



TO: Freddie Mac Servicers

December 13, 2017 | 2017-27

SUBJECT: SERVICING UPDATES

This Guide Bulletin announces:

Workout Prospector®

- [Updates to Workout Prospector®](#), including imminent default evaluation data processing and reporting requirements – **February 26, 2018**

Freddie Mac Servicing Success Program

- Updates to the Guide to reflect the [Manager Series reports found in the redesigned Servicer Performance Profile \(SPP\)](#)

Servicing changes from Bulletin 2017-26

- [Changes that impact Servicers](#) from Bulletin 2017-26

Additional Guide updates

- Further updates as described in the [Additional Guide Updates](#) section of this Bulletin

EFFECTIVE DATE

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

WORKOUT PROSPECTOR UPDATES

Imminent default evaluations

As announced in Bulletin 2017-22, the new imminent default evaluation business rule requirements will replace the Imminent Default Indicator® test for all imminent default evaluations conducted on and after **July 1, 2018**.

Workout Prospector will be updated by **February 26, 2018** to accommodate data submissions and reporting to Freddie Mac related to the new imminent default evaluation requirements. We encourage Servicers to implement the new imminent default evaluation requirements once Workout Prospector is updated and prior to the mandatory implementation date of July 1, 2018, if they are operationally ready to do so. Servicers must continue using the Imminent Default Indicator Servicing Tool for imminent default evaluations until they implement the new requirements no later than July 1, 2018.

The [Workout Prospector Users' Guide](#) will be updated by February 26, 2018 to reflect the new imminent default evaluation processing and reporting requirements.

Processing and reporting new imminent default evaluation data

Servicers that implement the new imminent default evaluation requirements on and after February 26, 2018 and no later than July 1, 2018 must follow the requirements below.

The Servicer must determine if the Borrower is in imminent default based on the business rule requirements announced in Bulletin 2017-22 before entering the new imminent default evaluation data into Workout Prospector. If the Borrower is in imminent default, the Servicer must enter the imminent default information into Workout Prospector.

In the "Imminent Default" section of the "Flex Modification Modeling Attributes" screen:

- Select “Yes” from the “Is Borrower in Imminent Default?” dropdown
- Check the appropriate hardship reason box(es) in the “Hardship Reason” field (refer to Guide Section 9202.2 for eligible hardships and Section 9206.7 for imminent default hardships) based on whether the Borrower has met the requirements under:
 - Business Rule 1 and Business Rule 2, or
 - Business Rule 1 and Business Rule 3

As a reminder, under the new imminent default evaluation requirements, Servicers are fully responsible for making the imminent default determination, and must submit all applicable information to Freddie Mac, as described in Bulletin 2017-22. For ease of implementation for the Servicer, Freddie Mac is leveraging existing data fields in Workout Prospector for the Servicer to report imminent default data to satisfy the requirements in Business Rule 1 and Business Rule 2 (information for Business Rule 3 will be captured under the eligible hardship requirement under Business Rule 1, as described below). The table below provides a high-level overview of the reporting fields in Workout Prospector that Servicers will continue to use when reporting the new imminent default evaluation data:

