

**INDEPENDENT DISPUTE RESOLUTION DOCUMENT**

## ARTICLE I - DEFINITIONS

**SECTION 1.1. DEFINITIONS.** All words and phrases defined in Freddie Mac's Single-Family Seller/Servicer Guide, as it may be amended from time to time (the "Guide") shall have the same meanings for the purposes of this IDR Document. In addition to the words and phrases defined in the Guide and elsewhere herein, the following words and phrases shall have the following meanings when used in this IDR Document:

"Award" means the final and binding ruling delivered by the Neutral at the conclusion of the IDR Proceeding.

"Case File Package" means the package prepared by each of the Parties concerning the Demand in question in connection with the IDR Proceeding.

"Days" means calendar days. When counting Days, the day that triggered the event shall be excluded from the calculation. Deadlines falling on weekends or federal holidays shall be extended until the next business day.

"Demand" means a Repurchase Demand or a Servicing Demand, as applicable.

"Hearing" means the hearing, if any, conducted by the Neutral in connection with the IDR Proceeding.

"IDR" means independent dispute resolution.

"IDR Initiation Date" has the meaning set forth in Section 3.2 hereof.

"IDR Proceeding" means the IDR Proceeding for a particular Demand in question.

"IDR Program Administrator" initially means JAMS, Inc., or any successor provider of conflict management services chosen by Freddie Mac.

"Neutral" means the independent third party chosen by the IDR Program Administrator from its roster of neutrals which will conduct the IDR Proceeding.

"Party" means, as the context indicates, either the Seller/Servicer or Freddie Mac, and "Parties" means the Seller/Servicer and Freddie Mac. For the avoidance of doubt, "Parties" does not include the Neutral, the IDR Program Administrator or any Correspondent.

"Position Paper" has the meaning set forth in Section 3.5(b).

"Retainer Agreement" means the independent dispute resolution retainer agreement by and among Freddie Mac, the Seller/Servicer and the IDR Program Administrator. The form of the Retainer Agreement can be found at:

<http://www.freddiemac.com/singlefamily/sell/repandwarrantyframework.html>. Other than filling in blanks, no changes shall be made to the Retainer Agreement.

“Servicing Demand” means a demand for a “Servicing Remedy”, as that term is defined in the Guide, issued by Freddie Mac to a Seller/Servicer. The IDR Process is not available to resolve a breach of any Servicer requirement or obligation related to the Servicing of a Mortgage that results in the assessment of a compensatory fee.

## ARTICLE II – PARTIES INVOLVED IN IDR

**SECTION 2.1. IDR PROGRAM ADMINISTRATOR.** The IDR Program Administrator is a provider of conflict management services that will establish and maintain a roster of a potential neutrals that satisfy the neutral qualifications described in Section 2.2(c) hereof.

**SECTION 2.2. NEUTRALS.**

(a) *General.* Neutrals are independent third parties chosen from the IDR Program Administrator’s roster who will conduct the IDR Proceeding and provide a formal decision at the end of the IDR Proceeding. The roster of qualified Neutrals will be reviewed and updated periodically by the IDR Program Administrator.

(b) *Neutral’s Authority.* The Neutral will determine only, based on the factual record set forth in the Case File Packages:

(i) for purposes of a Repurchase Demand, whether a breach of a selling or origination representation and/or warranty existed at the time the IDR Proceeding commenced; the Neutral is not permitted to address remedies or any other issues related to or arising out of the sale or origination of the Mortgage; and

(ii) for purposes of a Servicing Demand, whether a Servicing Defect existed at the time the IDR Proceeding commenced; the Neutral is not permitted to address Servicing Remedies or any issue other than whether the Servicing Defect existed at the time the IDR Proceeding commenced.

(c) *Neutral Qualifications.* To be included on the IDR Program Administrator’s roster of Neutrals, a Neutral must satisfy the following requirements:

(i) The Neutral must be (A) an attorney admitted to the practice of law for at least 10 years who is a member in good standing of a state bar or on the faculty of an accredited law school, and who has been a professional neutral in civil/commercial mediation or independent dispute resolution practice for a minimum of 5 years, and who regularly serves as professional neutral or (B) a retired judge.

(ii) The Neutral must have received training from the College of Commercial Arbitrators, the American Arbitration Association, JAMS Institute, Chartered Institute of Arbitrators, or similar professional organization providing training for professional neutrals.

(iii) The Neutral must have agreed in writing to adhere to the ABA Code of Ethics for Arbitrators in Commercial Disputes.

