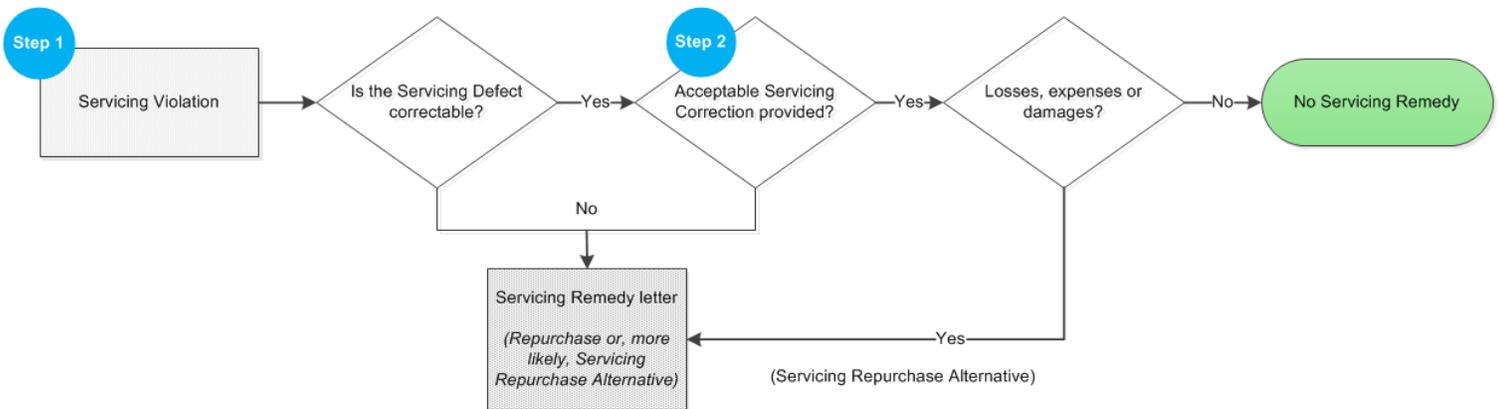


Freddie Mac’s Servicing Remedies Framework – FAQ’s

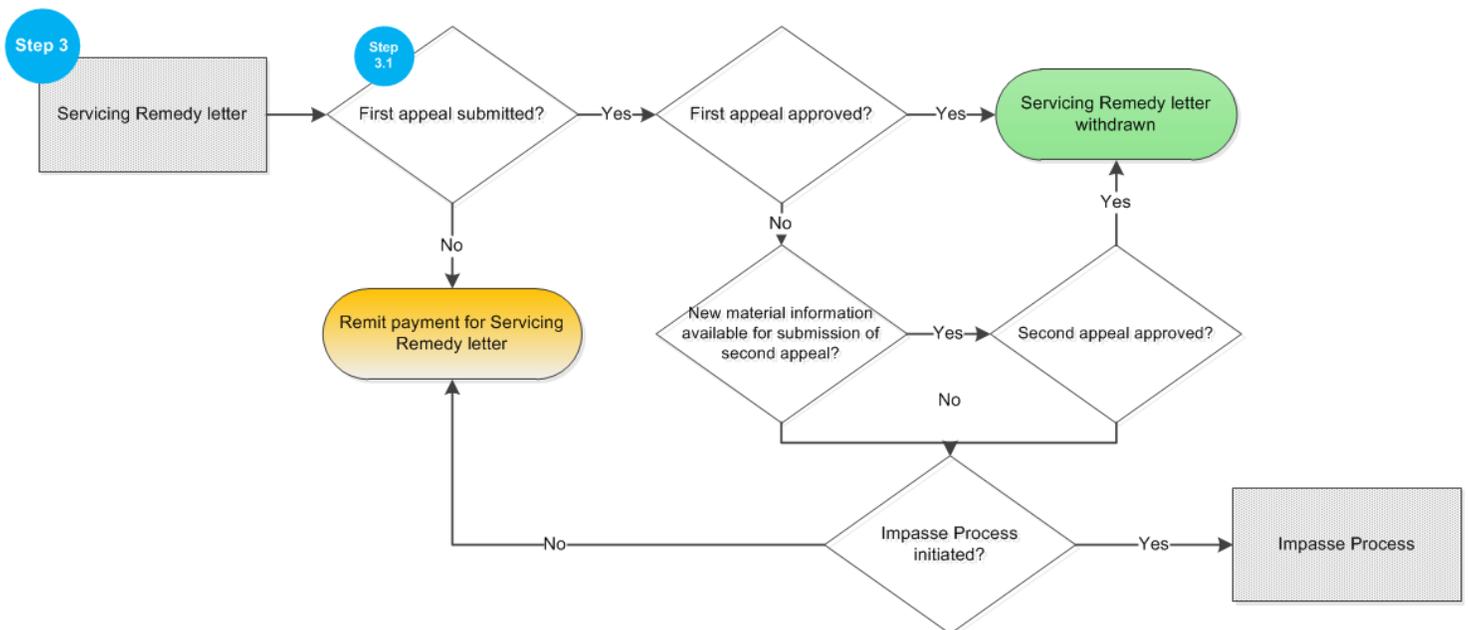
Servicing Remedy and Appeals Processes

Steps 1-3 are described in more detail in *Single-Family Seller/Servicer Guide* (“Guide”) Sections [3602.3](#) and [3602.9](#).

