

Bulletin

TO: Freddie Mac Servicers

October 9, 2019 | 2019-21

SUBJECT: SERVICING UPDATES

This Guide Bulletin announces:

Freddie Mac Servicing Gateway

- An extension of the implementation date for [Servicing Gateway](#)

Document custody

- Changes to our [document custody](#) requirements

Charge-offs

- Updates to the process of settling [charge-offs](#) via Workout Prospector®

Freddie Mac access to Mortgage records

- Updates to requirements regarding Freddie Mac access to [Mortgage records](#) pertaining to Mortgages serviced for Freddie Mac that are processed, maintained, stored or held by third parties on behalf of Servicer

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.

FREDDIE MAC SERVICING GATEWAY IMPLEMENTATION DATE EXTENSION

In response to Servicer feedback, **we are extending the implementation of Servicing Gateway and the mandatory adoption of the Servicing Data Corrections tool from November 25, 2019 to December 9, 2019.**

This delay will allow Servicers to process their November 2019 end of month loan level reporting without interruption. The Guide updates announced in Bulletin 2019-19 with effective dates of November 25, 2019 will now become effective on December 9, 2019. Servicers still may continue to adopt the Servicing Data Corrections tool prior to the mandatory effective date if they are operationally ready to do so.

Guide impacts: See the Bulletin 2019-21 (Servicing) Guide Updates Spreadsheet, which is accessed via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2019-21>.

DOCUMENT CUSTODY

Guide Chapter 8107 rewrite

We are substantially rewriting Chapter 8107 to provide more information and specificity regarding the release of Notes and documents by, and their return to, Document Custodians.

Release of Notes

Previously, Servicers were required to return Notes and other documents that were no longer required for Servicing to Document Custodians “promptly.” To provide guidance for Servicers, we are updating the Guide to specify that such documents must be returned to Document Custodians **within 90 days**.

Guide impacts: Guide Sections 8107.1 and 8107.2

Document Custodian notice to Servicers of constructive possession of Notes

Effective January 2, 2020, but Servicers may implement sooner if they are ready to do so

Document Custodians are not currently required to notify Servicers when constructive possession of a Note is transferred to them for foreclosure or similar purposes.

We are updating the Guide to require Document Custodians to notify Servicers promptly when they are in constructive possession of a Note for foreclosure or similar purposes.

Guide impact: Section 8107.1

Additional Chapter 8107 updates

We are also updating our document custody requirements in Chapter 8107 to:

- Provide additional information on constructive possession to support Servicers in managing legal matters
- Remove requirements for retaining imaged copies of various forms. These requirements will remain in Chapter 1401.
- Reiterate the requirement for Notes in transit to be insured and transported by nationally recognized commercial or bonded carrier services

Guide impacts: Sections 8107.1 and 8107.2

Document custody updates from Bulletin 2019-20

New Document Custodians

We updated Section 2202.2 to indicate that Freddie Mac is no longer accepting applications to become or approving new Document Custodians. The eligibility standards set forth in Section 2202.2 remain in effect for our current Document Custodians.

Termination of a Tri-Party Agreement

Effective January 2, 2020

We updated Section 2202.6 to increase the required notice period for a Document Custodian to terminate a Tri-Party Agreement from 30 to 90 days.

Additional Chapter 2202 updates

We updated Sections 2202.3 and 2202.6 to:

- Align with current practices for processing new Tri-Party Agreements
- Provide more detail concerning the parties’ responsibilities upon termination of a Tri-Party Agreement
- Describe more specifically the duties and responsibilities of each party to a Transfer of Servicing or a transfer of custody

Transfers of custody and Subsequent Transfers of Servicing

Effective January 2, 2020

Currently for Subsequent Transfers of Servicing, Transferor Servicers must verify that Transferee Document Custodians have a Tri-Party Agreement in place with the Transferee Servicer.

To facilitate Transfers of Servicing, we are updating Section 7101.9 to delete this requirement. In addition, we are adding the following requirements for all transfers of custody (which may result from Subsequent Transfers of Servicing):

- Transferee Servicers must notify Transferee Document Custodians in advance of the Effective Date of Transfer that the transfer of custody is going to occur
- Transferee Document Custodians must notify the Transferor Document Custodian that the shipment of Notes is complete within 35 days of the Effective Date of Transfer or custody transfer date

A Servicer transferring custody of documents between Document Custodians must deliver a copy of the executed Guide Form 1034T, Document Custodial Certification Schedule for Subsequent Transfers of Servicing, to Freddie Mac prior to the date on which the transfer is to occur.