Business Rule 1	
Requirement	Reporting field(s) in Workout Prospector
Receipt of a complete Borrower Response Package	Existing field: “Workout Evaluation Date (Date Borrower Response Package Received)” in the “Modeling Attributes” screen
The Mortgage is current or less than 60 days delinquent (i.e., less than three monthly payments past due) as of the imminent default evaluation date	Existing field: “Current Last Paid Installment Date (DDLPI)” in the “Mortgage Attributes” screen
The Borrower occupies the property as a Primary Residence or, at least one Borrower on the Mortgage occupies the property as his or her Primary Residence	Existing fields: “Current Property Type” in the “Mortgage Attributes” screen and “Property Status Vacancy” in the “Modeling Attributes” screen
The Borrower has Cash Reserves less than \$25,000	Existing fields: “Checking Accounts,” “Savings/Money Market” and “Stocks/Bonds/CD” in the “Modeling Attributes” screen
The Borrower has an eligible hardship as described in Section 9202.2	Existing field will be renamed and moved to the “Imminent Default” section: “Hardship Reason” in the “Modeling Attributes” screen
Business Rule 2	
Requirement	Reporting field(s) in Workout Prospector
The Borrower’s FICO® score is less than or equal to 620	Existing fields: “Borrower FICO” and “Co-Borrower FICO” in the “Modeling Attributes” screen
The Mortgage has had two or more 30-day Delinquencies in the most recent 6-month period	Existing field: N/A Freddie Mac will confirm the delinquency status via its internal reports after the Workout Prospector model has been submitted to Freddie Mac.
The Borrower’s pre-modification housing expense-to-income ratio is greater than 40%	Existing fields: “Current P&I,” in the “Mortgage Attributes” screen and “Monthly Property Taxes,” “Monthly Hazard/Flood Insurance,” “Monthly HOA/Condo Fees,” “Actual Monthly Escrow Shortage,” “Monthly Gross Income,” “Monthly Gross Unemployment Income” and “Monthly Gross Rental Income” in the “Modeling Attributes” screen

Business Rule 3	
Requirement	Reporting field(s) in Workout Prospector
The Borrower has an imminent default hardship (refer to Section 9206.7)	No extra reporting field will be required. The imminent default hardship reason(s) will already be reported as part of Business Rule 1 in the “Hardship Reason” field in the “Modeling Attributes” screen.

Once Workout Prospector is updated, Servicers should refer to the [Workout Prospector Users’ Guide](#) for step-by-step instructions regarding how to submit all required information and which specific fields must be populated.

Processing and reporting Imminent Default Indicator data

Servicers that choose to continue using the Imminent Default Indicator tool on and after February 26, 2018 and until implementing the new imminent default evaluation requirements no later than July 1, 2018 must follow the revised processing and reporting requirements described below.

Consistent with current requirements, once the Servicer has determined the Borrower’s Cash Reserves are less than \$25,000 and received the Imminent Default Indicator tool’s decision of either a “1” or a “2”, the Servicer must enter the data in Workout Prospector.

When entering the data in Workout Prospector on and after February 26, 2018, the Servicer must select “Yes” from the “Is Borrower in Imminent Default?” dropdown; and check the appropriate box(es) in the “Hardship Reason” field:

If the Imminent Default Indicator result...	Then the Servicer must check...
Equals “1”	The eligible hardship reason box(es)
Equals “2”	The appropriate imminent default hardship reason box(es) (refer to Section 9206.7) provided the Borrower has presented documentation supporting such hardship

As a reminder, the Imminent Default Indicator tool will be retired by July 1, 2018.

Processing and reporting Mortgages that are 60 days or more delinquent

Due to the updates that will be made to Workout Prospector by February 26, 2018 for the imminent default evaluation changes, the “Primary Hardship Reason” dropdown will no longer be displayed in the “Additional Modification Inputs” section of the “Flex Modification Modeling Attributes” screen in Workout Prospector. All hardship reasons will be displayed in the “Hardship Reason” field under the “Imminent Default” section of the “Flex Modification Modeling Attributes” screen.

For evaluations in which the Mortgage is 60 or more days delinquent, the Servicer will not be required to select “Yes” or “No” from the “Is Borrower in Imminent Default?” dropdown. However, the Servicer will be required to check the appropriate eligible hardship reason box(es) in the “Hardship Reason” field.

SERVICER PERFORMANCE PROFILE

As announced in our [October 31, 2017 Single-Family News Center article](#), the Servicer Performance Profile (SPP), a web-based application that provides a Servicer with insight into its Servicing performance, has been redesigned and now includes the Manager Series reports. The various Manager Series reports are accessible via corresponding tiles in the SPP such as “Default Reporting,” “Repayment Plans,” “Modifications,” “Incentives,” “Timelines,” “Liquidations,” “Foreclosures” and “REO.”