(iv) The Neutral must have completed 5 hours of independent dispute resolution related continuing education within the prior two years.

(v) The Neutral must have served as a Neutral on at least 5 independent dispute resolution cases.

(vi) The Neutral must have experience in connection with the resolution of issues and/or disputes concerning residential real estate lending and mortgage finance.

(vii) The Neutral must agree to follow the IDR Process set forth in the IDR Document.

(d) *Conflicts.* A Neutral may not have had any business relationship with any participant in the IDR Proceeding, including with any outside counsel hired by either of the Parties, or with parents, subsidiaries or affiliates of the corporate participants, within the two-year period prior to the commencement of the IDR Proceeding, unless mutually agreed upon by Freddie Mac and the Seller/Servicer. Once a dispute is submitted to the IDR Program Administrator, the IDR Program Administrator will run the appropriate conflicts checks.

No later than during the Administrative Telephone Conference Call described in Section 3.4 hereof, a Neutral selected for an IDR Proceeding must disclose the existence of any interests, relationships or circumstances that are likely to affect impartiality or that might reasonably create an appearance that (s)he is biased against one Party or favorable to another, including any bias or any financial or personal interest in the result of the IDR Proceeding. If, upon receipt of such information, a Party believes that the selected Neutral cannot be impartial, such Party shall alert the other Party and the IDR Program Administrator. The IDR Program Administrator, with input from the non-objecting Party, shall then decide whether the Neutral shall be recused. If so, the IDR Program Administrator shall provide a new slate of qualified Neutral candidates pursuant to Section 3.3 hereof and timelines for the IDR Process shall be adjusted accordingly.

(e) *Selection of Neutral.* The Neutral shall be selected as set forth in Section 3.3 hereof.

### **SECTION 2.3. SUBJECT MATTER EXPERTS.**

(a) *General.* Each Party may choose one or more subject matter experts (“SME(s)”) to be involved in the IDR Proceeding. SMEs may be attorneys (both in-house and outside counsel) and staff within the organization. The SME must be willing to testify and will only be able to testify with regards to information that has previously been shared in writing between the Parties during the Appeal Process and/or the Impasse Process and to opinions derived from such information based on the SME’s experience, technical background, and/or industry knowledge. Each Party must disclose to the other Party with its Case File Package any SME it intends to use in the IDR Proceeding. Each disclosure of a SME must be accompanied by a written report containing: (i) a complete statement of all of the SME’s

opinions and the basis and reasons for those opinions with regard to the Mortgage at issue; (ii) the facts or data considered by the SME in forming them; (iii) any exhibits that will be used to summarize or support the SME's opinion; and (iv) the SME's qualifications. In addition, a SME that is not employed by the Parties shall submit: (i) a list of all cases/arbitrations in which the SME has testified in the previous 4 years; and (ii) a statement of the compensation paid (or to be paid) to the SME in connection with the IDR Proceeding. Multiple SMEs are allowed only in the event that distinct areas of expertise are required for a Party to support its position during the IDR Process. A Neutral may not retain a SME.

(b) *Challenging a SME.* A Party shall be allowed to challenge, in its Position Paper or at the Hearing, the selection of any SME on the ground that expert testimony is irrelevant, unreliable, or lacks an adequate basis, or that the designated SME lacks the requisite qualifications to offer an expert opinion(s).

(c) *Questioning a SME.* If requested in advance by either the Neutral or opposing Party, a SME will be made available to answer questions from the Neutral and the other Party, as part of the Hearing. Persons designated as SMEs must be available to testify at the Hearing if called to testify. Notice of intent to question a SME shall be provided no later than 7 Days prior to the Hearing. If a SME is called to testify and fails to do so, the SME report shall be struck from the IDR submissions and disregarded. If a Party chooses to use a non-employee as a SME, the SME must agree, in advance, to testify if requested by the Neutral or the other Party.

**SECTION 2.4. SELLER/SERVICER.** Seller/Serviceirs may initiate an IDR Proceeding only if and when a dispute remains unresolved after conclusion of the Management Escalation Process. Seller/Serviceirs may elect to be represented during IDR by in-house counsel, business personnel, or outside counsel or other retained third-party bound by the confidentiality requirements set forth in Section 6.1 hereof.