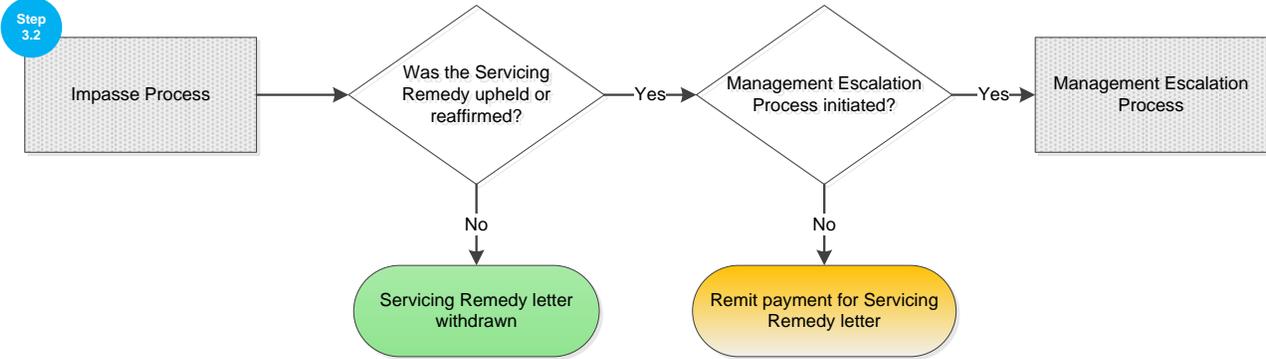
Step 1 & 2: Servicing Remedy Process



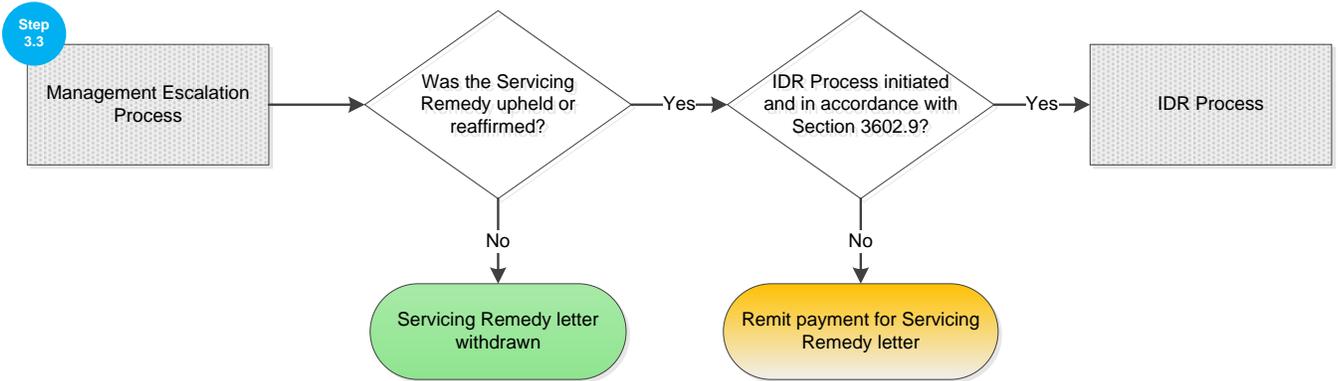
Step 3.1: Appeal Process



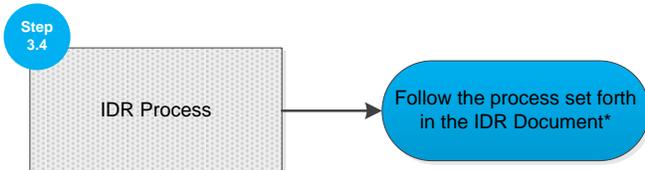
Step 3.2: Impasse Process



Step 3.3: Management Escalation Process



Step 3.4: Independent Dispute Resolution (IDR) Process



*[IDR Document](#)

Frequently Asked Questions

Please note that the examples contained herein are for illustrative purposes only to describe how Freddie Mac may determine the appropriate Servicing Remedy and the calculation of such remedy. The examples are not all-inclusive of the possible Servicing Violations and/or Servicing Defects that may subject a Servicer to a Servicing Remedy.

For the definition of a Servicing Violation and other key terms, please see Guide Section 3602.1.

<u>Question</u>	<u>Answer</u>
<p>1. How will I be notified of a Servicing Violation?</p>	<p>For most Servicing Violations, we will notify you by issuing a notice of Servicing Defect upon identifying a Servicing Violation and/or related Servicing Defect. If we determine that the Servicing Defect is uncorrectable or that the Servicing Violation has resulted in a Servicing Repurchase Defect, then we'll issue a Servicing Remedy letter (either a repurchase request or Servicing Repurchase Alternative demand letter) when the Servicing Violation and/or related Servicing Defect is identified.