

# Seller/Service Guide

PDF

Current as of Bulletin 2019-23, Published on 11/13/19

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This is a PDF of the Freddie Mac *Single-Family Seller/Service Guide* (“Guide”) chapters current as of Bulletin 2019-23, published on November 13, 2019. This comprehensive file contains all of the Guide chapters.

## Compilation of Guide Chapters

This PDF is a compilation of the separate Guide chapters. The footers are updated by chapter and reflect the date of the last time that each specific chapter was updated. Therefore, while this Guide PDF includes all Guide chapters as of November 13, 2019, only the chapters that were updated on November 13, 2019 have that date in the footer.

Certain sections within the segment may have:

- Green font, which indicates the most recent text additions made to the Guide sections. The green font in a section shows the additions made with the effective date of the section. Minor changes, such as grammatical and formatting revisions, are not color-coded.
- Future revisions with effective dates after the date of this Guide Freddie Mac – Seller/Service Relationship Segment PDF. If the future effective version of a section has been published by November 13, 2019, that version is included in this PDF.

## The Official Electronic Version of the Guide is available on the AllRegs® web site

The current official electronic version of the Guide is posted on the AllRegs® web site of Ellie Mae, Inc., and is available free of charge through the "AllRegs" link on the following web page: <http://www.freddiemac.com/singlefamily/guide/>.

**Seller/Service providers are advised to view the Guide and Guide Bulletins on the AllRegs web site for the most current Guide requirements.** Seller/Service providers are responsible for compliance with the Guide and Bulletins containing specific Guide changes with corresponding effective dates, as posted on the AllRegs web site.

# Chapter 1101: The Guide

## 1101.1: Introduction to the Guide (03/02/16)

This section provides an overview of the content and organization of the Guide.

The Guide consists of Freddie Mac's requirements relating to the purchase, sale, and Servicing of Mortgages. The Guide's structure reflects how and when Seller/Servicers interact with Freddie Mac and is organized to aid in locating the provisions related to the Seller/Servicer's daily workflow.

### (a) Segments

The Guide is grouped into three segments:

- Freddie Mac Seller/Servicer Relationship
- Selling
- Servicing

The Guide's design places the provisions applicable to all Seller/Servicers in one central location (Freddie Mac Seller/Servicer Relationship), and then differentiates between those for selling and Servicing. Although the Guide has distinct Selling and Servicing Segments, there may be information and/or cross references for Servicers in the Selling Segment and for Sellers in the Servicing Segment.

Additionally, the Guide contains exhibits, forms, the Glossary and the Directory.

### (b) Series and topics

Within each segment there are three distinct series of topics relating to that segment, totaling nine series. The series of topics within each segment are described below.

Description of Series	Summary of Topics
<b>Freddie Mac Seller/Servicer Relationship</b>	
<p><b>Series 1000, General Contract Terms</b></p> <p>Series 1000 covers the contractual relationship between the Seller/Servicer and Freddie Mac.</p>	<ul style="list-style-type: none"> <li>■ Legal effect of the Guide</li> <li>■ Freddie Mac policies</li> <li>■ General Seller/Servicer representation and warranties</li> <li>■ Electronic transactions</li> <li>■ Types of Seller purchase contracts</li> </ul>
<p><b>Series 2000, Doing Business with Freddie Mac</b></p> <p>Series 2000 covers Seller/Servicer eligibility and other requirements for doing business with Freddie Mac.</p>	<ul style="list-style-type: none"> <li>■ Becoming a Freddie Mac Seller/Servicer</li> <li>■ Establishing third-party relationships (for example, Document Custodians)</li> <li>■ Access and use of Freddie Mac systems</li> </ul>
<p><b>Series 3000, Risk Management and Remedies</b></p> <p>Series 3000 covers management of risks related to the purchase and Servicing of Mortgages.</p>	<ul style="list-style-type: none"> <li>■ Freddie Mac Exclusionary List and FHFA Suspended Counterparty Program</li> <li>■ Fraud prevention, detection and reporting</li> <li>■ Mortgage file contents and retention</li> <li>■ Quality control programs</li> <li>■ Review of Servicer performance</li> <li>■ Remedies (including repurchase and termination of Servicing)</li> </ul>
<b>Selling</b>	
<p><b>Series 4000, Mortgage Eligibility</b></p> <p>Series 4000 covers the eligibility of Mortgages for sale to Freddie Mac.</p>	<ul style="list-style-type: none"> <li>■ Uniform Instruments</li> <li>■ General Mortgage eligibility</li> <li>■ Refinance Mortgages</li> <li>■ Affordable Mortgages</li> <li>■ Freddie Mac Mortgage products</li> <li>■ Mortgage and title insurance</li> </ul>