**SECTION 2.5. FREDDIE MAC.** Freddie Mac may initiate an IDR Proceeding only if and when a dispute remains unresolved after conclusion of the Management Escalation Process or upon the Seller/Serviceir's failure to challenge a Demand as required at any stage of the Appeal Process, the Impasse Process or the Management Escalation Process. Freddie Mac will likely be represented during any IDR Proceeding by in-house counsel, business personnel, outside counsel or other retained third-parties bound by the confidentiality requirements set forth in Section 6.1 hereof.

**SECTION 2.6. CORRESPONDENTS.** Correspondents are brokers, originators, or others that were involved in the origination or sale of the subject Mortgage which the Correspondent sold to the Seller/Serviceir. While the Correspondent may have liability to the Seller/Serviceir, it is the Seller/Serviceir who is the Party to the IDR Proceeding. Any Award, as described in Section 3.11, of the Neutral shall be issued to the Seller/Serviceir. It is the obligation of the Seller/Serviceir to comply with the terms of the Award of the Neutral, notwithstanding any dispute it may have with the Correspondent, including the Correspondent's failure to reimburse the Seller/Serviceir.

**SECTION 2.7. PRIOR SERVICER OBLIGATIONS.** For purposes of a Servicing Demand, Freddie Mac may issue a Servicing Demand to the current Servicer or a prior Servicer who is responsible to Freddie Mac for the alleged Servicing Defect.

### ARTICLE III – IDR PROCESS

**SECTION 3.1. FEDERAL ARBITRATION ACT.** Each IDR Proceeding shall be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1 et seq.

**SECTION 3.2 INITIATION OF IDR PROCESS.** If a dispute regarding a Demand is not resolved through the Appeal Process, the Impasse Process, and the Management Escalation Process (and if litigation has not been initiated by either Party), an IDR Eligible Seller/Servicer may pursue the matter by initiating the IDR Process within 15 Days of the end of the Management Escalation Period. If the Seller/Servicer has not initiated the IDR Process within 15 Days of the end of the Management Escalation Period, Freddie Mac may initiate the IDR Process by providing written notice to the Seller/Servicer no later than 6 months after this 15-Day period has concluded. The Party initiating the IDR Process is the “Claimant” while the Party defending the action is the “Respondent.” The IDR Proceeding begins when the notice is sent (“IDR Initiation Date”).

In order to initiate the IDR Process, the Claimant shall submit via e-mail (the “Initiation E-mail”) a request for independent dispute resolution by submitting an executed Retainer Agreement to the IDR Program Administrator as set forth in the Retainer Agreement and the Respondent’s contact person(s) for the Impasse Process. The e-mail shall also identify the Mortgage at issue by the address of the Mortgaged Premises and the Freddie Mac loan number.

Within 10 Days of receiving the executed Retainer Agreement, the Respondent and the IDR Program Administrator shall each execute the Retainer Agreement and shall each return a copy of the executed Retainer Agreement to the Claimant.

On the day the Claimant sends the Initiation E-Mail, the Claimant shall also send to the IDR Program Administrator the Initial IDR Costs (as such term is defined in Section 4.2 hereof). If the Initial IDR Costs are not received by the IDR Program Administrator by close of business on the business day following the date the Initiation E-Mail is sent, the Claimant will be deemed to have withdrawn its request for IDR.

The IDR Process is not the sole means for resolving disputes about Demands. Nothing prohibits either Party from initiating litigation to resolve a Demand dispute. Neither Party may initiate the IDR Process if either Party has previously initiated litigation of any kind to resolve the Demand dispute. If one Party initiates the IDR Process, however, the other Party may not initiate litigation with respect to the subject Demand(s) until the IDR Process is complete and then may only initiate litigation if the non-prevailing Party fails to comply with the Neutral’s decision in a timely manner.

**SECTION 3.3 SELECTION OF NEUTRAL.** No later than seven Days after the IDR Initiation Date (and only after the IDR Program Administrator has completed the necessary conflicts checks), the IDR Program

Administrator will provide a list of five qualified Neutrals to both Freddie Mac and the Seller/Service. Each Party may request from the IDR Program Administrator up to three references for each proposed Neutral. If references are requested before the list of Neutrals is provided, the IDR Program Administrator will provide the name and contact phone number and/or email address for the list of references to the requesting Party the same day it provides the list of Neutrals. Otherwise, the IDR Program Administrator will provide the list of references no later than two Days after the reference list is requested.

