



TO: Freddie Mac Servicers

June 13, 2018 | 2018-9

SUBJECT: SERVICING UPDATES

This Guide Bulletin announces:

Forbearance plan requirements

- Consolidation and restructuring of our requirements for short-term, long-term and unemployment [forbearance plans](#) – **December 1, 2018**

NextJob® re-employment services

- Introduction of [NextJob re-employment services](#) for Borrowers with Freddie Mac Home Possible® Mortgages in Duty to Serve high-needs areas – **New**

Special property insurance requirements for Condominium Projects and Planned Unit Developments

- Updates to [special endorsement requirements](#) for Condominium Projects and Planned Unit Developments (PUDs)

Additional Guide updates and reminders

- Further updates 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.

FORBEARANCE PLAN REQUIREMENTS

Effective December 1, 2018, but Servicers may implement immediately

To support Freddie Mac's continued commitment to improving our loss mitigation offerings, we are monitoring and assessing the appropriateness of each currently available solution. Based on Servicer and industry stakeholder feedback, and at the direction of the FHFA and in coordination with Fannie Mae, we are consolidating our short-term, long-term and unemployment forbearance plan offerings into a single streamlined policy. Borrowers impacted by Eligible Disasters continue to be subject to special forbearance plan requirements described in Guide Chapter 8404 and Bulletins 2017-14, 2017-19, 2017-21, 2017-25 and 2017-29.

By streamlining our forbearance plan offerings and requirements and allowing Servicers to approve longer forbearance periods without requiring the Borrower to submit a Borrower Response Package, we expect greater operational efficiencies and improved outcomes for Borrowers who need a temporary recovery period. Under our new requirements, the Servicer may approve forbearance plans that last for up to six months and may offer consecutive forbearance plans of up to 12 total months without requiring a Borrower Response Package.

Because we are consolidating several forbearance plan programs into one set of requirements, we are restructuring Chapter 9203 and removing references throughout the Guide to short-term, long-term and unemployment forbearance and replacing them with "forbearance plan," as applicable.

The restructured forbearance plan offering is described in detail in Guide Sections 9203.12 through 9203.17. The following table provides an overview of the restructured forbearance program.

Forbearance eligibility requirements	
Delinquency	The Borrower may be current or delinquent in his or her Mortgage, but the forbearance plan must not result in an overall Mortgage Delinquency that exceeds 360 days (i.e., to be in an active forbearance plan, the Borrower must not have missed more than 12 contractual monthly Mortgage payments).
Hardship	The Borrower must have an eligible hardship as described in Section 9202.2 and Guide Form 710, <i>Mortgage Assistance Application</i> . The Borrower's hardship may be verbally stated. The Servicer must report the hardship reason via EDR in accordance with Section 9102.7.
Documentation	The Servicer is not required to collect a complete Borrower Response Package to evaluate the Borrower for a forbearance plan or a forbearance plan extension. However, if the Servicer does not collect a complete Borrower Response Package, then the Servicer's evaluation must be based on information provided by the Borrower resulting from quality right party contact established in accordance with the requirements in Section 9102.3(b).
Mortgage eligibility and exclusions	<p>Mortgages secured by the Borrower's Primary Residence, even if vacant, are eligible for forbearance.</p> <p>The following Mortgages are ineligible for forbearance:</p> <ul style="list-style-type: none"> • Mortgages secured by abandoned or condemned properties • Mortgages secured by second homes or Investment Properties
Duration	<p>If the Servicer achieves quality right party contact and the Borrower meets the eligibility criteria for forbearance, the Servicer must offer:</p> <ul style="list-style-type: none"> • An initial forbearance term for a period of one to six months, and • One or more forbearance term extensions of one to six months <p>However, the aggregate of the initial term and all forbearance term extensions may not exceed 12 months of uninterrupted forbearance.</p> <p>NOTE: As described in the "Delinquency" section above, the forbearance plan must not result in an overall Mortgage Delinquency that exceeds 360 days (i.e., to be in an active forbearance plan, the Borrower must not have missed more than 12 contractual monthly Mortgage payments).</p>
Forbearance plan extensions	Prior to the expiration of the initial term and any extension to the forbearance term, the Servicer must attempt to contact the Borrower in accordance with the "Contact Requirements" described below. If quality right party contact is achieved, the Servicer must evaluate the Borrower's eligibility for an extension to the forbearance plan in accordance with all forbearance plan eligibility requirements.
Number of permitted forbearance plans	There is no limit on the number of forbearance plans an eligible Borrower can receive over the life of the Mortgage.
Forbearance plan requirements	
Reduced payments	Based on the Borrower's individual circumstances and ability to pay, the Servicer must determine whether a reduced payment is required, or whether to allow the Borrower to choose not to make monthly payments during the plan. If the forbearance plan will require a reduced payment, then the principal and interest amount due under the forbearance plan must be lower than the Borrower's contractual principal and interest amount.