<p><b>Series 5000, Origination and Underwriting</b></p> <p>Series 5000 covers underwriting the Borrower and determining the adequacy of the property securing the Mortgage.</p>	<ul style="list-style-type: none"> <li>■ Methods of underwriting</li> <li>■ Borrower eligibility</li> <li>■ Credit assessment</li> <li>■ Property eligibility</li> <li>■ Appraisal requirements</li> </ul>
<p><b>Series 6000, Selling and Delivery</b></p> <p>Series 6000 covers Freddie Mac Mortgage purchase programs and Mortgage delivery requirements.</p>	<ul style="list-style-type: none"> <li>■ Cash programs</li> <li>■ Guarantor and MultiLender Swap Programs</li> <li>■ Mortgage delivery data</li> <li>■ Assessment and payment of fees</li> <li>■ Delivery and custody of Mortgage documents</li> <li>■ Warehouse financing</li> </ul>
<p><b>Servicing</b></p>	
<p><b>Series 7000, Transfers of Servicing</b></p> <p>Series 7000 covers the process for facilitating Transfers of Servicing.</p>	<ul style="list-style-type: none"> <li>■ Transfer of Servicing requirements</li> <li>■ Reporting to Freddie Mac</li> <li>■ Document Custody transfer</li> </ul>
<p><b>Series 8000, Servicing All Mortgages</b></p> <p>Series 8000 covers general requirements for Servicing.</p>	<ul style="list-style-type: none"> <li>■ Day-to-day Servicer responsibilities</li> <li>■ Investor accounting and remitting</li> <li>■ Custodial funds management</li> <li>■ Escrow and insurance</li> <li>■ Property-related matters</li> <li>■ Servicer compensation</li> <li>■ Servicer reports</li> </ul>



<p><b>Series 9000, Servicing Default Management</b></p> <p>Series 9000 covers Servicing Mortgages in default.</p>	<ul style="list-style-type: none"> <li>■ Ongoing Servicer responsibilities</li> <li>■ Collection efforts</li> <li>■ Alternatives to foreclosure</li> <li>■ Foreclosure</li> <li>■ Bankruptcy</li> <li>■ REO</li> <li>■ Reimbursement of expenses</li> </ul>
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**(c) Chapters and sections**

Each topic contains at least one chapter, and each chapter contains at least one section. The titles of topics, and chapters and sections within topics, are intended to facilitate navigation and searching capabilities.

**(d) Numbering format**

The numbering system of the Guide reflects how the provisions are grouped by segment, series and topics.

The format is as follows:

- **XXXX.XX** – The first digit indicates the series number (For example, Series 6000, Selling and Delivery, or Series 5000, Origination and Underwriting)
- **XXXX.XX** – The second digit indicates the topic number, which can have one or many chapters
- **XXXX.XX** – The last 2 digits before the decimal point indicate the chapter number
- **XXXX.XX** – The 2 digits after the decimal indicates the section number

For example, in Section 1101.1:

- **1101.1** – The first “1” represents that this section is located in Series 1000, General Contract Terms
- **1101.1** – The second “1” represents that this section is located in the first topic of Series 1000, Topic 1100 – The Guide
- **1101.1** – The “01” before the decimal point represents that this section is located in the first chapter within Topic 1100, Chapter 1101, The Guide

- 1101.1 – The “1” after the decimal point represents that this is the first section in Chapter 1101, Section 1101.1, Introduction to the Guide.