Each Party may strike two names and rank the remaining candidates in order of preference from the list of Neutrals provided by the IDR Program Administrator. Any strikes and/or rankings must be provided to the IDR Program Administrator by Freddie Mac and/or the Seller/Service within five Days of receiving the list of qualified Neutrals from the IDR Program Administrator. The IDR Program Administrator shall choose the Neutral based on the strikings and rankings received from the Parties. If a Party does not provide any strikes and rankings to the IDR Program Administrator, the IDR Program Administrator shall assume that such Party has no preferences.

**SECTION 3.4 ADMINISTRATIVE TELEPHONE CONFERENCE CALL.** Within seven Days of the date the Neutral is selected, the IDR Program Administrator shall, in consultation with the Parties by email or telephone, schedule an initial “Administrative Telephone Conference Call” to be held with the Neutral and the Parties. The Administrative Telephone Conference Call should occur within 14 Days of the date the Neutral is selected, unless otherwise agreed to by the Parties and the Neutral. The purpose of the call is to (a) review logistical issues, (b) address any initial issues or questions that the Parties have, and (c) set the ground rules for the Hearing and any issues that arise before the Hearing. During the initial Administrative Telephone Conference Call the Parties and their representatives should identify themselves to the Neutral and each other by name and title, and allow the Neutral and the Parties to ask any questions they may have about the IDR Process. Additionally, during the initial Administrative Telephone Conference Call the Neutral should briefly explain the importance of written submissions, the relationship between the Position Paper and SME report, if any, who may speak and what arguments may be raised during the Hearing, if one is convened (only those arguments that have been made in writing up through the Position Paper and SME report), and any other pertinent issues. Also, the Neutral, in conjunction with the Parties, should also tentatively identify dates when the Hearing may be scheduled. Additional topics for the initial Administrative Telephone Call may include: (a) whether the matter would benefit from each side identifying significant documents to assist the Neutral in focusing on the most important documents in the Case File Package; (b) whether the Parties could jointly assist the Neutral in identifying duplicate documents submitted with their Case File Packages to streamline the Neutral’s review; (c) whether the matter might benefit from video conferencing and whether video conferencing would be cost effective and feasible; and (d) whether the Parties might want to consider and jointly present to the Neutral for his or her review, an alternative or more streamlined method of presenting their cases.

**SECTION 3.5. CASE FILE PACKAGE.**

(a) *Submission of Case File Package.* The Claimant must submit its Case File Package to the Neutral and to the Respondent in an appropriately secure manner within 21 Days of the initial Administrative Telephone Conference Call described in Section 3.4 above. The Respondent will submit its Case File Package within 21 Days of receipt of the Claimant's Case File Package. The Claimant may submit a reply (which may be no longer than five double-spaced pages) (the "Reply") to the Respondent's Case File Package within 14 Days of receipt of the Respondent's Case File Package, solely to address issues raised in the Respondent's Case File Package. In the event that any new issues are raised in the Reply, or at the request of the Neutral, the Respondent may be allowed to file a sur-reply not to exceed five double-spaced pages within seven Days of its receipt of the Reply. The Neutral may, at his or her option, request that the IDR Process Administrator provide the Neutral with the Case File Packages in hard copy format.

(b) *Contents of Case File Package.* The Case File Package will include a position paper (the "Position Paper") detailing the submitting Party's position regarding the validity of the Demand. Freddie Mac and the Seller/Servicer can include in its respective Position Paper only those facts relevant to the Mortgage and Demand in question, and cannot include facts or loan patterns related to how either Party or how another government sponsored enterprise or another lender might have dealt with similar disputes or issues on other Mortgages in the past (for example, but not by way of limitation, Freddie Mac cannot mention in a Position Paper that the Seller/Servicer previously repurchased Mortgages with similar defects and/or patterns, instead of appealing the repurchase requests). Other than the Position Paper and any SME reports, the information and documents provided in the Case File Package and during the Hearing must be limited to information and documents previously exchanged in writing between the Parties prior to or during the Appeal Process or the Impasse Process. Any additional materials not previously exchanged in writing between the Parties prior to or during the Appeal Process or the Impasse Process shall not be considered by the Neutral. However, the Parties may raise additional arguments during the IDR Process that are based on the information and documents previously exchanged.

In addition to the Position Paper, the Case File Package may include, but is not limited to, the following:

- (i) Information, including the loan file and documentation previously shared in writing between the Parties prior to or during the Appeal Process or the Impasse Process.
- (ii) Relevant provisions of the Purchase Documents and the contents of the loan file.
- (iii) SME report(s). A SME report, if any, shall be prominently identified on the first page as the SME report and shall include the name of the SME. Opposition to a SME in whole or in part, if any, shall be contained in a clearly identified written document, such as the opposing Party's Position Paper or an opposing SME report, that shall be filed with the opposing Party's first submission following the sponsoring Party's identification of the SME (either the response or reply).