With these updates to the SPP, the following Servicing Tools have been retired:

- Default Reporting ManagerSM
- Incentive ManagerSM
- REO Manager[®]

- Timeline ManagerSM
- Workout Manager[®]

We are updating the Guide to reflect the Manager Series reports and their new locations in the SPP. The reports and locations for key Servicing data referenced in the Guide are shown below:

Data	Previous location and/or report title(s)	New location in the SPP and revised or new report title(s)
The status of a submitted modification for settlement	Location: Workout Manger	<ul style="list-style-type: none"> • Location: “Modifications” tile • Reports: <ul style="list-style-type: none"> ➢ <i>Modification Pending Update</i> report ➢ <i>Modification Status Overview</i> report
Pending foreclosure timeline compensatory fees	<ul style="list-style-type: none"> • Location: Default Reporting Manager • Report: <i>Monthly Compensatory Fee Analysis Report</i> 	<ul style="list-style-type: none"> • Location: “Foreclosures” tile • Report: <i>Foreclosure Timeline Compensatory Fees Overview</i> report
Information on an REO property’s status	Location: REO Manager	<ul style="list-style-type: none"> • Location: “REO” tile • Report: <i>REO Overview</i> report
Mortgages in which an Internal Revenue Service (IRS) Form 1099-C, <i>Cancellation of Debt</i> , must be filed	<ul style="list-style-type: none"> • Location: Default Reporting Manager • Reports: <ul style="list-style-type: none"> ➢ <i>Servicer 1099-C Filing Report</i> ➢ Monthly IRS Form 1099-C filing reports 	<ul style="list-style-type: none"> • Location: “Default Reporting” tile • Report: <i>1099-C Loan Detail</i> report
Information regarding a Servicer’s EDR transmissions	<ul style="list-style-type: none"> • Location: Default Reporting Manager • Reports: <ul style="list-style-type: none"> ➢ <i>EDR Exception Report</i> ➢ <i>Delinquencies/Foreclosures Not Reported (“Not Reported Report”)</i> ➢ <i>Default Compliance Report (“Compliance Report”)</i> 	<ul style="list-style-type: none"> • Location: “Default Reporting” tile • Reports: <ul style="list-style-type: none"> ➢ <i>EDR Edits</i> report ➢ <i>EDR Loans Not Reported</i> report ➢ <i>EDR Compliance Overview</i> report
Automated Valuation Model (AVM) information for Mortgages that are more than 30 days delinquent	<ul style="list-style-type: none"> • Location: Default Reporting Manager • Report: <i>Automated Value Model (AVM)</i> report 	<ul style="list-style-type: none"> • Location: “Default Reporting” tile • Report: <i>Automated Valuation Model (AVM)</i> report

We encourage Servicers to visit the [Servicer Performance Profile](#) web page for additional resources, including training and reference documents to help Servicers understand and navigate their new and improved profiles.

Guide impacts: Sections 2406.4, 8106.4, 8601.10, 8601.30, 8601.31, 9102.7, 9205.9, 9206.8, 9206.17, 9301.45, 9301.47, 9401.8, 9603.1, 9603.8, 9603.13 and 9701.5 and Guide Exhibit 88

CHANGES IMPACTING SERVICERS FROM BULLETIN 2017-26

We are notifying Servicers of the following changes that were announced to Sellers in Bulletin 2017-26:

- Additional Guide language related to [prohibiting Seller/Servicers from engaging in discriminatory business activities](#)
- Updated [cooperative share terminology](#)
- Purchase eligibility of [Texas Equity Section 50\(a\)\(6\) ARMs](#)
- Updates to the Guide regarding [Seller/Servicer sharing of the Freddie Mac Exclusionary List](#)

Non-discrimination

Effective March 15, 2018

Freddie Mac fully supports the principles of equal opportunity and non-discrimination in all our business activities. Consistent with this view and also consistent with the [Minority and Women Inclusion Amendments Final Rule](#) issued by the FHFA, we updated the Guide in Bulletin 2017-26 to require all Seller/Servicers with whom Freddie Mac does business to practice these principles as well. Seller/Servicers must not discriminate on the basis of race, color, religion, sex, age, marital status, disability, veteran status, genetic information (including family medical history), pregnancy, parental status, familial status, national origin, ethnicity, sexual orientation, gender identity or other characteristics protected by law. Section 1301.12 has been created to reflect these requirements.

