Servicing Agent Oversight and Surveillance Program
Best Practices

Freddie Mac Single-Family Seller/Servicer Guide (“Guide”) Section 51.4 requires Servicers to establish an oversight and surveillance program for monitoring its Servicing Agent’s compliance with applicable servicing requirements.

Freddie Mac Servicers should consider incorporating the following best practices in your Servicing Agent oversight and surveillance program:

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1. Establishing a Master Servicer management team that is:

1.1. Overseen by a qualified mortgage servicing executive with substantial background and understanding of mortgage servicing practices;

1.2. Comprised of experienced mortgage servicing professionals (operations specialists) with detailed mortgage servicing operations knowledge that is relevant to an assigned area. These professionals must be capable of overseeing and monitoring a Servicing Agent’s performance with respect to all mortgage servicing functions. This includes, but is not limited to, performing loan servicing, call center operations, collections and default management operations, managing escrow accounts, investor accounting, reporting, remitting and cashiering, and processing requests for alternatives to foreclosure;
1.3 Includes a compliance and audit specialist that oversees the Servicing Agent’s compliance with all applicable Guide servicing requirements and the Servicer’s purchase documents; and

1.4 Includes a dedicated Freddie Mac liaison.

**Note:** For smaller Master Servicers and/or Master Servicers that have a small portion of their servicing portfolio subserviced by a Servicing Agent, a single point of contact or small qualified team may be sufficient to perform the requisite oversight and review of the Servicing Agent’s performance.

2. **Conducting an annual review of the Servicing Agent’s corporate governance procedures and compliance, such as reviews of:**

2.1. Statement of Auditing Standards No. 70 or Statement on Standards for Attestation Engagements No. 16 reports, and outside audit findings of the Business Continuity Plan (the Business Continuity Plan requirements can be found in Guide Section 51.3(b));

2.2. Compliance with Freddie Mac insurance requirements as outlined in Guide Sections 4.6, 4.7 and 4.8;

2.3. Training programs and policies related to servicing Freddie Mac mortgages, including mandatory training programs and policies addressing compliance with applicable law, such as antifraud training and compliance with anti-money laundering, Bank Secrecy Act, Office of Foreign Asset Control (OFAC), the Fair Debt Collections Practices Act, and similar laws and regulations;

2.4. The Servicing Agent’s financial ability to perform its obligations to the Servicer and Freddie Mac, in accordance with the requirements in Guide Sections 4.2 and 4.3;

2.5. The composition of the Servicing Agent’s servicing portfolios and volume forecasts across all Master Servicers and all mortgage owners and guarantors;

2.6. The Servicing Agent’s hiring practices, such as;

   2.6.1. Predictive indicators,

   2.6.2. Background checks,

   2.6.3. Freddie Mac Exclusionary List check, and

   2.6.4. Capacity models and plans for staffing the Master Servicer’s portfolio;

2.7. The Servicing Agent’s information security policies, procedures and compliance with laws and regulations governing protected personal information including the Graham-Leach-Bliley Act, state privacy laws, and laws governing information technology security and breaches and related notice requirements;

2.8. The Servicing Agent’s compliance with the Real Estate Settlement Procedures Act, Truth in Lending Act, and other laws and regulations enforced by the Consumer Financial Protection Bureau and other federal and State regulators to the extent such laws and regulations apply to the servicing of Freddie Mac mortgages;
2.9. Default litigation management practices;

2.10. Change control policies and procedures; and

2.11. Vendor management policies and procedures and reviews of the Servicing Agent’s outsourced vendors. Outsourced Vendors domiciled in, or who provide services to the Master Servicer or Servicing Agent from, an offshore location (i.e., not in any State) must apply the same requirements and ensure the same level of service and compliance that is applicable to an Outsourced Vendor domiciled in and providing services to the Master Servicer and Servicing Agent from a State.

3. Conducting an annual review of the Servicing Agent’s servicing operations and loan administration, such as reviews of the Servicing Agent’s:

3.1. Call center operations (e.g., compliance with Freddie Mac performance standards in Guide Section 65.8, adequate hours of operation and staffing, review of customer service surveys, if available);

3.2. Complaint and error resolution, including, but not limited to, regulatory agency and borrower complaints;

3.3. Repurchase policies, including review of Freddie Mac repurchase demands, drafting and submitting appeals, and related processes;

3.4. Adjustable rate mortgage (ARM) rate adjustments, including timely borrower notifications and reconciliation between Servicer accounts and investor reporting and remitting obligations;

3.5. Document control policies and procedures covering

   3.5.1. Vault operations;

   3.5.2. Transportation of original documents and notes (including evidence of transit insurance);

   3.5.3. Management of Document Custodians and Guide Forms 1035 and 1035DC;

   3.5.4. Recertification process after portfolio transfer (Guide Form 1034T);

   3.5.5. Lien releases;

   3.5.6. Modification agreement recordation and retention;

   3.5.7. Mortgage Electronic Registration System® (MERS®); and

   3.5.8. Document reconciliation, including missing documents;

3.6. Escrow account administration for both taxes and insurance (e.g., mortgage, hazard, flood, and lender placed insurance, etc.); including