(iv) The documents set forth in Appendix A hereto.

(c) *Additional Requirements regarding Case File Packages.* The Parties shall bates stamp each page of the Case File Package with a unique number for ease of reference in written submissions as warranted and during the Hearing. All exhibits shall include a cover sheet with an exhibit number and all pages of exhibits shall be bates stamped. It is recommended that each Party precede the bates stamp number with an identifying name or abbreviation such as "FRE-00001" where, for example, FRE refers to Freddie Mac and "00001" refers to the first page of the first document in the submitted set of documents. If a Party files subsequent submissions or a reply it should endeavor not to resubmit previously submitted documents. Instead it should reference the bates stamp numbers from the original submission or resubmit only that portion of the original submission that is at issue. Additionally, if, for example, the Claimant files additional exhibits with a Reply, those documents should use sequential Exhibit and bates numbers following the number after the last numbered exhibit and page previously submitted. References within Position Papers shall be made to exhibit or bates page numbers. All documents shall be clearly marked "CONFIDENTIAL" for the purposes of IDR.

**SECTION 3.6 ISSUES PRIOR TO HEARING.** If issues arise that the Parties are not able to resolve prior to the Hearing, a Party may send an email to the IDR Program Administrator and the other Party identifying the issue and requesting a conference call with the Neutral to address the issue.

**SECTION 3.7 SCHEDULING CALL.** Within seven Days of the filing of Respondent's Case File Package, the Neutral (or the IDR Program Administrator, at the request of the Neutral) shall initiate and hold a "Scheduling Call" with Freddie Mac, Seller/Servicer, and Correspondent, if any. The purpose of the Scheduling Call is for the Parties to address any pending matters and to discuss the scheduling of the Hearing with Freddie Mac, the Seller/Servicer, and the Correspondent, if any. Additionally, during the Scheduling Call the Parties and the Neutral should indicate whether they believe, after a review of the Case File Packages and the Reply (if any) whether a Hearing is necessary. If the Parties and the Neutral agree that a Hearing is not necessary, the Neutral shall evaluate the dispute based solely on his or her review of the Case File Packages and the Reply (if any). However, if either Party or the Neutral requests a Hearing, one shall be held. The date for the Scheduling Call can be extended briefly by agreement of the Parties or at the request of the Neutral.

In the event that a Hearing is required, the Parties and the Neutral shall select a date for the Hearing during the Scheduling Call. The Hearing, if any, shall take place within 21 Days of the Scheduling Call unless there is an unavoidable conflict and the Neutral, Freddie Mac and the Seller/Servicer consent to a brief extension that ordinarily should not exceed 10 Days. During the Scheduling Call, the Parties, including the Neutral, should give a preliminary indication of whether they intend to question the other Party's SME, if any.

**SECTION 3.8 QUESTIONING SME(s).** At least seven Days prior to the Hearing each Party shall notify the other Party and the Neutral if it intends to question that Party's SME (if any). The notice shall include a general identification of the areas to be examined. In the event that neither side elects to question the other side's SME, the Neutral should advise the Parties whether (s)he requires the SME to attend

the Hearing. A Party's SME must be made available at the Hearing. However, if the opposing Party does not elect to question the SME and the Neutral does not request the SME's attendance, the SME need not attend the Hearing.

**SECTION 3.9 HEARING.** The Hearing will be conducted by telephone unless the Neutral requests, or both Parties agree to, a videoconference. At the Hearing, each Party will have the opportunity to explain its case by presenting a brief summary overview of its positions. The Neutral will have the opportunity to ask questions of the Parties and any SME, and, subject to Section 3.8 hereof, each Party will have the opportunity to question the other Party's SME(s) (if any). No direct or rebuttal testimony will be permitted. Neither the Seller/Servicer nor Freddie Mac will be allowed to call its own witnesses for testimony as each will establish its positions in the Case File Package. Questioning of any SME (not including any questions by the Neutral) will be limited to 30 minutes. After all testimony is taken, each Party will also be permitted to make a closing argument; the Respondent shall go first, followed by the Claimant, and then a short rebuttal by the Respondent. The length of the conference call, the order in which statements or questioning takes place, and requests for extensions of the proposed time allotments is left to the discretion of the Neutral and determined by the Neutral based on factors such as the nature of the Demand, the number of SMEs, and the complexity of the issues under consideration.