</p> <p>However, for title-related defects, regardless of when the title-related defect is identified, we will issue a notice of Servicing Defect or a Servicing Remedy letter for a title-related defect only after liquidation of the mortgage (i.e., after foreclosure or completion of a deed-in-lieu of foreclosure), unless:</p> <ul style="list-style-type: none"> • A prior foreclosure has extinguished Freddie Mac's mortgage, or • We determine that the title-related defect prevents foreclosure or other enforcement of our rights under the Note or mortgage (e.g., the title-related defect prevents the completion of a deed-in-lieu of foreclosure).
<p>2. Will the notice of Servicing Defect or Servicing Remedy letter describe the Servicing Violation?</p>	<p>Yes, the notice of Servicing Defect or Servicing Remedy letter will provide the following information, as applicable:</p> <ul style="list-style-type: none"> • The identified Servicing Violation(s) and/or related Servicing Defect(s); • For a notice of Servicing Defect, the Servicing Correction period; • For a Servicing Repurchase Alternative demand letter, the Servicing Repurchase Alternative amount, including calculation of the Servicing Repurchase Alternative amount. (For a repurchase request, Guide Section 3602.5 provides the details regarding calculation of the repurchase price); and • For a Servicing Remedy letter, the timeframe for completing the repurchase or payment of the Servicing Repurchase Alternative, and information on the Servicer's right to appeal and the timeframe for that appeal.

