

Industry Letter

To: Freddie Mac Sellers and Servicers

August 12, 2011

SUBJECT: MORTGAGE INSURANCE COVERAGE REQUIREMENTS AND FREDDIE MAC REMEDIES FOR COMPLIANCE VIOLATIONS

Freddie Mac is seeing a material increase in mortgage insurer rescissions, cancellations and denials of coverage of Freddie Mac-owned Mortgages, and with this letter is reminding Seller/Servicers that Mortgages sold to Freddie Mac must comply with the requirements of the *Single-Family Seller/Servicer Guide* (“Guide”) and other Purchase Documents, including requirements related to mortgage insurance coverage. Generally, Seller/Servicers must have obtained a primary mortgage insurance policy for any conventional first Mortgage that has a loan-to-value ratio greater than 80% by the time the Mortgage is sold to Freddie Mac.

If Freddie Mac determines that a Mortgage does not have the mortgage insurance coverage as required at delivery, or if the mortgage insurance coverage is no longer in force due to a rescission, a claim denial or cancellation other than as permitted in Guide Sections 61.2 through 61.4, Freddie Mac may require the Seller/Servicer to repurchase the Mortgage, remit make whole funds, or provide proof that the mortgage insurance required by the Purchase Documents is in effect.

As an accommodation to Seller/Servicers and in response to the increased volume of activity, if a Seller/Servicer currently has an outstanding repurchase request from Freddie Mac related to the rescission, denial or cancellation of mortgage insurance coverage by the mortgage insurer, the Seller/Servicer must either repurchase the Mortgage, or appeal the repurchase request to Freddie Mac by submitting a fully documented appeal in accordance with Section 72.6 of the Guide to **REMEDY_MGMT_APPEAL@FREDDIEMAC.COM** showing evidence that the mortgage insurance required by the Purchase Documents is in effect, or showing evidence that the claim has been paid in full, within the time frames stipulated below:

- For repurchase requests dated **on or before May 31, 2011**, the resolution must be completed by **September 30, 2011**
- For repurchase requests dated **after May 31, 2011**, the resolution must be completed **within the time frames** specified in the Purchase Documents

If the above referenced time frames are not met, these outstanding repurchase requests will be considered delinquent, and Freddie Mac may exercise any of its rights and remedies provided in the Purchase Documents. These include but are not limited to the assessment of a late remittance fee, which until further notice will be assessed at 120 days from the repurchase issuance date if repurchase funds are not received by the repurchase due date.

Notifying Freddie Mac of mortgage insurance rescissions, certain cancellations and claim denials

As a reminder, Section 7.3 of the Guide requires Seller/Servicers to notify Freddie Mac of termination or denial of mortgage insurance coverage of Freddie Mac-owned Mortgages based on fraud. In an upcoming Guide Bulletin, we will announce updated requirements for the reporting of mortgage insurance rescissions, cancellations other than as permitted under Guide Sections 61.2 through 61.4, and claim denials of coverage and the corresponding reasons.

April 1, 2011 Industry Letter reminder

As stated in our April 1, 2011 Industry Letter, Seller/Service providers are reminded that the Purchase Documents do not permit a Seller/Service provider to enter into any arrangement that affects the Mortgages sold to Freddie Mac in any manner that is not specifically provided for or contemplated by the Purchase Documents without Freddie Mac's prior written consent.

Sincerely,

A handwritten signature in cursive script that reads "Laurie A. Redmond". The signature is written in dark ink on a light-colored background.

Laurie A. Redmond
Vice President
Offerings Effectiveness