The Parties understand that the IDR Process is designed to control costs and reduce the time needed for resolution of disputes. Discovery is not permitted and the IDR Process does not allow either Party to compel testimony. No other testimony besides a SME will be permitted, including authors or recipients of documents, even if those documents are relied on by a SME.

**SECTION 3.10 POST-HEARING BRIEFING.** No post-Hearing briefing will be allowed unless requested by the Neutral. Any such briefing may, at the discretion of the Neutral, briefly extend the timeline for the Neutral to issue a decision.

**SECTION 3.11 AWARD.** Within 21 Days of the Hearing (or if no Hearing was held, within 21 Days of the Scheduling Call), the Neutral will determine whether the breach(es) or Servicing Defect(s) alleged in the Demand existed at the time IDR commenced, based upon its review of the Case File Packages and the information presented during the Hearing, if a Hearing was conducted. If the Neutral determines the breach(es) or Servicing Defect(s) alleged in the Demand existed at the time the IDR Process commenced, the Neutral will issue an Award directing the Seller/Servicer to comply with the terms of the Demand within 30 Days of the date the Neutral issued its Award. If the Neutral determines that no breach or Servicing Defect existed at the time the IDR Process commenced, the Neutral will issue an Award directing Freddie Mac to rescind or withdraw the Demand within 30 Days of the date the Neutral issues its Award. The Award shall be final and binding upon and enforceable against the Seller/Servicer and Freddie Mac, and may be entered and enforced in any court having jurisdiction over the Parties. The Award will also include a short written opinion briefly summarizing the reasons for the decision regarding whether or not the breach(es) or Servicing Defect(s) alleged in the Demand exists at the time the IDR Process commenced. The opinion is intended to give the Parties insight into

the basis and reason for the Neutral's Award. The Award shall be released by the Neutral as soon as the IDR Program Administrator notifies the Neutral that it is authorized to release its award.

As related to a Repurchase Demand, the Neutral is not permitted to address remedies or any other issues either related to or arising out of the sale or origination of a Mortgage. As related to a Servicing Demand, the Neutral is not permitted to address Servicing Remedies or any issue other than whether the Servicing Defect existed at the time the IDR Process is commenced.

**SECTION 3.12 COMPLIANCE WITH AWARD.** If the Neutral determines that the breach or Servicing Defect existed at the time the IDR Proceeding was commenced, the Seller/Servicer must comply with the terms of the Demand within 30 Days of the date the Neutral issues its Award. If the Neutral determines that the breach or Servicing Defect did not exist at the time the IDR Proceeding was commenced, the Demand must be rescinded or withdrawn by Freddie Mac within 30 Days of the date the Neutral issues its Award.

**SECTION 3.13 MISCELLANEOUS.**

(a) *No Precedential Value.* The IDR Process will be case specific and no Award will apply or have any precedential value to other Demands in any proceeding.

(b) *No Impact.* The IDR Process (i) will have no impact on Freddie Mac's rights regarding any actions (other than with respect to a specific Mortgage as determined by the IDR Process) Freddie Mac may independently take with respect to a party Freddie Mac believes is responsible for a breach or Servicing Defect, including, without limitation, the suspension or termination of a Seller/Servicer's eligibility to do business with Freddie Mac and (ii) subject to the terms of the Purchase Documents, will have no impact on the Seller/Servicer's right to restrict the volume of its sales to Freddie Mac or to modify its relationship with Freddie Mac.

(c) *Status of Loan.* The status of the Mortgage in terms of whether it is performing or in default under the Purchase Documents has no effect on whether a violation, breach, or Servicing Defect existed at the time the IDR Proceeding commenced.

(d) *No Ex-parte Communications.* The Neutral and the IDR Program Administrator will not have any ex parte communications with Freddie Mac or the Seller/Servicer, except for administrative or scheduling matters.

**ARTICLE IV - FEES**

**SECTION 4.1 GENERAL.** The IDR Process is designed to be cost effective while allowing a timely but thorough review by the Neutral. Any fees, costs or expenses incurred by a Party in connection with the IDR Process shall be borne by such Party, except as otherwise specified in this Article IV.

