



TO: Freddie Mac Sellers and Servicers

August 17, 2016 | 2016-14

SUBJECT: SELLING AND SERVICING UPDATES

This Guide Bulletin announces:

Selling and Servicing

- Updates to the selling representation and warranty framework and the servicing remedies framework (collectively, the “remedies frameworks”), including:
 - Details of the [Independent Dispute Resolution \(IDR\) Process](#) introduced in Bulletin 2016-1, as well as expansion of the IDR Process to address alleged Servicing Defects that remain unresolved after completion of the initial Appeal Process
 - Introduction of [Impasse and Management Escalation Processes](#) (“escalation processes”), as part of the overall appeals process
 - [Additional Guide updates](#) in support of these changes

Servicing

- Updates to certain eligibility requirements for the [Freddie Mac Principal Reduction Modification](#)
- Revisions related to the expiration of the [Home Affordable Modification Program \(HAMP®\)](#)

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

SELLING AND SERVICING

The following updates are effective for:

- Mortgages with Settlement Dates **on or after January 1, 2016** in connection with Repurchase Demands, and
- Servicing Remedy letters issued **on or after December 1, 2016**, unless otherwise noted

Independent Dispute Resolution (IDR) Process

Background

In Bulletin 2016-1, Freddie Mac, jointly with Fannie Mae, and at the direction of the FHFA, announced the IDR Process to address alleged loan-level breaches of selling representations and warranties (“selling defects”) that remain unresolved after completion of the Appeal Process. We are now providing additional detail and updating the Guide to support the IDR Process announced in Bulletin 2016-1.

Additionally, this Bulletin updates the IDR Process to include that Seller/Servicers have the opportunity to elect a final, binding resolution process to resolve disputes regarding loan-level Servicing Defects (in addition to selling defects) through the IDR Process, which is more streamlined and cost-efficient than litigation.

Seller/Servicers remain responsible for originating and Servicing Mortgages in accordance with the terms of Freddie Mac’s Purchase Documents.

Overview of the IDR Process

The IDR Process will not replace Freddie Mac's remedies frameworks and Appeal Process, but will allow a neutral third-party (the "Neutral") to resolve alleged selling defects and Servicing Defects that remain unresolved after the Appeal Process and escalation processes have been exhausted.

The IDR Process will be available to all active Seller/Servicers except those Seller/Servicers that have:

- Failed to timely comply with an IDR award related to any Mortgage (or Mortgages) that has/have been resolved through the IDR Process
- Failed to timely comply with any Repurchase Demand or Servicing Remedy letter after the time for challenging the Repurchase Demand or Servicing Remedy letter through the Appeal Process, Impasse Process, Management Escalation Process and IDR Process, as applicable, has expired, and/or
- Any outstanding amount that is owed and past due to any IDR Program Administrator

The Neutral will make the final determination about whether a selling defect or a Servicing Defect existed at the time the IDR Process commenced. The Neutral will not address remedies or any other issue other than whether the selling defect or the Servicing Defect existed at the time the IDR Process commenced. The written award from the Neutral will be final and binding upon and enforceable against the parties.

The IDR Process and requirements are set forth in the IDR Document, which can be accessed by Sellers and Servicers by visiting either the [Selling Representation and Warranty Framework](#) web page or [Freddie Mac Servicing Success Program](#) web page.

For questions regarding the IDR Process or information contained in the IDR Document, Sellers may contact Freddie Mac at [Remedy Mgmt Requests@freddiemac.com](mailto:Remedy_Mgmt_Requests@freddiemac.com) and Servicers may contact Freddie Mac at [Servicing Remedy Management@freddiemac.com](mailto:Servicing_Remediation_Management@freddiemac.com).

Guide impacts: Guide Sections 3401.1, 3602.8 and 3602.9

Impasse and Management Escalation Processes

We are updating the Guide to provide an opportunity for escalation to the Impasse Process and to management in order to resolve as many disputes as possible before any IDR Process begins.

Impasse Process

Upon receipt of a Repurchase Demand or a Servicing Remedy letter, the Seller/Servicer may file an appeal and one additional appeal, if applicable (the "first appeal" and "second appeal," respectively and the "Appeal Process," collectively). If the first appeal is denied, and the second appeal is either not applicable or is denied, the Seller/Servicer may initiate the Impasse Process.

During the Impasse Process, a representative from the Seller/Servicer and a representative from Freddie Mac will attempt to resolve the dispute. At any time during the Impasse Process, the Seller/Servicer has the right to provide a correction of an alleged selling defect or Servicing Defect in accordance with the Guide.

Guide impacts: Sections 3602.8 and 3602.9

Management Escalation Process

If the dispute remains unresolved after the Impasse Process, the Seller/Servicer may initiate the Management Escalation Process. During the Management Escalation Process, an officer of Freddie Mac and an officer of the Seller/Servicer will attempt to resolve the dispute. However, when attempting to resolve the dispute, no new information may be submitted for consideration by either the Seller/Servicer or Freddie Mac as part of the Management Escalation Process.

If the Management Escalation Process does not resolve the dispute and the dispute meets the requirements set forth in Sections 3602.8 or 3602.9, as applicable, the Seller/Servicer may initiate the IDR Process.

Guide impacts: Sections 3602.8 and 3602.9

Additional Guide updates

Appeal Process

We are updating the Appeal Process to incorporate the new escalation processes as part of the overall appeals process.