<p>Late charges</p>	<p>The Servicer:</p> <ul style="list-style-type: none"> • May include in the forbearance agreement any accrued late charges due from the Borrower at the time the Servicer entered into the forbearance agreement with the Borrower • Must not accrue or collect late charges from the Borrower during the term of the forbearance plan or any subsequent repayment plan period if the Borrower is complying with the terms of such agreements <p>If the Borrower defaults on the forbearance agreement, late charges may begin to accrue from the date the Borrower defaulted on the forbearance agreement.</p>
<p>Borrowers in a Trial Period Plan</p>	<p>A Borrower who converts from an active Trial Period Plan to a forbearance plan may be eligible for a Freddie Mac workout option upon completion of the forbearance plan. If the Borrower is eligible for a Mortgage modification, the Servicer must begin a new Trial Period Plan. The previous Trial Period Plan will not be considered a failed Trial Period Plan for purposes of the Freddie Mac Flex Modification® evaluation, or any other Freddie Mac modification offering.</p>
<p>Plan termination</p>	<p>The forbearance plan must be terminated if:</p> <ul style="list-style-type: none"> • The Servicer determines that the Borrower has failed to meet the terms specified in the forbearance plan agreement • Any of the eligibility criteria for the forbearance plan is no longer met • The Servicer becomes aware that the Borrower's hardship is resolved, or • The Borrower requests termination of the forbearance plan
<p>Post-forbearance options</p>	<p>At the end of the forbearance plan, the Borrower must cure the Delinquency through a full reinstatement, payment in full, a repayment plan or a workout option, in accordance with the Guide.</p>
<p>Documenting terms</p>	<p>The forbearance agreement must:</p> <ul style="list-style-type: none"> • Be provided to the Borrower in writing. The Servicer may amend the Borrower Evaluation Notice provided in Guide Exhibit 93, <i>Evaluation Model Clauses</i>, to meet the requirements of the Guide, and must alter it as appropriate to comply with applicable law. • Indicate the duration of the forbearance plan • State that at the end of the forbearance period, the Borrower must cure the Delinquency through a full reinstatement, a repayment plan, payoff of the Mortgage or apply for a loss mitigation option • State that foreclosure proceedings are suspended during the forbearance period so long as the Borrower complies with its terms and the Servicer is entitled to recommence foreclosure at the point the foreclosure was suspended if the Borrower defaults on the forbearance plan, unless otherwise prohibited by law • State that a Borrower in a permanent modification under the Home Affordable Modification ProgramSM (HAMP®) will be ineligible for "Pay for Performance" incentives, including accrued but unearned incentives, if the Borrower loses good standing <p>For complete requirement details see Section 9203.13.</p>