Cooperative share terminology

Effective November 15, 2017

In Bulletin 2017-26, we updated Guide references from “Cooperative Share Mortgage” to “Cooperative Share Loan” to align with market and industry terminology. Additionally, we standardized the usage of the following terms throughout the Guide and added them to the Glossary:

- Cooperative Share Loan
- Cooperative Project
- Cooperative Unit

We have updated Sections 4201.22, 4302.2, 4302.3, 4303.2, 4303.3, 4303.4, 4304.7, 8202.8, 9202.19, 9205.1, 9205.4, 9205.6, 9205.8, 9206.7, 9206.8, 9207.3, 9207.4, 9208.3, 9208.4, 9209.3, 9209.4, 9501.3 and 9701.11, Exhibit 57A and Glossary A – I to reflect these changes.

Texas Equity Section 50(a)(6) ARMs

Effective November 15, 2017

Texas Equity Section 50(a)(6) Mortgages originated under Article XVI of the Texas Constitution permit a Borrower to take equity out of a homestead property under certain conditions. Previously, we restricted the eligibility of Texas Equity Section 50(a)(6) Mortgages to fixed-rate Mortgages only. Servicers should be aware that in Bulletin 2017-26, we updated Section 4301.7 to allow the purchase of Texas Equity Section 50(a)(6) ARMs.

Seller/Servicer sharing of the Freddie Mac Exclusionary List

In Bulletin 2017-26, we updated Section 2401.1, effective November 15, 2017, to affirm the prohibition against Seller/Servicer sharing of the Freddie Mac Exclusionary List with Related Third Parties (as defined in Section 2401.1(b)) and other parties, except as expressly permitted under Section 1201.8(c).

Because Servicers access the Exclusionary List via the Freddie Mac Service Loans application, effective immediately, we are updating the Guide chapter related to the use of the Service Loans application to include the Servicer’s covenant and agreement with Freddie Mac that it will not share the Exclusionary List with Related Third Parties except as expressly permitted under Section 1201.8(c).

Guide impact: Section 2404.5

ADDITIONAL GUIDE UPDATES

Borrower hardship, income and other documentation

In Bulletin 2017-18, we announced revisions to our requirements related to Borrower hardship, income and other documentation, including the new Guide Form 710, *Mortgage Assistance Application* (MAAp), which is effective on **June 1, 2018**; however, Servicers may implement immediately if they are able to do so.

To align with these requirements, we are:

- Removing the Borrower income documentation requirements for the unemployment benefits income source in Section 9202.3(b). No income documentation will be required to verify unemployment benefits as a source of income.
- Updating Section 1401.17 to reflect the new title of Form 710

Guide impacts: Sections 1401.17 and 9202.3

Form 1205, Post-Settlement Correction Request

For better reporting accuracy and ease of use, we are updating Form 1205 to:

- Include Freddie Mac Flex Modification® as a workout option
- Add a field for reporting pre-modified gross UPB (which includes forbore UPB)
- Adjust the formatting of the form to more easily show the root cause of the correction
- Align the terms used in the form with the terms used in the Guide

Guide impact: Form 1205

Directory 1

We are updating the Directory to add specific Legal Division contact information for a Seller/Servicer's request to disclose confidential information under Section 1201.8. Such requests should be directed to the Vice President and Deputy General Counsel – Single-Family Real Estate.

Guide impact: Directory 1

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 2017-27 (Servicing) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bl1727_spreadsheet.xls.

CONCLUSION

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

Sincerely,



Yvette W. Gilmore
Vice President
Servicer Performance Management