If the Seller/Servicer timely appealed the Repurchase Demand or the Servicing Remedy letter and Freddie Mac does not respond to the Seller/Servicer's first or second appeal, if applicable, Freddie Mac will have no further right to pursue a remedy based on the alleged selling defect or Servicing Defect, except that a failure to respond to an appeal will not restrict Freddie Mac's ability to seek indemnity for third-party claims.

During the Appeal Process, the Seller/Servicer has the right to provide a correction of an alleged selling defect or Servicing Defect in accordance with the Guide.

Guide impacts: Sections 3602.3, 3602.8 and 3602.9

Title-related defects

Effective immediately

We are updating Section 3602.3 to further support the servicing remedies framework and the process for issuing notices of Servicing Defect or Servicing Remedy letters for title-related defects.

Freddie Mac's standard practice is to issue notices of Servicing Defect or Servicing Remedy letters upon identifying a Servicing Violation and/or related Servicing Defect. However, for title-related defects, Freddie Mac 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 following completion of a deed-in-lieu of foreclosure), unless:

- A prior foreclosure has extinguished Freddie Mac's Mortgage, or
- Freddie Mac has determined that the title-related defect prevents foreclosure or other enforcement of Freddie Mac's rights under the Note or Mortgage (e.g., the title-related defect prevents the completion of a deed-in-lieu of foreclosure)

Additionally, in response to inquiries received from Servicers, we are updating Sections 9209.8 and 9301.40 to remind Servicers that issuance or purchase of a letter of indemnity, title insurance or similar form of indemnification does not constitute, and may not be used in lieu of, provision of clear and marketable title to the Mortgaged Premises.

Guide impacts: Sections 3602.3, 9209.8 and 9301.40

Terminology

Capitalized terms above that are not included in the Glossary are defined in new Section 3602.1. As a result of this new section for the defined terms used in Guide Chapter 3602, all sections in Chapter 3602 and cross-references to sections in Chapter 3602 have been renumbered.

Guide impacts: Chapter 3602, Sections 3401.1, 3601.1, 4301.7, 4302.2, 6201.7, 8303.14, 8601.4, 9204.3 and Directory 1

Training

To help Seller/Servicers further understand these updates to the remedies frameworks, additional information and/or reference documents will become available on our [Selling Representation and Warranty Framework](#) and [Freddie Mac Servicing Success Program](#) web pages at a later time. Seller/Servicers should watch for additional communications related to the remedies frameworks.

SERVICING

Eligibility requirements for the Principal Reduction Modification

We are revising certain eligibility requirements for the Principal Reduction Modification introduced in Bulletin 2016-7 as follows:

- A Borrower who is in an active repayment or forbearance plan at the time of the Servicer's evaluation is ineligible for the Principal Reduction Modification. Servicers are encouraged to work with Borrowers who are transitioning out of a forbearance plan to determine if they are eligible for the Principal Reduction Modification.
- A Mortgage that was previously modified with Freddie Mac Standard Modification terms and became 60 or more days delinquent within 12 months of the Modification Effective Date is eligible for the Principal Reduction Modification only if it became current, subsequently re-defaulted and meets all other eligibility requirements provided in Bulletin 2016-7. The Mortgage must have been 90 days delinquent as of March 1, 2016 and a minimum of 30 days delinquent as of the date of the Servicer's evaluation.

Revisions related to the expiration of HAMP

We are revising our evaluation model clauses and Streamlined Modification Borrower solicitation letters to align with revisions to certain requirements related to the expiration of HAMP that were announced in Bulletin 2016-10.

Evaluation model clauses

We are revising our evaluation model clauses in Exhibit 93 as follows:

Model Clause Revisions	
Effective Date	Revision
On and after September 1, 2016	Servicers may begin omitting information on Borrower incentive compensation from all Borrower Evaluation Notices
On and after November 1, 2016	Servicers must omit information on Borrower incentive compensation from all Borrower Evaluation Notices
On and after December 31, 2016	If a Borrower submits a Borrower Response Package after December 30, 2016, then the Servicer must: <ul style="list-style-type: none">• Omit the HAMP modification from all Borrower Evaluation Notices• Not send the HAMP Trial Period Plan Notice to the Borrower• Omit the "Modification Program Review" section from the Standard Modification Trial Period Plan Notice

Additionally, we are revising the "Non-Approval, Proceed to Foreclosure" Borrower Evaluation Notice to account for revisions announced in Bulletin 2014-10.

Guide impact: Exhibit 93

Streamlined Modification Borrower solicitation letters

We are revising our Streamlined Modification Borrower solicitation letters as follows:

Streamlined Modification Borrower Solicitation Letter Revisions	
Effective Date	Revision
On and after September 1, 2016	Servicers may begin omitting information related to offering a Borrower a HAMP modification
On and after November 1, 2016	Servicers must omit information related to offering a Borrower a HAMP modification

Guide impacts: Exhibits 1191, 1191A and 1191B

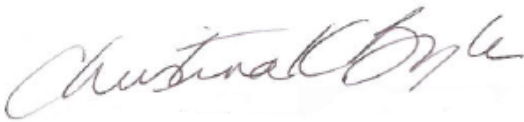
GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2016-14 (Selling and Servicing) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bl1614_spreadsheet.xls.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call Customer Support at (800) FREDDIE.

Sincerely,



Christina K. Boyle
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 Single-Family Sales and Relationship Management