

Bulletin

TO: Freddie Mac Servicers

June 12, 2019 | 2019-12

SUBJECT: SERVICING UPDATES

This Guide Bulletin announces:

Deed-in-lieu of foreclosure inspection requirements

- Removal of the requirement to perform a final interior inspection of the Mortgaged Premises for [deed-in-lieu of foreclosure properties – July 15, 2019](#)

EDR Codes

- Updates to reporting requirements to no longer require:
 - [EDR default action code 20](#) (Reinstatements (Full or Partial)) when processing and reporting full reinstatements and loan modifications
 - [EDR default action code TM](#) (Alternative Modification Trial Period)
 - [EDR default action code H5](#) (Complete Borrower Response Package Received)

Subsequent Transfer of Servicing requirements

- Updates to our [Subsequent Transfers of Servicing requirements](#) for a Mortgage registered with MERS®

Escrow

- Clarification of our requirements when a Servicer advances funds for an unpaid [Escrow](#) charge

Exhibit 33

- Updates to Guide Exhibit 33

Participation Mortgages

- Removal of requirements for [participation Mortgages](#) from the Guide

Additional Guide updates and reminders

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

EFFECTIVE DATE

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

DEED-IN-LIEU OF FORECLOSURE INSPECTION REQUIREMENTS

Effective July 15, 2019

Currently, Guide Section 9209.5 requires that Servicers perform a final inspection on the Mortgaged Premises subject to a deed-in-lieu of foreclosure (“DIL”) no more than two Business Days following receipt of the executed DIL documents to ensure that the property is vacant, undamaged and in broom-swept condition. If the final inspection reveals that there is damage to the Mortgaged Premises caused by the Borrower, or the Mortgaged Premises was not left in broom-swept

condition, we instructed the Servicer to reduce any Borrower relocation assistance by the amount of the estimated cost of remediating the issue.

To complement the changes to Servicer requirements for REO properties announced in Bulletin 2019-6, we also are removing the requirement that Servicers perform a final interior inspection of the Mortgaged Premises.

Additionally, Servicers must pay the full amount of the relocation assistance to eligible Borrowers within 30 days, unless otherwise instructed by Freddie Mac.

Guide impacts: Sections 9202.12, 9209.4, 9209.5, 9209.7 and Guide Form 1013

EDR CODES

EDR default action code 20 reporting requirements

Previously, Servicers were required to report EDR default action code 20 (Reinstatements (Full or Partial)) to report full and partial reinstatements. With the implementation of the Investor Reporting Change Initiative, Freddie Mac systems will validate payment activity against the reported DDLPI and automatically reinstate loans when necessary.

Servicers will no longer be required to report EDR default action code 20 to reinstate a loan except when Servicers accept a partial reinstatement and need to change the mortgage status from "Foreclosure" to "Delinquent." We also are renaming the code to EDR default action code 20 (Reinstatement (Partial)).

Guide impacts: Sections 9203.3, 9203.6, 9203.11 and 9206.17

EDR default action code TM

We are removing references to EDR default action code TM (Alternative Modification Trial Period). Servicers are reminded that they should use EDR default action code BF (Freddie Mac Standard Modification Trial Period) to report all Trial Period Plans, including those for the Freddie Mac Flex Modification® that were offered under streamlined eligibility criteria.

Guide impact: Section 9206.13

EDR default action code H5

We are updating references to EDR default action code H5 (Complete Borrower Response Package Received). Servicers will no longer be required to use this code to notify Freddie Mac of receipt of a complete Borrower Response Package, but are still encouraged to do so.

Guide impact: Section 9102.5

SUBSEQUENT TRANSFERS OF SERVICING REQUIREMENTS

We are updating the Guide to include requirements for Subsequent Transfers of Servicing for a Mortgage registered with MERS®. The requirements that apply to Concurrent Transfers of Servicing for Mortgages registered with MERS also apply to Subsequent Transfers of Servicing.

Guide impact: Section 7101.6

ESCROW

Currently, if Escrow is not collected and the Servicer discovers nonpayment of any charge otherwise payable from Escrow, the Servicer is required to advance funds for the unpaid charge and applicable penalty if the Borrower is unable to make the payment or does not provide proof of payment within 30 days.

