



TO: Freddie Mac Servicers

October 11, 2017 | 2017-22

SUBJECT: SERVICING UPDATES

This Guide Bulletin announces:

Imminent default evaluation and process for mortgage modifications

- New [imminent default evaluation and process requirements](#) for mortgage modifications – **July 1, 2018**

Servicemembers Civil Relief Act (SCRA)

- An extension of the time by which a Servicer must provide a written notice when responding to a request for a [Servicemembers Civil Relief Act \(SCRA\)](#) interest rate reduction
- A time frame for Servicers to submit their requests for [reimbursement of SCRA interest rate credits](#)
- Updates to the file format in [Guide Exhibit 71](#) that Servicers must use to report loans eligible for the SCRA interest rate subsidy – **February 1, 2018**

Property Condition Certificate (PCC) – November 15, 2017

- Removal of the manual submission process of the [Property Condition Certificate \(PCC\)](#) to the Servicer once the property is acquired as REO
- Updates to our requirements regarding when a Servicer must [cancel a property insurance policy](#) for an REO property

Additional Guide updates

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

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

IMMINENT DEFAULT EVALUATION AND PROCESS FOR MORTGAGE MODIFICATIONS

In response to industry feedback, at the direction of the FHFA, under the Servicing Alignment Initiative and jointly with Fannie Mae, we are eliminating the Imminent Default Indicator® test and replacing it with a more transparent, rules-based approach.

Implementation

Servicers may begin implementing the changes below once Workout Prospector® is updated to accommodate the intake of imminent default data (but not before then) and must implement the changes below no later than **July 1, 2018**. The Servicer will ultimately be delegated to make the imminent default determination. Workout Prospector will be updated prior to July 1, 2018 to provide a mechanism for Servicers to report imminent default data to Freddie Mac. In a future Bulletin, we will notify Servicers when Workout Prospector will be updated and will provide additional guidance regarding how to report imminent default information to Freddie Mac using Workout Prospector.

If the Servicer implements the changes before July 1, 2018, it may implement the requirements related to the “Borrower hardship, income and other documentation” section of Bulletin 2017-18, including new Guide Form 710, Mortgage Assistance Application (MAAp), and the new imminent default evaluation requirements for modifications:

- On the same date (provided Workout Prospector has been updated with the imminent default changes); or
- On separate dates on or before July 1, 2018

If the Servicer chooses to implement the MAAp prior to implementing the new imminent default requirements, then the Servicer must calculate the Borrower’s debt payment-to-income (“DTI”) ratio using expense information in the Borrower’s credit report for the purposes of the Imminent Default Indicator test, which requires a DTI ratio.

Current requirements

Currently, when evaluating a Borrower for a Freddie Mac Flex Modification®, an imminent default evaluation is necessary if the status of the Mortgage is current or less than 60 days delinquent as of the date the Servicer commences the initial evaluation of the Borrower using:

- The Cash Reserves test, and
- The Imminent Default Indicator test

Revised requirements

The new rules-based approach for determining imminent default for mortgage modifications is described below:

Imminent default evaluation business rule requirements for mortgage modifications	
<p>To be considered in imminent default, the Borrower must meet all requirements under Business Rule 1, and must meet the requirements for either:</p> <ul style="list-style-type: none"> • Business Rule 2, or • Business Rule 3 	
Business Rule 1	<p>Each Borrower must:</p> <ul style="list-style-type: none"> • Submit a complete Borrower Response Package • Be current or less than 60 days delinquent (i.e., less than three monthly payments past due) on the Mortgage as of the imminent default evaluation date • Occupy the property as a Primary Residence or, at least one Borrower on the Mortgage must occupy the property as his or her Primary Residence • Have Cash Reserves less than \$25,000 • Have an eligible hardship as described in Guide Section 9202.2
Business Rule 2	<p>A Borrower is considered in imminent default if the Borrower passes the requirements of Business Rule 1; and</p> <ul style="list-style-type: none"> • The Borrower’s FICO® score is less than or equal to 620; AND • The Mortgage has had two or more 30-day Delinquencies in the most recent 6-month period; OR • The Borrower’s pre-modification housing expense-to-income ratio is greater than 40% <p>If the Borrower has one of the Imminent Default Hardships described below in Business Rule 3, the Borrower may be determined to be in imminent default even if these Business Rule 2 requirements are not met.</p>

Imminent default evaluation business rule requirements for mortgage modifications

To be considered in imminent default, the Borrower must meet all requirements under Business Rule 1, and must meet the requirements for either:

- Business Rule 2, or
- Business Rule 3

Business Rule 3

The Borrower is considered in imminent default if the Borrower passes the requirements of Business Rule 1, and the Borrower provided the documentation required in Section 9202.2 supporting **one** of the Imminent Default Hardships listed below:

- Death of a Borrower or death of either the primary or secondary wage earner in the household
- Long-term or permanent disability; or serious illness of a Borrower/co-Borrower or dependent family member
- Divorce or legal separation; separation of Borrower unrelated by marriage, civil union or similar domestic partnership under applicable law; or
- Principal and interest payment increase as a result of an interest adjustment applied to a Step-Rate Mortgage no more than 12 months prior to the evaluation date

The Imminent Default Hardship must currently cause and be expected to continue to cause a long-term or permanent decrease in income or increase in expenses.