**SECTION 4.2 PAYMENT OF INITIAL AND FINAL IDR COSTS.** Payment of IDR initial and final costs shall be made in accordance with the Retainer Agreement executed by and between Freddie Mac, the Servicer and the IDR Program Administrator.

**SECTION 4.3 PAYMENT OF SUBJECT MATTER EXPERTS.** Each Party shall pay its own costs and fees incurred in retaining any Subject Matter Expert.

**SECTION 4.4 NEUTRAL'S INVOICE.** The Neutral's invoice shall detail the amount of time the Neutral incurred in connection with the IDR Proceeding, including but not limited to, information detailing the time spent reviewing materials, participating in any conference calls, conducting the Hearing, reaching a decision, and writing the opinion and the Award.

**SECTION 4.5 PAYMENT OF COST AND FEE AWARD.** The non-prevailing Party shall be responsible for the attorneys' fees and costs incurred by the prevailing Party to compensate it for the resources it expended in participating in the IDR Proceeding (the "Cost and Fee Award"). The Seller/Servicer and Freddie Mac recognize that disputes about such fees can arise, and that calculating appropriate costs can be difficult to determine, time consuming, and contentious. Accordingly, the Cost and Fee Award shall be a fixed amount equal to 10% of the original principal balance of the Mortgage in question at the time that Freddie Mac purchased it. If, pursuant to Article VI, the Parties jointly agree to Expanded Proceedings, the Cost and Fee Award shall be the amount agreed to by the Parties pursuant to Section 6.01 hereof. The non-prevailing Party shall be responsible for paying the Cost and Fee Award to the prevailing Party in accordance with the terms of the Retainer Agreement after the Neutral issues its Award. Each Party shall be responsible for its own attorney fees and costs incurred during the Appeal Process, Impasse Process and Management Escalation Process. The prevailing Party shall be responsible for any attorneys' fees and costs it incurred above the Cost and Fee Award.

**SECTION 4.6 ENFORCEMENT OF AWARD.** If the Neutral determines that a breach or Servicing Defect with respect to the subject Mortgage existed at the time IDR commenced and Freddie Mac incurs any fees or costs in enforcing the related Award of the Neutral, the Seller/Servicer must reimburse such actual fees and costs to Freddie Mac within 45 Days of receiving any request for reimbursement of such fees and costs from Freddie Mac. A Seller/Servicer's failure to reimburse such fees and costs shall constitute an independent breach of the contract between the Parties.

**SECTION 4.7 SETTLEMENT.** After an IDR Proceeding has been initiated, the dispute may be resolved by the parties at any stage of the IDR Proceeding with or without the assistance of the Neutral. If the dispute is resolved prior to submission of the first Case File Package, the Cost and Fee Award shall be waived, and as part of any such resolution, the Parties shall agree who has the obligation to pay any costs of the IDR Program Administrator and the Neutral. To effectuate such payment, the IDR Program Administrator is authorized to produce an invoice reflecting the work completed up through the settlement date. The IDR Program Administrator's fees shall be calculated as a percentage of the Neutral's fee, as provided in the Retainer Agreement.

**SECTION 4.8 MISCELLANEOUS.** All fees, costs and delinquent or default interest due on a Mortgage will continue to accrue throughout the Appeal Process, the Impasse Process, the Management Escalation Process and the IDR Process, and will be payable to Freddie Mac within 45 Days of receipt of the Neutral’s Award, if the Neutral determines that a breach or Servicing Defect existed at the time IDR commenced.

#### ARTICLE V – STATUTE OF LIMITATIONS

**SECTION 5.1 TOLLING OF THE STATUTE OF LIMITATIONS.** To take advantage of the IDR Process without needing to resort to the time and expense associated with litigation if a claim at issue in an IDR Proceeding is in danger of potentially exceeding any applicable statute of limitations or statute of repose, the Seller/Servicer agrees that it shall execute a Tolling Agreement tolling any applicable statute of limitations and statute of repose (the “Tolling Agreement”). The Tolling Agreement shall be executed by the Seller/Servicer and Freddie Mac within seven Days of initiation of the IDR Initiation Date and will run from the IDR Initiation Date through the date that is 90 Days after the Neutral issues his or her Award. If the Tolling Agreement is not executed within seven Days of initiation of the IDR Initiation Date, then the Seller/Servicer cannot proceed to IDR. The form of the Tolling Agreement can be found at <http://www.freddie.mac.com/singlefamily/sell/repandwarrantyframework.html>.