This numbering can help in locating specific content. For example, these are the steps a Seller/Serviceicer could take if it wants to locate the Guide requirements about reporting fraud and other Suspicious Activity:

- First, the **segment** should be identified. This is a requirement that applies to both Sellers and Serviceicers and is contained within the Freddie Mac Seller/Serviceicer Relationship Segment.
- Second, the **series** should be found. As this is part of risk management, the relevant series is Series 3000, Risk Management and Remedies.
- Next, the **topic** needs to be determined. These requirements are contained within topic 3200: Fraud Prevention, Detection and Reporting; Reporting Other Suspicious Activity.
- Finally, the **chapter and section** within the topic need to be located. In this case, the chapter title mirrors the topic heading, Chapter 3201: Fraud Prevention, Detection and Reporting; Reporting Other Suspicious Activity. The specific provisions about this subject are contained in Section 3201.2: Fraud and other Suspicious Activity reporting requirements.

The numerical reference to this provision, then, is Section 3201.2.

#### (e) Exhibits, forms, the Glossary and the Directory

The Guide also includes:

- **Exhibits**

Exhibits referenced in the Guide are Freddie Mac exhibits unless otherwise indicated.

- **Forms**

Forms referenced in the Guide are Freddie Mac forms unless otherwise indicated.

- **Glossary**

The Glossary contains definitions of select terms used in the Guide.

- **Directory**

The Directory contains Freddie Mac contact information (addresses, telephone numbers, fax numbers and e-mail addresses) to be utilized for specific questions, requests and

documentation. Guide references to the Directory are indicated with a bolded parenthetical (e.g., “(see **Directory 5**)”).

## **1101.2: Legal effect of the Guide and other Purchase Documents (11/13/19)**

### **(a) Status as a contract**

#### **(i) Effect of the Guide and other Purchase Documents**

The Guide governs the business relationship between a Seller/Servicer and Freddie Mac relating to the sale and Servicing of Mortgages. Each Seller/Servicer must complete and submit a Form 16SF, Annual Eligibility Certification Report, that certifies that the Seller/Servicer has access to the Electronic version of the Guide as an Electronic Record, as those terms are defined in Chapter 1401, and is in compliance with all requirements of the Purchase Documents.

In connection with the sale of Mortgages to Freddie Mac, the Seller/Servicer agrees that each transaction is governed by the Guide, the applicable Purchase Contract and all other Purchase Documents.

A Seller/Servicer must service all Mortgages that the Seller/Servicer has sold to Freddie Mac and/or has agreed to service for Freddie Mac in accordance with the standards set forth in the Seller/Servicer’s Purchase Documents. All of a Seller/Servicer’s obligations to service Mortgages for Freddie Mac constitute, and must be performed pursuant to the Servicing Contract, and the servicing obligations assumed pursuant to any contract to sell Mortgages to Freddie Mac merged into, and must be performed pursuant to, such Servicing Contract.

A Seller/Servicer acknowledges that Freddie Mac’s agreement to purchase Mortgages from the Seller/Servicer pursuant to any individual Purchase Contract is based upon the Seller/Servicer’s agreement that the Mortgages purchased will be serviced by the Seller/Servicer pursuant to the Servicing Contract. The Seller/Servicer agrees that any failure to service any Mortgage in accordance with the terms of the Servicing Contract, or any breach of any of the Seller/Servicer’s obligations under any aspect of the Servicing Contract, shall be deemed to constitute a breach of the entire contract and shall entitle Freddie Mac to terminate all or a portion of the Servicing Contract and any related Servicing Contract Rights. The termination of a portion of the Servicing Contract shall not alter the unitary, indivisible nature of the Servicing Contract.

