Freddie Mac Single-Family

Bulletin 2021-14

Servicing

Issued 04/14/2021

TO: Freddie Mac Servicers

SUBJECT: SERVICING UPDATES

This Guide Bulletin announces:

- Updates to Servicing of Community Land Trust Mortgages
- Updates to eMortgage legal referral requirements
- Adjustments to the Modification Loss Amount calculation used for the modifications of a Mortgage subject to an indemnification agreement
- Clarification on the scope of required legal review for Lost Note Affidavits

EFFECTIVE DATE

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

SERVICING OF COMMUNITY LAND TRUST MORTGAGES

In Guide Bulletin 2021-12 and based on Seller feedback, we announced streamlining of certain selling requirements for Community Land Trust Mortgages.

With this Bulletin, we are removing the Community Land Trust Mortgages Servicing requirements that:

- A Servicer must be authorized to service a Community Land Trust Mortgage by being a Seller/Servicer that is approved to sell Community Land Trust Mortgages to Freddie Mac
- The Transferee Servicer in a Transfer of Servicing is also a Seller/Servicer approved to sell Community Land Trust Mortgages to Freddie Mac
- A Community Land Trust Mortgage must be serviced by an authorized Servicer or its Servicing Agent at all times for Mortgages in a Transfer of Servicing

Additionally, **Freddie Mac Seller/Servicer Community Land Trust training** is no longer a prerequisite and is available through **Freddie Mac Learning**.

Guide impacts: Sections 7101.4, 8104.9, 8701.1 and 8701.3

eMORTGAGE LEGAL REFERRAL

As a result of Servicer feedback, we are updating Servicing requirements for eMortgages and Mortgages with an eModification or Electronic Payment Deferral Agreement to remove the requirement that Servicers must consult Freddie Mac Legal before pursuing foreclosure or other Freddie Mac Legal matters on eMortgages, Mortgages with an eModification or Mortgages with an Electronic Payment Deferral Agreement.

Guide Updates: Sections 1402.11, 9203.27 and 9206.19

MODIFICATION LOSS AMOUNT CALCULATION

In Bulletin 2017-1, we announced adjustments to the Modification Loss Amount calculation example provided in Bulletin 2016-5 for Mortgages subject to an indemnification agreement that are eligible for a modification. To more closely align with the calculation used to assess the impacts of modifications for Mortgages included in Structured Agency Credit Risk transactions, we are revising the methodology used to determine the Modification Loss Amount as described below:

1. **Determine "Duration of Modification Loss"**
    - Calculated from Modification Effective Date to either Credit Enhancement Termination Date, Date Loan Payoff or Second Modification Date (if the loan underwent multiple modifications); or
    - If none of the three dates referenced in step (a) is available, Duration of Modification Loss is calculated from Modification Effective Date to the end of last reported cycle for that year

2. **Calculate "Original Accrual Rate"** - the lesser of pre-modified Accounting Net Yield (ANY) or pre-modified Note Rate minus 0.35%

   *Note: the pre-modified Accounting Net Yield and Pre-modified Note Rate are the rates at origination

3. **Calculate "Current Accrual Rate"** - the lesser of post-modified ANY or post-modified Note Rate minus 0.35%. If pre modified ANY is less than post-modified ANY, then the Excess Flag will be set, otherwise the Excess Flag will not be set

   *Note: Modification Excesses are not applied to loan or aggregate level shortfall.

4. **Calculate "Modification Shortfall"**
   - If Excess Flag is not set, then:
     - Modification Shortfall=(i) one-twelfth of the Original Accrual Rate multiplied by the sum of post modified, interest-bearing UPB and post-modified, non- interest-bearing UPB; minus (ii) one-twelfth of the Current Accrual Rate multiplied by post-modified, interest-bearing UPB
     - Modification Excess=0
   - Modification Loss Amount=(Modification Shortfall minus Modification Excess) multiplied by the Partial Indemnification Percentage. If Excess Flag is set, then Modification Excess is nullified, there is no Modification Shortfall and the Modification Loss Amount is zero. Modification Shortfall=0 and hence Modification Loss Amount=0.

As a reminder, Freddie Mac will calculate the Modification Loss Amounts owed to Freddie Mac monthly and will bill those amounts annually for the life of the modified Mortgage. If the Mortgage is subject to a partial indemnification, each year the Servicer will be billed the appropriate percentage of the Modification Loss Amount that corresponds with the partial indemnification agreement.

Guide impacts: Sections 9101.3, 9102.5, and 9206.5

LOST NOTE AFFIDAVITS

In Bulletin 2020-29, we announced requirements for Servicers to deliver lost note affidavits (LNAs) to Freddie Mac. The new provisions required Servicers to receive and make available to Freddie Mac, upon request, an opinion of counsel regarding the validity of the LNA form in any given State. Based on Servicer feedback, we are revising the requirement for an "opinion of counsel" to the less formal requirement for a "legal analysis from counsel."

Guide impact: Section 8107.1

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 2021-14 (Servicing) Guide Updates Spreadsheet via the Download drop-down available at **https://guide.freddiemac.com/app/guide/bulletin/2021-14**.

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,

Bill Maguire
Vice President, Servicing Portfolio Management