To ensure that Freddie Mac has the information necessary to conduct periodic reviews of our imminent default criteria, the Servicer must submit all information for Business Rule 1 and Business Rule 2 in all instances, even if the Borrower does not meet the requirements under Business Rule 2 and instead is approved based on the Imminent Default Hardship under Business Rule 3.

Home Affordable Modification Program (HAMP®) modifications

Since Servicers are no longer conducting HAMP evaluations on Freddie Mac Mortgages, we will not update HAMP requirements for these imminent default evaluation requirement changes. HAMP requirements unrelated to the ongoing Servicing of Mortgages modified under HAMP will be retired from the Guide at a future date.

Imminent Default Indicator Servicing tool and Guide impacts

As a result of these new imminent default evaluation and process requirements for mortgage modifications, we are:

- Retiring the Imminent Default Indicator Servicing tool on June 30, 2018
- Updating Sections 9206.5, 9206.7 and 9206.10 and Exhibit 88; and
- Deleting Exhibit 90

SERVICEMEMBERS CIVIL RELIEF ACT

Interest rate relief requests

In response to Servicer feedback, we are extending the time by which a Servicer must provide a written notice when responding to a request for an SCRA interest rate reduction on a Mortgage that meets the requirements of the SCRA from five to 15 Business Days.

Guide impact: Section 8503.4

Reimbursement requests of SCRA interest rate credits

To help facilitate a Servicer's timely reimbursement of SCRA interest rate credits, effective immediately Freddie Mac is requiring that Servicers submit reimbursement requests within 24 months from the end date

of a Servicemember's Period of Military Service. Additionally, we are emphasizing that Freddie Mac will only reimburse the difference between the Note Rate and the 6% interest rate limit prescribed by the SCRA.

Guide impact: Section 8503.2

Exhibit 71, CSV File Format to Report Loans Eligible for the SCRA Interest Rate Subsidy

Effective February 1, 2018, but Servicers may implement immediately if they are able to do so

Due to changes in operational procedures, we are updating Exhibit 71, which provides the format of the comma separated value (CSV) file for Servicer reporting of Mortgages eligible for the SCRA interest rate subsidy, to remove the Servicer loan number field and to rename and reformat the remaining fields as follows:

ServicerNo	FMLoanNo	BorrowerName	DtStart	DtEnd
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Guide impact: Exhibit 71

PROPERTY CONDITION CERTIFICATE

Effective November 15, 2017

Manual submission of the PCC

Freddie Mac will no longer manually deliver a paper copy of the PCC to the Servicer upon Freddie Mac's acquisition of the property as REO since the PCC completion date is reported in REO Manager®. If Servicers are not already using REO Manager to monitor every step of the REO process, we encourage them to do so immediately. Effective November 15, 2017, Freddie Mac will no longer manually deliver the PCC to the Servicer and the Servicer will only be able to obtain the PCC completion date via REO Manager.

Property insurance cancellation for REO properties

Currently, the Servicer must cancel a property insurance policy on an REO property within 14 days after receipt of the PCC confirming that the property is vacant and has been inspected unless there is claimable damage or the property was sold.

Since Freddie Mac will no longer deliver a paper PCC to the Servicer, we are requiring the Servicer to cancel the property insurance policy on an REO property within 14 days after the PCC completion date, even when there is claimable damage to the property or the property has sold.

Guide updates

We are updating Sections 8601.30, 8601.31, 9202.12, 9603.1, 9603.8, 9603.11, 9603.12, 9701.5, 9701.7 and 9701.9 and Exhibit 57 to reflect the elimination of the manual PCC process and the cancellation of property insurance for REO properties.

ADDITIONAL GUIDE UPDATES

Freddie Mac modification interest rate

As a result of the replacement of the Freddie Mac Standard and Streamlined Modifications with the Flex Modification, we are updating the Freddie Mac modification interest rate web page to:

- Change the name from "Freddie Mac Standard Modification Interest Rate" to "Freddie Mac Modification Interest Rate"; and
- Change the web address from <http://www.freddie.com/singlefamily/service/standardmodrate.html> to <http://www.freddie.com/singlefamily/service/modrate.html>

Guide impacts: Sections 9206.4 and 9206.10

Remedy ManagerSM

[As previously announced](#), Remedy ManagerSM was retired, effective June 26, 2017. We are updating Exhibit 88 to remove references to Remedy Manager. Servicers can access information related to remedy management in Quality Control AdvisorSM, which is part of the Freddie Mac Loan Advisor Suite[®].

Guide impact: Exhibit 88

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 2017-22 (Servicing) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bl1722_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,

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