If a Servicer that services Mortgages for Freddie Mac is not also the Seller of the Mortgages to Freddie Mac, the Servicer must agree to service Mortgages for Freddie Mac by separate agreement, which incorporates the applicable Purchase Documents. In such

case, the separate agreement shall be deemed to be one of the “Purchase Documents” that constitute the Servicing Contract.

In addition, in certain cases, a Seller and/or Servicer who uses certain Freddie Mac services will, by virtue of the provisions of the Guide, be deemed to have agreed upon certain terms and conditions related to such services and their use.

## **(ii) Amendments to the Guide**

Freddie Mac may, in its sole discretion, amend or supplement the Guide from time to time. Amendments to the Guide may be a paper Record or an Electronic Record, as those terms are defined in Chapter 1401. The Guide may not be amended orally. Freddie Mac may amend the Guide by:

- Publishing Bulletins, which apply to all Sellers/Servicers, or
- Entering into a Purchase Contract or other written or Electronic agreement, which applies to the Seller/Servicer that is a party to the Purchase Contract or agreement

Bulletins expressly amend, supplement, revise or terminate specific provisions of the Guide. An amendment, supplement, revision or termination of a provision in the Guide is effective as of the date specified by Freddie Mac in the applicable Bulletin.

A Purchase Contract or other written agreement or Electronic agreement amends or supplements specific provisions of the Guide for purposes of such Purchase Contract or other agreement, as applicable. Such amendments or supplements to the Guide are effective as of the date specified in the Purchase Contract or other agreement. See Section 1501.2(d) for information about how amendments and supplements to the Guide amend or otherwise apply to a Seller’s Purchase Contracts and other Purchase Documents.

See also Section 1301.9 relating to the Servicer’s agreement to comply with any instruction, request or requirement issued by Freddie Mac and Section 9102.1(f) concerning Freddie Mac’s right to impose on a Servicer additional Servicing requirements as Freddie Mac deems appropriate.

## **(iii) Publication of Guide and Bulletins**

The Guide is posted on the AllRegs® web site of Ellie Mae, Inc., which operates the AllRegs brand (“AllRegs”) and which posts the Guide under license from and with the express permission of Freddie Mac. AllRegs is the exclusive third-party electronic publisher of the Guide. Seller/Servicers also can access the Guide on the AllRegs web site by using the link on FreddieMac.com.

Freddie Mac makes no representation or warranty regarding availability, features or functionality of the AllRegs web site.

By using the web site, Seller/Serviceicers acknowledge and agree (individually and on behalf of the entity for which they access the Guide) neither Freddie Mac nor AllRegs shall be liable to them (or the entity for which they access the Guide) for any losses or damages whatsoever resulting directly or indirectly from Freddie Mac's designation of the Guide as found on the AllRegs web site as the official Electronic version, as an Electronic Record, and AllRegs expressly disclaims any warranty as to the results to be obtained by Seller/Serviceicers (and the entity for which Seller/Serviceicers access the Guide) from use of the AllRegs web site, and AllRegs shall not be liable to Seller/Serviceicers (and the entity for which Seller/Serviceicers access the Guide) for any damages arising directly or indirectly out of the use of the AllRegs web site by them (and the entity for which they access the Guide).

Bulletins are published on AllRegs and FreddieMac.com. A Seller/Serviceicer with an AllRegs subscription may receive notice of Bulletins directly from AllRegs. If a Seller/Serviceicer does not receive notice of Bulletins through AllRegs, the Seller/Serviceicer must take the steps necessary to receive the applicable Freddie Mac Single-Family Update e-mails, which will notify Seller/Serviceicer of Bulletin publications. A Seller/Serviceicer's failure to take the appropriate steps to receive notices of Bulletins does not relieve the Seller/Serviceicer of its legal obligations to comply with the terms of the Bulletins.

#### **(iv) Effective Date**

The effective date of each section of the Guide is located at the beginning of each section, to the right of the section number and name.