<u>Question</u>	<u>Answer</u>
<p>3. How will Freddie Mac calculate the Servicing Repurchase Alternative amount?</p>	<p>While there is no “one size fits all” calculation, Servicing Repurchase Alternative amounts could include, but are not limited to:</p> <ul style="list-style-type: none"> • A daily carrying cost (that is not duplicative of any other cost or fee below) • Property maintenance costs • Taxes • Insurance • HOA dues/Condominium assessments • Appraisal/BPO costs • Legal fees and costs • Property inspection costs • Utility costs • Any documented property value decline, where appropriate • Costs to repair • Outstanding fees/fines/liens
<p>4. When will Freddie Mac issue a repurchase request without first issuing a notice of Servicing Defect or a Servicing Repurchase Alternative demand letter?</p>	<p>We may issue a repurchase request when a Servicing Defect resulting from a Servicing Violation causes Freddie Mac’s lien, security interest or other property interest to be subordinated, extinguished or become inadequate for the realization of the benefits of the security against the related Mortgaged Premises (e.g., where the lien/property has been lost to a tax or HOA foreclosure sale).</p> <p>Additional Servicing Repurchase Defects result when:</p> <ul style="list-style-type: none"> • You modify a mortgage that was sold to us with recourse in violation of our modification eligibility requirements (e.g., a loan modification is completed on a mortgage with outstanding repurchase recourse credit enhancement). • The Servicing Defect results in the mortgage not being able to be, or no longer be, supported by Freddie Mac’s Servicing systems (e.g., a loan modification completed on a mortgage where the modified terms include negative amortization). • The Servicing Defect poses a significant reputational risk to us. • The Servicing Defect causes irreparable damage to the physical improvements to the Mortgaged Premises or REO property, or renders the Mortgaged Premises or REO property uninhabitable (e.g., pending condemnation proceedings because the Mortgaged Premises was not preserved and maintained in accordance with Guide requirements). <p>Our determination that a Servicing Defect is a Servicing Repurchase Defect may be appealed in accordance with Guide Section 3602.9.</p>

<u>Question</u>	<u>Answer</u>
<p>5. Will I be given the opportunity to correct a Servicing Defect?</p>	<p>If we determine that a Servicing Defect resulting from a Servicing Violation can be reasonably corrected, then we'll provide a notice of Servicing Defect and prescribe a period of time during which you must correct it (i.e., Servicing Correction period) before issuing a Servicing Remedy letter. However, if we deem a Servicing Defect uncorrectable, a Servicing Remedy letter may be issued immediately.</p> <p>Some examples of correctable and uncorrectable Servicing Defects are as follows:</p> <p>Servicing Defect is considered to be correctable:</p> <ul style="list-style-type: none"> We identify a mortgage prior to foreclosure sale where the Mortgaged Premises has not been maintained or preserved in accordance with Guide requirements. We may issue a notice of Servicing Defect requiring you to correct the Servicing Defect within a specified period of time. <p>Servicing Defect is considered to be <u>not</u> correctable:</p> <ul style="list-style-type: none"> We identify an REO property that was not maintained or preserved in accordance with Guide requirements. As the Mortgaged Premises is now an REO property, the Servicing Defect can no longer be corrected by the Servicer and any necessary repairs will instead be handled directly by us. We may immediately issue a Servicing Repurchase Alternative demand letter under these circumstances. We identify a non-REO or REO property that has been seized, demolished, or is in otherwise irreparable condition. As the Servicing Defect cannot be corrected, a repurchase request may be immediately issued. <p>You may attempt to correct the Servicing Defect identified in a Servicing Remedy letter after the Servicing Correction period expires and issuance of the Servicing Remedy letter. However, once the Appeal Process has concluded, or, if applicable, the impasse period has expired, you can no longer submit a Servicing Correction for consideration.</p> <p>For other limited instances where a Servicing Defect may be considered to be uncorrectable, please see Guide Section 3602.3. Additionally, you may appeal our determination that a Servicing Defect is uncorrectable in accordance with Guide Section 3602.9.</p>