   3.6.1. Claims filing; and

   3.6.2. Curtailment review/appeal process
3.7. Cash management, including security policies for cash, payment processing (including available payment options); and payoff processing; and

3.8. New loan boarding, including reconciliation and accurate boarding of ARMs.

4. Conducting an annual review of the Servicing Agent’s default servicing, including a review of:

4.1. Collections scripts and tools; and

4.2. Loss mitigation performance;

4.2.1. Compliance with Guide Chapters 63 through A69, including, but not limited to:

- Waterfall policies
- Freddie Mac Exclusionary List check procedures
- Servicemembers Civil Relief Act (SCRA) procedures
- Default Related Legal Services
- Pre-foreclosure process review
- Foreclosure process review and timelines
- Bankruptcy process review and filing of Motions for Relief from Stay.

5. Conducting an annual review of the Servicing Agent’s investor reporting and accounting policies and practices for compliance with Freddie Mac requirements, including:

5.1. Custodial account reconciliation policies;

5.2. Electronic default reporting (EDR) and loan level reporting (LLR) and types of reporting tools used;

5.3. Reporting to the Making Home Affordable Program Administrator via IR2;

5.3. Remittance policy;

5.4. Nonperforming loan statement review, reconciliation, and payment policies;

5.5. Compensatory fees review, appeal, and reconciliation policies (e.g., to determine party responsible for delays and timely submission of appeals); and

5.6. Incentives (e.g., to determine receiver).

6. Periodic business review, to occur on a regular basis consistent with the size and makeup of the servicing portfolio, which may include:

6.1. Portfolio overview and roll rates;

6.2. New loan set up, including reconciliation of newly boarded loans;

6.3. Loss mitigation activity, including:
6.3.1. Borrower Solicitation Packages sent in a timely manner;

6.3.2. Monitoring of Borrower Response Packages (BRP) received, including:
   - Appropriate characterization of complete and incomplete packages;
   - Timely and accurate notices of incompleteness sent to borrowers;
   - Timely and accurate evaluation of complete BRPs; and
   - Packages in evaluation process;

6.4. Foreclosure activity, including:
   6.4.1. Foreclosure timeline overview; and
   6.4.2. Past standard overview;

6.5. Repurchase demands outstanding or under appeal;

6.6. Outstanding compensatory fees owed or under appeal;

6.7. Call center statistics, including:
   6.7.1. Average speed to answer, abandonment rate, etc.; and
   6.7.2. Quality Right Party Contact statistics;

6.8. Error resolution, including open, closed, and past standard;

6.9. OFAC screening and applicable notification to Freddie Mac (OFAC screening should be performed on a regular basis);

6.10. Fraud cases and applicable notification to Freddie Mac;

6.11. Change management, including filing Guide Form 1107 when required;
   6.11.1. Update on compliance with new Guide Bulletin releases;

6.12. Custodial account reconciliation;
   6.12.1. Variances;

6.13. EDR and LLR reporting edits statistics;

6.14. Open non-routine litigation, including notice to Freddie Mac Single-Family Litigation;

6.15. Suspense funds management;
   6.15.1 Review of aged suspense accounts;

7. Quality assurance, to occur on a regular basis consistent with the size and makeup of the servicing portfolio, which may include:

7.1. Sample review of collection calls;

7.2. Sample review of foreclosure timeline activity;
   7.2.1. Event review;
   7.2.2. SCRA review;

7.3. Sample review of bankruptcy activities;
   7.3.1. Timely filing of Motions for Relief from Stay;

7.4. Sample review of loss mitigation activity;
   7.4.1. Repayment Plan;
   7.4.2. Forbearance;
   7.4.3. Home Affordable Modification Program® (HAMP®);
   7.4.4. Freddie Mac Standard Modification;
   7.4.5. Freddie Mac Streamlined Modification;
   7.4.6. Freddie Mac Standard Short Sale;
   7.4.7. Freddie Mac Standard Deed-in-Lieu;

7.5. Custodial account reconciliation, including:
   7.5.1. Review Guide Forms 59 and 59E;

7.6. Sample review of payoffs and lien releases;

7.7. Sample review of ARM adjustments, including:
   7.7.1. Notices to borrowers;

7.8. Sample review of escrow activities, including:
   7.8.1. Analysis,
   7.8.2. Forced place insurance,
   7.8.3. Tax & insurance, and
   7.8.4. Mortgage insurance;
7.9. Sample review of property preservation activity; and

7.10. Sample review of expense management, including timely submission and accuracy of claims.