#### **(b) Reliance**

By entering into a Purchase Contract or into the Servicing Contract with Freddie Mac, the Seller/Serviceicer acknowledges that it is not relying upon Freddie Mac or any employee, agent or representative thereof, in making its decision to enter into the contract and that it has relied upon the advice and counsel of its own employees, agents and representatives as to the regulatory, business, corporate, tax, accounting and other consequences of entering into and performing its obligations under a Purchase Contract or the Servicing Contract.

#### **(c) Assignments; security interests**

For purposes of this subsection (c), the following terms have the prescribed meanings set forth in Exhibit 33, Acknowledgment Agreement Incorporated Provisions:

- **Acknowledgment Agreement**
- Collateral
- Conveyance
- Covered Mortgages
- Financing
- Financing Documents
- UCC

### (i) General prohibition

A Seller/Servicer shall not enter into a Conveyance agreement or otherwise complete a Conveyance without Freddie Mac's prior written consent. Any purported or attempted Conveyance without Freddie Mac's prior written consent is prohibited and shall be null and void.

### (ii) Servicer request for Freddie Mac's consent to a Conveyance

Notwithstanding the provisions of subsection (c)(i) above, Freddie Mac may consent to a Servicer's **Conveyance**. A Servicer may send an e-mail to Freddie Mac (see **Directory 1**) to request Freddie Mac's consent to a Conveyance, a copy of Freddie Mac's acknowledgment agreement applicable to such Conveyance and any additional Freddie Mac instructions for completing and executing the acknowledgment agreement, provided it includes the following information with its request:

- The purpose of the Financing
- A term sheet or draft Financing Documents; and
- Identification of the Covered Mortgages (e.g., all loans serviced under one or more Seller/Servicer number(s), a loan list that includes the Freddie Mac loan number, Servicer loan number and Seller/Servicer number for each loan in either CSV format or as an MS Excel<sup>®</sup> spreadsheet, etc.)

Freddie Mac reserves the right to request additional information and documents from the Servicer and its proposed Secured Party (as defined in the **Acknowledgment Agreement**) concerning the terms and conditions of the Financing. Freddie Mac may require revisions to the Financing Documents and other elements of the Financing as a condition to its consent to the proposed Financing.

For an overview of the operational process related to requesting and obtaining Freddie Mac's consent to a Conveyance, Servicers should review the *Financing Freddie Mac Servicing Contract Rights – Process Overview* available at <http://www.freddiemac.com/learn/service/index.html>.

### (iii) Freddie Mac consent to a Conveyance

If Freddie Mac consents to a Conveyance, it will indicate its consent only by executing a tri-party Acknowledgment Agreement, which also must be executed by the Servicer and its Secured Party, in a form and substance acceptable to Freddie Mac. All Acknowledgment Agreements must include the following language:

This Acknowledgment Agreement incorporates the provisions of Section 1101.2(c)(iii) and the provisions of Guide Exhibit 33 by reference and such

provisions are a substantive contractual part of this Acknowledgment Agreement such that the Servicer and the Secured Party expressly agree to be bound by the terms and conditions set forth in Guide Section 1101.2(c)(iii) and Guide Exhibit 33.

A Servicer's grant to a Secured Party of a security interest in the Servicing Contract Rights, as more specifically defined in the Acknowledgment Agreement, (i) is subject and subordinate in each and every respect to all rights, powers, and prerogatives of Freddie Mac, and (ii) may be made only for a purpose as set forth in Exhibit 33 and any other purpose as specified in the Freddie Mac Acknowledgment Agreement provided to the Servicer. Any purported or attempted grant of a security interest in any other rights or interest of the Servicer under the Servicing Contract, or for the purpose of securing any other type of obligation, is prohibited and shall be null and void. In addition, a Servicer's purported or attempted grant to a lender of a security interest in the Servicing Contract Rights without the Servicer and the lender also having executed an Acknowledgment Agreement acceptable to, and executed by, Freddie Mac is prohibited and shall be null and void.