<u>Question</u>	<u>Answer</u>
<p>6. Will Freddie Mac pursue a Servicing Remedy if the Servicer corrects a Servicing Defect during the Servicing Correction period?</p>	<p>If you correct the Servicing Defect within the Servicing Correction period, we will not pursue a Servicing Remedy, so long as we have not suffered any loss or incurred damages or expenses as a result of the violation. However, if we suffered a loss or incurred damages or expenses, then we may issue a Servicing Repurchase Alternative demand letter to compensate us for any damages, losses or expenses suffered or anticipated as a result of the violation.</p> <p>Example: We identify an REO property that does not have clear and marketable title. A notice of Servicing Defect may be issued to correct the Servicing Defect within a specified period of time (e.g., 90 days).</p> <p>However, even if the Servicing Defect is corrected during that time, we may issue a Servicing Repurchase Alternative demand letter for carrying costs, including costs attributed to the delay in providing clear and marketable title. If you are unable to provide a Servicing Correction, we may issue a repurchase request.</p>

<u>Question</u>	<u>Answer</u>
<p>7. How does Freddie Mac determine the appropriate Servicing Remedy for Servicing Violations of Freddie Mac's modification requirements?</p>	<p>There is no “one size fits all” approach for Servicing Violations of our modification requirements. These violations must be reviewed on a loan-by-loan basis because each instance of non-compliance may have different impacts, such as:</p> <ul style="list-style-type: none"> • Our system’s inability to support the non-compliant loan modification. • Direct up-front losses we’ve incurred. • Losses that may not be realized until sometime in the future. • Your remediation is required in other ways. <p>Generally, we’ll issue a Servicing Repurchase Alternative demand letter for Servicing Defects resulting from Servicing Violations of Freddie Mac’s modification requirements.</p> <p>The following are examples of how we may determine Servicing Repurchase Alternative amounts:</p> <ul style="list-style-type: none"> • The modified payment is lower than the payment should have been if calculated in accordance with our modification requirements: We derive our estimated losses by calculating the difference in monthly cash flows between a loan modification completed in accordance with our requirements and the improperly completed loan modification for an average life of a modified mortgage (as determined in our sole discretion)¹. • The modified principal balance is calculated incorrectly: We derive our estimated losses by calculating the difference between the correct principal balance and the settled principal balance. • A loan modification was completed and the borrower and/or mortgage are ineligible under Freddie Mac’s modification requirements: We may require that you execute an indemnification agreement whereby you agree to indemnify us in the future if/when we suffer a loss or incurs damages or expenses. <p>¹When calculating a loan modification Servicing Repurchase Alternative amount based upon a difference in monthly cash flows, we currently use an average life of a modified mortgage of 8 years (96 months) and the difference is discounted to determine the present value of the lost cash flow. However, we may amend its determination of the average life of a modified mortgage in the future.</p>

<u>Question</u>	<u>Answer</u>
<p>8. How does Freddie Mac determine the appropriate Servicing Remedy if there are multiple Servicing Defects?</p>	<p>Depending on the Servicing Violation(s), we may issue:</p> <ul style="list-style-type: none"> • A repurchase request if any one of the Servicing Violations constitutes a Servicing Repurchase Defect. • A Servicing Repurchase Alternative demand letter for all Servicing Defects, in each case based on each specific Servicing Violation. <p>Example #1: If we identify a Mortgage Insurance (MI) Claim denial and irreparable conditions on the same REO property, then you should expect a repurchase request.</p> <p>Example #2: If we identify an MI Claim denial and a short sale that was not completed in accordance with Guide requirements, then you should expect to receive a Servicing Repurchase Alternative demand letter related to each Servicing Defect.</p>
<p>9. Can I appeal Freddie Mac's determination that a Servicing Remedy is required?</p>	<p>You may appeal all Servicing Remedies in accordance with Guide Section 3602.9.</p>
<p>10. Can I propose a different Servicing Remedy than what is included in a Servicing Remedy letter?</p>	<p>You may propose a Servicing Repurchase Alternative in accordance with Guide Section 3602.9(d) and we will, in good faith, review and advise you of our decision.</p>
<p>11. Can I appeal Freddie Mac's determination that a Servicing Defect is uncorrectable?</p>	<p>Yes, you may appeal our determination in accordance with Guide Section 3602.9. In the event we agree that a Servicing Defect can be corrected:</p> <ul style="list-style-type: none"> • The initial Servicing Remedy letter will be considered withdrawn. • We'll issue a notice of Servicing Defect. • You must correct the Servicing Defect during the Servicing Correction period specified in the notice of Servicing Defect.
<p>12. What if I don't comply with the Servicing Remedy letter?</p>	<p>If you have not complied with the Servicing Remedy letter and remitted payment, and the Appeal Process and escalation processes, as applicable, to resolve an appeal or dispute have been exhausted, then we may pursue other rights and remedies (e.g., assessment of late charges or repurchase). If the Independent Dispute Resolution (IDR) Process is initiated and the Neutral (as defined in the IDR Document) rules in our favor, then you must comply with the Neutral's Award as set forth in the IDR Document.</p>