Servicer requirements

<p>Contact requirements</p>	<p>During the forbearance plan, the Servicer may use various methods to contact the Borrower as permitted by applicable law, including but not limited to, mail, e-mail, texting and voice response unit technology. The Servicer may mail, fax or electronically transmit copies of the Borrower Solicitation Letter or its equivalent and other documents associated with the Borrower Solicitation Package to the Borrower.</p> <p>The Servicer:</p> <ul style="list-style-type: none"> • Has discretion to determine the appropriate frequency to contact the Borrower; however, attempts to contact the Borrower must be initiated no later than 30 days prior to the end of the forbearance plan • Must continue outreach until quality right party contact is achieved or until the forbearance plan has expired • If quality right party contact is achieved, must: <ul style="list-style-type: none"> ➤ Determine whether the Borrower’s hardship has been resolved ➤ Determine the Borrower’s intention for the Mortgaged Premises (i.e., whether the Borrower wishes to retain the Mortgages Premises or not) ➤ Request a complete Borrower Response Package if it will be needed for the Servicer’s evaluation for other workout or liquidation options (NOTE: This may not be needed if the Servicer is evaluating for a streamlined option); and ➤ Evaluate the Borrower to offer the most appropriate solution based on the Borrower’s individual circumstances and the requirements of Freddie Mac’s loss mitigation evaluation hierarchy, as described in Section 9201.2 • If quality right party contact is not achieved, must determine whether: <ul style="list-style-type: none"> ➤ To solicit the Borrower to submit a complete Borrower Response Package; or ➤ To offer the Borrower a streamlined offer for a Flex Modification under Chapter 9206, if eligible
<p>Credit reporting</p>	<p>The Servicer must report full-file status to the major credit repositories for each Mortgage in a forbearance plan.</p>
<p>Procedures</p>	<p>The Servicer must establish written policies and procedures describing how to:</p> <ul style="list-style-type: none"> • Determine the Borrower’s hardship • Determine whether to require a reduced payment and if so, the required payment amounts • Document the Servicer’s decision-making process, including, but not limited to, its application of discretion or business judgement <p>The Servicer must consistently apply these policies and procedures for all Borrowers.</p>

Guide impacts: Sections 8404.4, 8404.5, 9201.6, 9202.6, 9202.7, 9202.9, 9203.9, 9203.12 through Section 9203.24, 9206.5, 9206.11, Form 105 and Directory 5

NEXTJOB RE-EMPLOYMENT SERVICES

A key component of Freddie Mac’s Duty to Serve plan is increasing homeownership opportunities in underserved markets across the nation, including in rural and high-needs areas. High-needs areas include the middle

Appalachia, lower Mississippi Delta and colonias and other tracts located in areas subject to persistent poverty. This initiative supports Home Possible Borrowers in these areas by offering re-employment services through NextJob.

NextJob is a re-employment services company that assists Borrowers with job search skills and training to increase the Borrower’s likelihood of new employment after experiencing a job loss, reduced hours or other employment challenges that threaten the Borrower’s ability to make timely mortgage payments. NextJob will contact the Borrower and offer their services, which include:

- One-on-one job coaching
- Access to “Job Talk” webinars, and
- Access to NextJob’s proprietary online job search training program

Servicers are encouraged to refer Home Possible Borrowers in Duty to Serve high-needs areas who have suffered loss of income due to unemployment or underemployment to Freddie Mac for referral to NextJob. New Exhibit 40, *Duty to Serve High-Needs Areas*, lists the Duty to Serve high-needs areas by State.

Borrower qualifications are in the following table:

NextJob re-employment services eligibility requirements	
Borrower eligibility	<p>The Borrower must have:</p> <ul style="list-style-type: none"> • Suffered a loss of income due to unemployment or underemployment, and • Requested loss mitigation assistance from the Servicer
Mortgage eligibility	<p>The Mortgage must be:</p> <ul style="list-style-type: none"> • Located in a designated high-needs Duty to Serve area listed in Exhibit 40 • A Home Possible Mortgage
Eligibility exclusions	<p>The following Borrowers are not eligible:</p> <ul style="list-style-type: none"> • Borrowers who are 12 months or more delinquent at the time of Servicer evaluation • Borrowers in active repayment plans • Borrowers in active Trial Period Plans • Borrowers approved for short sales or deeds-in-lieu of foreclosure • Borrowers with Mortgages: <ul style="list-style-type: none"> ➢ Subject to active non-routine litigation ➢ Subject to active bankruptcy proceedings ➢ That are FHA, VA or RHS insured ➢ With a foreclosure sale scheduled within the next 60 days, or ➢ That have been referred to foreclosure if the parties are in mediation