#### ARTICLE VI – EXPANDED PROCEEDINGS

**SECTION 6.1 GENERAL.** In the event either Party determines that a group of Mortgages at issue in the Appeal Process involve similar disputes that warrant a collective proceeding in the IDR Process with respect to all such Demands issued in connection with such Mortgages, that Party may, only with the express written consent of the other Party, file with its notice a request for “Expanded Proceedings”. Prior to filing notice, the Seller/Servicer and Freddie Mac must agree on an appropriate Cost and Fee Award in connection with such Expanded Proceedings. If the Seller/Servicer and Freddie Mac cannot agree on an appropriate Cost and Fee Award in connection with such Expanded Proceedings within 15 Days, the Parties will be deemed to have not agreed to Expanded Proceedings, and the Seller/Servicer shall have 15 Days to initiate the IDR Proceeding for the individual Mortgages.

Even if Mortgages with similar disputes are identified, IDR Proceedings must be initiated for each Mortgage within the deadline for IDR submission or that Mortgage will not be eligible for the IDR Process. The Neutral shall make an individual decision with respect to each Mortgage that is part of the Expanded Proceedings.

**SECTION 6.2 PROCESS.** Once the Parties agree to Expanded Proceedings with respect to a group of Mortgages, the Seller/Servicer and Freddie Mac have agreed upon an appropriate Cost and Fee Award and the Neutral has been selected, the Neutral shall convene a conference call with the Parties within 10 Days of the Neutral being selected in order to create an order for scheduling the proceedings in the dispute. In such case, either Party shall have the right to request an in-person Hearing at a location of the Neutral’s choosing, but both Parties must agree to the in-person Hearing. The Hearing will include the presentation of witnesses subject to the other requirements of the IDR Process; provided, however, that in no event shall the scheduling order call for the written decision to be issued later than

180 Days from the IDR Initiation Date. In the event of such Expanded Proceedings, the other requirements regarding timing of events set forth in this Document shall be superseded by the order(s) entered by the Neutral.

In any Expanded Proceeding, the Neutral must review each Mortgage individually and make a determination for each Mortgage individually concerning whether the breach or Servicing Defect existed at the time the IDR Proceeding commenced based on the factual record. If the Neutral determines that any such breach(es) or Servicing Defect(s) exist(s), the Neutral will issue an Award for each such Mortgage directing the Seller/Servicer to comply with the terms of the applicable Demand, within 30 Days of the date the Neutral issues the related Award. The Neutral is not required to make the same determination for all the Mortgages in an Expanded Proceeding.

## **APPENDIX A: CASE FILE PACKAGE CONTENT**

The Case File Package could include the following documentation depending on the basis of the dispute:

- Credit History
- HUD-1, Closing Disclosure or Settlement Statement
- Uniform Residential Loan Application (Form #65)
- Mortgage Insurance Certificate
- Note
- Property Valuation Documentation
- Sales Contract and all Addenda
- Automated Underwriting System (AUS) Report
- Affordable Housing Program Documentation
- Buy-Down and/or Seller Contribution Documentation
- Condominium Project Eligibility documentation
- FEMA Standard Flood Hazard Determination (FEMA Form 81-93) or equivalent form
- Freddie Mac Prefunding Acceptance Letter or Single Loan Exception
- Manufactured Home Appraisal Report (Form #70B)
- Miscellaneous Documentation - (e.g., evidence of sale for previous residence, divorce or separation decree, leases, bridge loan documentation, Seller/Service loan approval documentation, closing instructions, etc.)
- Mortgage Insurance Documentation
- Payment History
- Preliminary Title Insurance Binder or commitment
- Second Trust Documentation
- Uniform Underwriting & Transmittal Summary (Form #1077)
- Funds Verification for down payment, prepaid items, closing costs, financing cost, cash reserves:
- Income Verification
- Mortgage or Rental Verifications
- Final Title Insurance Policy
- Records of all collection efforts
- Payoff Statement
- Origination Loan Package for the loan being refinanced – Include the complete package, including the prior Freddie Mac loan number

Additionally, the following documentation may also be required in the Case File Package for a Servicing Demand:

- Monthly Property Inspections with photos
- All Hazard Insurance Carrier Tracking Information

- Hazard Claim Adjuster Reports
- Hazard Claim Proceeds check (copy)
- Restricted Escrow balance (from Hazard Claim)
- Hazard Claim Draws and Inspections
- Modification Agreement(s)
- Title Abstract Report
- Copy of certified check (for payments of liens, judgment holders, etc.).