For Freddie Mac to identify Mortgages for which the original Note is missing or not properly endorsed, we are clarifying that, for all transfers of custody, Transferee Document Custodians must:

- Certify for each Mortgage that the Note received is an original Note and that the chain of endorsements is complete; or
- Verify that Freddie Mac has approved the exception (for example, authorized use of a lost note affidavit)

Guide impact: Section 7101.9

CHARGE-OFFS

We are updating Section 9210.5 to reduce potential delays associated with settling charge-offs via Workout Prospector. When submitting all required data for settling a charge-off via Workout Prospector, the Servicer must submit it within 30 days of receiving Freddie Mac's approval letter.

If the Servicer has not submitted the charge-off for settlement within 30 days of receiving Freddie Mac's approval letter, then the Servicer should provide a status update to Freddie Mac at shortsales@freddiemac.com and on a monthly basis thereafter until the charge-off has been submitted via Workout Prospector.

As a reminder, for the Servicer to be reimbursed for any applicable expenses, Freddie Mac must receive, and accept for settlement, the charge-off submitted via Workout Prospector.

Guide impact: Section 9210.5

FREDDIE MAC ACCESS TO MORTGAGE RECORDS

As a reminder, Section 8101.7 provides that Servicers must cause Servicing Agents, service bureaus and other entities that process, maintain or store Mortgage records for and on behalf of the Servicer to consent in writing to permit Freddie Mac, as requested by Freddie Mac, to have access to all Mortgage records pertaining to any Mortgage serviced for Freddie Mac. Therefore, when a Servicer provides Mortgage data related to Mortgages it services for Freddie Mac to a third party, such as a service bureau or other vendor, the third party may provide the Mortgage data to Freddie Mac without further notice or action required by the Servicer.

We are revising Section 8101.7 to state that the section authorizes Freddie Mac to execute, acknowledge and deliver such instruments and documents on the Servicer's behalf and take other actions on behalf of the Servicer to effectuate the purposes of the section.

Guide impacts: Sections 1201.9 and 8101.7

ADDITIONAL GUIDE UPDATES AND REMINDERS

Freddie Mac Flex Modification® streamlined eligibility

As a reminder, the Servicer is required to evaluate any Borrower who becomes 90 days delinquent, or any Borrower with a Step-Rate Mortgage who becomes 60 days delinquent, for a streamlined offer for a Flex Modification and must send an offer to eligible Borrowers within 15 days (i.e., the 105th or 75th day of Delinquency, as applicable).

In response to Servicer questions, we are clarifying that Borrowers who reach the applicable Delinquency threshold for a streamlined offer for a Flex Modification remain eligible for the Flex Modification even if one or more payments subsequently results in the Borrower becoming less delinquent than the eligible Delinquency threshold. In these

instances, the Servicer must provide the eligible Borrower with a streamlined offer for a Flex Modification within the required time frame, provided that the Borrower's payment has not resulted in the full reinstatement of the Mortgage.

Guide impact: Section 9206.5

Reinstatements

We are updating our requirements to clarify that coupling a partial reinstatement with a repayment plan is considered a best practice but is not mandatory. Servicers that choose not to pair a partial reinstatement with a repayment plan must continue to attempt to resolve the Delinquency and remain responsible for adhering to foreclosure timeline requirements.

Additionally, regarding full reinstatements, we are specifying that Servicers may charge or collect from the Borrower an amount that exceeds the expense limits specified in Guide Exhibit 57A, Approved Attorney Fees and Title Expenses, provided those amounts are legally allowable and recoverable.

Guide impact: Section 9203.3

Bankruptcy cramdowns

In Bulletin 2019-18, Freddie Mac updated certain bankruptcy cramdown requirements, including when a Servicer must instruct counsel to file for relief from the automatic stay. We are updating Section 9401.3 to more closely align with those requirements.

Guide impact: Section 9401.3

Updates from Bulletin 2019-20

Freddie Mac's postfunding quality control review

We have updated certain postfunding quality control requirements, including an update to Section 3401.1 to specify that except for trended credit, Freddie Mac will review all documentation sent to Freddie Mac in connection with a quality control review request, even if Freddie Mac does not require that documentation.

Seller's in-house quality control program

Among other changes, we have updated Section 3402.3 to state that, for Transfers of Servicing, Sellers are only required to provide records of completed quality control reviews to the new Servicer upon request.

Certificate of Incumbency

We updated the Seller/Servicer Certificate of Incumbency language in Section 2201.1 to specify that all Sellers, Servicers and Seller/Servicers must provide Certificates of Incumbency to Freddie Mac.

Freddie Mac Relief Refinance MortgagesSM

We updated the Guide to remove references to Relief Refinance Mortgages as these Mortgages can no longer be delivered to Freddie Mac.

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 2019-21 (Servicing) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2019-21>.

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,

A handwritten signature in black ink, appearing to read "Yvette W. Gilmore", with a long horizontal flourish extending to the right.

Yvette W. Gilmore
Vice President
Servicer Relationship and Performance Management