If a Borrower meets the eligibility criteria above, Servicers participating in the NextJob program must provide the following information to Freddie Mac on a Microsoft Excel® spreadsheet using the NextJob referral template provided in Exhibit 41, *NextJob Referral Template for Borrowers with Home Possible Mortgages* for each Borrower the Servicer is referring:

- Freddie Mac loan number
- Borrower name

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- Borrower phone number
 - Borrower State of residence, and
 - Servicer contact name and e-mail address

The Servicer may send the Excel spreadsheet up to twice per month to RuralBorrowerHelp@FreddieMac.com on the 15th or 30th day of each month only. Participating Servicers with no eligible Borrowers are not required to make a submission.

Three to six Business Days after receiving the submission, Freddie Mac will e-mail the Servicer a list of Borrowers who were referred to NextJob.

NextJob will attempt to contact the Borrower by phone for 20 days. Once NextJob makes contact with the Borrower, NextJob will work with them to complete the "Homeowner Re-employment Registration" and "Waiver Agreement" to initiate the re-employment services.

Freddie Mac will e-mail the Servicer monthly updates in a report entitled "Disposition of NextJob Referrals."

Guide impacts: Section 9102.4, Exhibits 40 and 41

SPECIAL PROPERTY INSURANCE REQUIREMENTS FOR CONDOMINIUM PROJECTS AND PLANNED UNIT DEVELOPMENTS

In response to Seller/Servicer inquiries, we are updating our property insurance requirements to include additional detail on the requirements for special endorsements, as follows:

- The inflation guard endorsement is required when it is applicable to the coverage and available in the insurance market
- The building ordinance or law endorsement is not required if the building is legally conforming under current building, zoning or land use laws or is not available; however, it is required if the enforcement of any law or ordinance results in increased costs such as demolition or loss to the undamaged portions of the building and the coverage is available in the insurance market
- The steam boiler and machinery or equipment breakdown endorsement is required if the building has a central heating ventilation and cooling (HVAC) system and the coverage is available in the insurance market

Guide impact: Section 8202.2

ADDITIONAL GUIDE UPDATES AND REMINDERS

Reimbursement of property insurance premiums

Effective for all reimbursement claims submitted in the Freddie Mac Reimbursement System on and after October 1, 2018

In Bulletin 2015-9, we revised our property insurance reimbursement requirements to allow for the reimbursement of "unearned" property insurance premiums (as described in Bulletin 2015-9) under certain conditions. There may be exceptional situations where a Servicer is not able to recover the unearned property insurance premiums from the Borrower as part of a short sale or deed-in-lieu of foreclosure transaction despite its best efforts. Therefore, we are expanding the scenarios under which a Servicer may seek reimbursement to include short sales and deeds-in-lieu of foreclosure.

If the Servicer was unsuccessful at recovering the unearned property insurance premiums from the Borrower in the short sale or deed-in-lieu of foreclosure transaction, the Servicer seeking reimbursement for such premiums may file a claim for reimbursement in the Reimbursement System up to the periods prescribed in Section 9701.7.

Pursuant to Section 9701.21 regarding standard supporting documentation for expense reimbursement, if the reimbursement request is selected for audit, Freddie Mac will instruct the Servicer to provide, to the extent possible, documentation showing the Servicer's attempt to recover the unearned property insurance premiums

from the Borrower. Such documentation may include a copy of the Borrower's waiver of funds under which the Borrower agreed to assign any refund of unearned property insurance premiums.

Temporary process to seek reimbursement

For reimbursement claims submitted in the Reimbursement System on and after June 13, 2018, but prior to October 1, 2018, where Freddie Mac curtailed a portion of the property insurance premiums, a Servicer seeking reimbursement for such unearned property insurance premiums as described above may send an exception request to 104_Expense@freddiemac.com. The exception request must include supporting documentation such as:

- The bill number listed on the Servicer's claim for reimbursement in the Reimbursement System, where Freddie Mac curtailed a portion of the property insurance premiums; and
- As applicable, standard supporting documentation for expense reimbursement listed in Section 9701.21. This would include any documentation showing the Servicer's attempt to recover the unearned property insurance premiums from the Borrower.