<u>Question</u>	<u>Answer</u>
<p>13. Are the GSEs aligned on determining the appropriate Servicing Remedy for a given Servicing Defect?</p>	<p>Under the FHFA-directed Contract Harmonization initiative, the GSEs are aligned in basic principles governing Servicing Remedies for most Servicing Violations, including:</p> <ul style="list-style-type: none"> • Permitting Servicers to correct certain types of Servicing Defects. • The timeframes for any processes to resolve an appeal or dispute. • Servicing Correction periods. <p>However, the ways that the GSEs identify Servicing Violations and issue notices of Servicing Defect or Servicing Remedy letters may differ.</p>
<p>14. Will Freddie Mac’s decision on an appeal or dispute be conclusive?</p>	<p>Our decision in the Appeal Process, or any processes set forth in Guide Section 3602.9, will be conclusive, unless the IDR Process is initiated, in which case the decision of the Neutral shall be binding.</p> <p>NOTE: The IDR Process may only be initiated to resolve whether a loan-level Servicing Defect exists at the time the IDR Process is commenced. (See #16 below.)</p>
<p>15. During the management escalation period, how will Freddie Mac determine which officer will attempt to resolve the dispute?</p>	<p>Once the Management Escalation Process is initiated, we will escalate the dispute to an officer outside of our Servicing Remedy Management team to attempt to resolve the dispute with your identified officer.</p>
<p>16. What types of disputes can the Servicer raise in the IDR Process?</p>	<p>The Servicer may initiate the IDR Process solely to resolve whether a loan-level Servicing Defect exists at the time that the IDR Process is commenced. The IDR Process cannot be initiated to address, for example, whether a Servicing Remedy is the appropriate remedy or any other issues/disputes.</p>
<p>17. When can I, or Freddie Mac, initiate the IDR process?</p>	<p>If the dispute is not resolved by the end of the management escalation period and the dispute is related to our determination that a Servicing Defect exists, then you must initiate the IDR Process within 15 days to continue to resolve the dispute.</p> <p>We may initiate the IDR Process within six months of the expiration of the management escalation period in accordance with the IDR Document.</p>
<p>18. Why is Freddie Mac implementing the IDR Process?</p>	<p>The IDR Process completes the planned scope for our servicing remedies framework, which, in turn, provides clarity and transparency and helps you manage risk more effectively.</p>

<u>Question</u>	<u>Answer</u>
<p>19. Are there differences between the IDR Process for selling and Servicing violations?</p>	<p>The IDR Process is outlined in the IDR Document found on the following web pages: The Selling Representation and Warranty Framework web page, and the Freddie Mac Servicing Success Program web page.</p> <p>NOTE: The IDR Document itself is the same on each web page but the requirements for case file package contents may include different documentation for servicing-related disputes. Details of the case file package content are in the IDR Document appendix.</p>
<p>20. Are the GSEs aligned on the IDR Process?</p>	<p>With FHFA oversight and at FHFA's direction, the GSEs developed the design of the IDR Process jointly, so the IDR Process is generally aligned in scope and timelines. However, the way the GSEs implement the design of the IDR Process may differ, as is operationally appropriate or necessary.</p>