We are updating the Guide to clarify that if a Servicer advances funds for an unpaid Escrow charge and is unable to reach a mutually satisfactory agreement for the Borrower's repayment of the advance, or if the Borrower fails to comply with the terms of any such arrangement, the Servicer must comply with the collection, loss mitigation, and if necessary, foreclosure referral requirements in accordance with Guide Chapters 9101 or 9102, as applicable.

Guide impact: Section 8201.1

EXHIBIT 33

Freddie Mac's standard Acknowledgment Agreement requires a Secured Party to execute a Release (as these terms are defined in Guide Exhibit 33, *Acknowledgment Agreement Incorporated Provisions*). We are updating the definition of "Release" in Exhibit 33, to address situations where a Secured Party's interests arising out of or related to the Collateral and the Acknowledgment Agreement (as those terms are defined in Exhibit 33) have been terminated due to a Transfer of Servicing or a voluntary partial cancellation of the Servicer's Servicing Contract Rights.

Guide impact: Exhibit 33

PARTICIPATION MORTGAGES

With the implementation of the Uniform Loan Data Delivery requirements in March 2012, Freddie Mac ceased the purchase of participation Mortgages. With the implementation of the Investor Reporting Change Initiative, Freddie Mac no longer has participation Mortgages in its portfolio. Therefore, any requirements for purchase and Servicing of participation Mortgages are being removed from the Guide.

Guide impacts: Sections 1201.3, 1301.9, 1301.11, 3302.3, 3602.5, 4702.2, 6303.3, 6303.5, 7101.4, 8103.2, 8104.5, 8105.1, 8301.6, 8302.9, 8303.11, 8503.7, 8503.9, 9208.8, 9701.4, Exhibit 60 and Glossary J-Q

ADDITIONAL GUIDE UPDATES AND REMINDERS

Servicer Success Scorecard – Loan Level Reporting Compliance metric

In Bulletin 2018-14, we introduced the Loan Level Reporting Compliance metric that will measure the number of loans not reported as of the last loan level reporting on the P&I Determination Date divided by the number of total loans serviced, excluding loans with outstanding edits. Servicers receive a PASS or FAIL on this metric based on the number of loans not reported.

While the numerator and denominator of the Loan Level Reporting Compliance metric remain unchanged, and the PASS or FAIL calculation remains the same, we are updating this metric's description to ensure consistency with the description Servicers view in the user interface.

Effective with the July 2019 Servicer Success Scorecard that will be published at the end of August 2019, Servicers will receive a PASS or FAIL based on their rank group (Groups 1-4) and the following:

- Group 1 (≥200,000 loans serviced): greater than or equal to 99% reported, then PASS; more than 1% not reported, then FAIL
- Group 2 (75,000-199,999 loans serviced): greater than or equal to 98% reported, then PASS; more than 2% not reported, then FAIL
- Group 3 (20,000-74,999 loans serviced): greater than or equal to 97% reported, then PASS; more than 3% not reported, then FAIL
- Group 4 (<20,000 loans serviced): greater than or equal to 96% reported, then PASS; more than 4% not reported, then FAIL

Borrower income documentation

Borrower income documentation requirements for loss mitigation assistance specify that, in most instances, a Borrower may submit his or her two recent bank statements to support the Borrower's income source.

In response to Servicer feedback, we are clarifying that Servicers may, with Borrower consent, leverage a third-party service provider (e.g., Finicity®) to obtain bank account data to verify income provided by the Borrower on Form 710.

Form 59

We are updating Form 59 to embed the formula used to calculate the adjusted bank balance. Additionally, we are clarifying that the adjusted bank balance must be calculated as follows:

$$\text{Current cycle Ending Bank Balance} + \text{Deposits in Transit} - \text{Outstanding Debits}$$

Guide impact: Form 59

Community Land Trust Mortgages

We have added new Section 8104.8 to refer Servicers to Chapter 8701 for special Servicing requirements for Community Land Trust Mortgages.

Guide impact: Section 8104.8

Reminder on Servicing Mortgages impacted by Eligible Disasters

As the 2019 hurricane season begins, we are reminding Servicers of our requirements for Servicing Mortgages impacted by Eligible Disasters. Servicers must comply with Chapter 8404 when Servicing Mortgages where the related Borrower's Mortgaged Premises or place of employment is located in an Eligible Disaster Area.