Upon review and consideration by Freddie Mac, we will reimburse the Servicer up to the periods prescribed in Section 9701.7.

Non-reimbursable expenses

We are updating Section 9701.15 to specify that sales tax is considered a non-reimbursable expense unless it is included within the total expense of a line item that does not exceed the related expense limits set forth in the Guide.

Guide impacts: Sections 8101.2 and 9701.15

Directory updates

We are updating the Directory to provide that:

- Servicers must submit Forms 1057SF, 1058SF, 1059SF and 1060SF related to opening or transferring Custodial Accounts, to custodial_account_review@freddiemac.com
- Servicers must submit supplemental tax bills to homesteps_title@freddiemac.com
- Servicers must submit requests to store an occupant's personal belongings following eviction to REO_eviction_alt_options@freddiemac.com

Additionally, we are updating the Directory to align with updates to our requirements for charge-off recommendations announced in Bulletin 2018-2.

Guide impacts: Directories 1, 5 and 6

Automatic transfer of funds from a Principal and Interest Custodial Account

In Bulletin 2017-15 we announced detailed information and updates to our Servicing requirements to support our Investor Reporting Change Initiative ("Initiative") that will be implemented in May 2019. Each month, beginning in June 2019, Freddie Mac will draft, via ACH transaction, principal and interest payments and payoff proceeds directly from the Servicer's designated Custodial Account. To authorize Freddie Mac to draft these funds Servicers must complete, execute and submit Form 1132A, *Authorization for Automatic Transfer of Funds from a Principal and Interest Custodial Account Through ACH*, to Freddie Mac.

In response to Servicer questions, we are clarifying that:

- The employee who executes Form 1132A on the Servicer's behalf, including Servicers who are Servicing Mortgages for Freddie Mac on an interim basis, must be an officer of the company and designated as an "Authorized Employee" on the Servicer's certificate of incumbency form, Form 988SF-1, Form 988SF-2 or Form 988SF or, if applicable, Form 988ASF
- If a Servicer employs a Servicing Agent:

- Form 1132A must be for the servicing institution designated on the Custodial Account and the documents as required under Sections 8302.6 and 8302.7
- The Seller/Servicer numbers in Part B of Form 1132A must reflect the Master Servicer
- The employee who executes Form 1132A must be an officer of the company and designated as an “Authorized Employee” on the certificate of incumbency form of the servicing institution designated on the Custodial Account and the documents as required under Sections 8302.6 and 8302.7

To facilitate implementation of the Initiative, Freddie Mac has established a staggered submission schedule, based on the Servicer’s company name, for Form 1132. **Servicers with company names beginning with a number or the letters A-C should execute and submit Form 1132A to Freddie Mac via e-mail to cashcollections@freddiemac.com beginning July 1, 2018.** To allow sufficient time to receive and process the forms, Servicers are requested to adhere to this schedule. If a Servicer cannot submit its Form 1132A during he assigned window it must ensure Freddie Mac has received its Form 1132A no later than February 28, 2019.

Servicers with company names beginning with:	May execute and submit Form 1132A to Freddie Mac:
A number or the letters A-C	July 1 – August 31, 2018
Letters D-G	August 1 – September 30, 2018
Letters H-N	September 1 – October 31, 2018
Letters O-S	November 1 – December 31, 2018
Letters T-Z	January 1 – February 28, 2019

Release of documents to Seller/Servicers from Document Custodians

Document Custodians and Servicers may use Electronic, as defined in Section 1401.2, or system-generated versions of Form 1036, *Request for Physical or Constructive Possession of Documents*, if they have entered into an electronic transaction agreement containing certain provisions and a list, with handwritten, notarized signatures, of the individuals authorized to request documents on the Servicer’s behalf. We are removing the requirement that the signatures be notarized.

Guide impact: Section 8107.2

REO claims for reimbursement

We are updating Section 9603.16 to remove reference to Directory 6. We remind Servicers to submit all claims for reimbursement related to sale of the REO through the Reimbursement System and not via the means provided in Directory 6.

