obtain reimbursement for these costs in the Reimbursement System, we temporarily required Servicers to submit expense code 090030 (Boarding/Broken Windows) until we updated the Reimbursement System with a new expense code.

The Reimbursement System will be updated on September 25, 2017 to reflect new expense code 090033 (Clear Boarding – Broken Windows) with an expense limit of up to \$2,000 (\$2.25 per united inch) for the costs associated with clear boarding. Effective September 25, 2017, Servicers must use expense code 090033 in the Reimbursement System in lieu of expense code 090030 to receive reimbursement for the costs associated with clear boarding

Guide impacts: Exhibits 57 and 74

Requests for pre-approval

Effective September 25, 2017

Beginning September 25, 2017, Freddie Mac will no longer require the Servicer to obtain written pre-approval from Freddie Mac by submitting an RPA via the RPA functionality in the Reimbursement System to extend the number of days to submit a claim for expense reimbursement. This applies to all claim submission types (“Loan Modification,” “Non-REO,” “Third Party,” “REO” and “Non-REO w/o GA”).

As a reminder, pursuant to Section 9701.4, Freddie Mac may deny the Servicer’s request for reimbursement or curtail a portion of such expenses if Freddie Mac does not receive the Servicer’s request within the required time frames.

Guide impact: Section 9701.3

ADDITIONAL GUIDE UPDATES

Notifying Freddie Mac of non-routine litigation

Effective immediately

We are updating our reporting and notification requirements for litigation to clarify that the Servicer **must act without delay** and notify Freddie Mac **within two Business Days** of determining that the Freddie Mac Default Legal Matter involves or evolves into non-routine litigation.

Guide impact: Section 9402.3

Freddie Mac Service Loans application authorized user roles forms

Effective immediately

We are removing the term "Balloon Analyst" from all versions of Form 902 since we no longer offer or own any Balloon/Reset Mortgages.

Guide impacts: Forms 902, 902A, 902SA and 902ASA

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 2017-18 (Servicing) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bl1718_spreadsheet.xls.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call the Customer Support Contact Center at (800) FREDDIE.

Sincerely,



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