Servicers are also reminded that the Servicing requirements announced in Bulletins 2017-21 (property inspection reimbursement) and 2017-25 (Freddie Mac Extend Modification for Disaster Relief) remain in effect. The Guide was not updated to reflect these requirements.

Servicers should refer to the following for additional disaster-related information:

- Our [Disaster Relief web page](#), including the [Disaster Relief Reference Guide](#) and [Managing Distressed Properties Quick Reference](#) document
- The [Freddie Mac Learning Center](#) which includes the [Disaster Relief: Modifications webinar](#)
- The Federal Emergency Management Agency's (FEMA) [web site](#) to determine if a Borrower's Mortgaged Premises or place of employment is located in an Eligible Disaster Area

Guide updates from Bulletin 2019-11

eMortgages

An eMortgage is a Mortgage that is originated using an eNote (as defined in new Section 1402.2), while the Security Instrument and other Mortgage documents may be paper or Electronic Records (as defined in Section 1401.2). eMortgages can help simplify the closing process for Sellers and Borrowers and shorten timeframes from origination to sale of the Mortgage in the secondary market.

While Freddie Mac's prior written approval to sell to and/or service eMortgages for Freddie Mac will still be required, the eMortgage Guide on FreddieMac.com is being retired and all requirements will now be contained in new Chapter 1402. This will provide greater visibility of Freddie Mac's eMortgage requirements as eMortgage adoption continues to grow. Additionally, we are adding Exhibits 45, 46 and 47, which are sample forms that may be helpful to Seller/Servicers of eMortgages.

Seller/Servicers of eMortgages must comply with all selling and Servicing requirements of the Guide and the Seller/Servicer's other Purchase Documents, as applicable, including the special requirements set forth in Chapter 1402.

Seller/Servicers who wish to sell to and/or service eMortgages for Freddie Mac should contact their Freddie Mac account representative or the Freddie Mac eMortgage Team (eMortgage_Team@freddiemac.com) to begin the process of determining their eligibility to sell to and/or service eMortgages for Freddie Mac. As part of the Seller/Servicer's approval process, the Seller/Servicer's eClosing System and eNote Vault System (as those terms are defined in Section 1402.2) used to originate and close eMortgages and store related eNotes must go through a review and approval process.

Chapter 1402 contains eMortgage requirements, and Exhibits 45, 46, 47 and Form 994SF support the requirements in Chapter 1402. All other impacted Guide sections are related to the eMortgage requirements found in Chapter 1402.

Private flood insurance

Flood insurance is required on a property when it is located in a FEMA-designated special flood hazard area (SFHA). Currently, the Guide allows private flood insurance as an alternative to the National Flood Insurance Program (NFIP), when the terms and conditions of the private flood insurance policy are at least equivalent to the standard NFIP policy, and the insurer meets the ratings requirements for property insurers.

On February 20, 2019, the federal banking agencies announced a [joint final rule](#) that impacts private flood insurance requirements for financial institutions subject to their supervision. The rule becomes effective July 1, 2019.

Freddie Mac is not subject to the federal banking agencies' rule. Freddie Mac is separately authorized by the Biggert-Waters Act to accept private flood insurance policies and establish requirements for financial solvency, strength or claims-paying ability for insurers who issue private flood insurance policies for the Mortgaged Premises securing Freddie Mac Mortgages.

Freddie Mac will continue to apply our criteria for acceptance of a private flood insurance policy, as defined in the Biggert-Waters Act. These Guide requirements in Section 8202.3, with insurer rating requirements in Section 8202.1, apply to all Seller/Servicers, including an institution subject to the federal banking agencies' rule regardless of the rule provision (mandatory or discretionary) used to accept a private flood insurance policy.

We updated Section 8202.3 to clarify that a private flood insurance policy is acceptable to satisfy the flood insurance requirement if the terms and conditions are equivalent to the standard NFIP policy and the insurer meets the ratings requirements in Section 8202.1.

GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, access the Bulletin 2019-12 (Servicing) Guide Updates Spreadsheet via the Attachments drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2019-12>.

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
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