Guide impact: Section 9603.16 and Directory 6

Tenant-occupied properties built before 1978

We are removing the requirement for certain tenant-occupied properties, as described in Section 9202.7, that a Servicer must report lead-based paint or health code citations in connection with evaluation for all forbearance plans, loan modifications and short sales. Servicers are only required to report this information to us in connection with an evaluation for a deed-in-lieu of foreclosure under Section 9202.7 and before referring a Mortgage to foreclosure under Section 9301.7.

Guide impact: Section 9202.7

Reminder of temporary moratorium of Subsequent Transfer of Servicing

In Bulletin 2018-6, we announced our plans to automate the Subsequent Transfer of Servicing (STOS) request and approval process. To facilitate the transition to this new process, we remind Servicers that we will implement a temporary moratorium on Subsequent Transfers of Servicing from **July 9, 2018 through July 20, 2018**. During this period, Servicers will not be able to submit new requests or make modifications to existing requests. All STOS requests submitted prior to July 9, 2018 will be reviewed and, if applicable, approved no later than 2:00 p.m. Eastern time on July 20, 2018. Any Freddie Mac-approved STOS with an Effective Date of Transfer of July 16, 2018 will not be impacted by this temporary moratorium.

Updates to Servicers from Bulletin 2018-8

Concurrent Transfers of Servicing

Effective October 1, 2018, but Sellers and Servicers may adopt sooner if they are operationally able to do so

As announced in Bulletin 2018-8, in response to requests from Seller/Servicers approved to sell and/or service eMortgages, we are updating Form 960 to require Sellers completing a Concurrent Transfer of Servicing transaction to identify whether eMortgages are included in the transaction and, if so, to designate the appropriate Document Custodian. For information on approval to sell eMortgages to, and/or service eMortgages for, Freddie Mac, visit our [eMortgage web page](#).

Freddie Mac Access Manager

In Bulletin 2018-8, we updated the access management provisions of the Master Systems License in preparation for the future availability of Freddie Mac Access Manager, an automated and delegated administration tool. As part of our focus on making it easier for Seller/Servicers to do business with us, Access Manager will allow authorized Seller/Servicers and certain Related Third Parties to manage their user registration and access to Systems, as defined in Section 2401.1.

Additionally, we updated our access management notification requirements in Section 2403.3 to align with the requirements in Section 2401.1.

Access Manager will be made available on a phased basis to Seller/Servicers using Freddie Mac Systems. We will announce the availability of the tool in a future Bulletin.

Tri-Party Agreements

In Bulletin 2018-8, we updated Form 1035DC and the Directory to include The Bank of New York Mellon Trust Company, N.A.'s new mailing address. In addition, we made minor changes to the Tri-Party Agreements for consistency among the forms.

Removal of the super Accelerated Remittance Option

Previously, a Seller could elect the Gold remittance cycle, super Accelerated Remittance Cycle (super ARC), or the First Tuesday remittance cycle for fixed-rate Mortgages sold to Freddie Mac.

As announced in Bulletin 2018-8, to facilitate the transition to the Standard Remittance Cycle we removed the Seller's option to elect super ARC.

Current Guide PDF on FreddieMac.com

We publish current full Guide and individual segment PDFs on AllRegs®. Starting today, we are also publishing the current full Guide PDF on [FreddieMac.com](http://www.freddiemac.com) at <http://www.freddiemac.com/singlefamily/pdf/guide.pdf>. We will publish these Guide PDFs each time we publish a Bulletin with Guide updates.

The full Guide PDF enables Seller/Servicers to:

- Save a copy of the Guide
- Search the entire Guide (using CTRL + F)

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- Print individual pages (such as certain sections) of the Guide

For historical reference purposes, the prior Guide PDFs will continue to be available on a quarterly basis on our [Guide Snapshot PDF web page](#).

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 2018-9 (Servicing) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bl1809_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 Gilmore", with a long horizontal flourish extending to the right.

Yvette W. Gilmore
Vice President
Servicer Performance Management