The Collateral encumbered by the Secured Party's security interest must not include (i) servicing advance reimbursement rights, (ii) Borrower payments of principal, interest, or Escrow Funds, (iii) the right to perform Servicing, (iv) the right to designate who may perform the Servicing, (v) the right to terminate the Servicer or the Servicing Contract, or (vi) the right to transfer any of the Collateral. No Financing transaction shall be construed as a division of the Servicing Contract Rights.

A Servicer may make a separate request to Freddie Mac for consent to enter into a financing transaction secured by advance reimbursement rights.

#### **(iv) Unauthorized Conveyances**

Any unauthorized Conveyance constitutes grounds for suspension (to the extent such Secured Party is a Freddie Mac Seller/Servicer) or disqualification of both the Seller/Servicer and the purported Secured Party as Seller/Servicers. In addition, Freddie Mac may exercise any of its other rights under the Purchase Documents. An unauthorized Servicer's Conveyance without Freddie Mac's written consent as set forth in an Acknowledgment Agreement consistent with the requirements of this section and Exhibit 33 will result in the assessment of a compensatory fee determined by Freddie Mac not to exceed 1% of Freddie Mac's share of the UPB of the Mortgages that were related to the unauthorized Conveyance. The imposition of this compensatory fee does not limit Freddie Mac's rights to exercise any of its other rights under the Purchase Documents including, but not limited to, suspension (to the extent such Secured Party is a Freddie Mac Seller/Servicer) or disqualification of both the Seller/Servicer and its purported Secured Party as Seller/Servicers. If an unauthorized Conveyance occurs, the Servicer and purported Secured Party, to the extent such Secured Party is a Freddie Mac Seller/Servicer, are jointly and severally liable to Freddie Mac with respect to any losses, costs and damages (including, but not limited to, attorney fees and related court and legal

costs) incurred by Freddie Mac arising out of or related to the unauthorized Conveyance. In the event that the Secured Party involved in an unauthorized Conveyance is not a Freddie Mac Seller/Servicer, Freddie Mac reserves the right to add such Secured Party to the Freddie Mac Exclusionary List per Section 3101.1.

**(v) Freddie Mac's rights to assign its rights and interests**

Freddie Mac has the unconditional right to sell, assign, convey, hypothecate, pledge or in any way transfer, in whole or in part, its rights and interest under the Purchase Documents with respect to any Mortgage it purchases. Freddie Mac has the right to direct the Servicer to send remittances, notices, reports and other communications to any party designated by Freddie Mac and may designate any such party to exercise any and all of Freddie Mac's rights hereunder.

**(d) Notice**

**(i) Seller/Servicer notices to Freddie Mac**

Except as otherwise provided in the Guide or other Purchase Documents, any communication, advice, consent, document, notice or direction given, made, sent or withdrawn by the Seller/Servicer pursuant to the Purchase Documents must be in writing and will be deemed to have been duly given to and received by Freddie Mac on the day such communication, advice, consent, document, notice or direction is actually received by Freddie Mac at the address specified below:

Address: In writing to Freddie Mac (**see Directory 1**) by first class mail

Other addresses may be substituted for the above upon notice of the substitution.

**(ii) Freddie Mac notices to Seller/Servicer**

Any communication, advice, consent, document, notice or direction given, made, sent or withdrawn by Freddie Mac pursuant to the Purchase Documents may be in writing or may be in electronic form in accordance with Chapter 1401. Such notice will be deemed to have been duly given to the Seller/Servicer on the date such communication, advice, consent, document, notice or direction is:

- Received in writing by first class mail by the Seller/Servicer at the address set forth in the Purchase Documents, or
- Received in electronic form (e-mail) as an Electronic Record by the Seller/Servicer's computer information processing system at its Internet e-mail address provided to Freddie Mac by the Seller/Servicer, or



- Received in electronic form (facsimile) as a Record or Electronic Record by the Seller/Servicer's electronic facsimile machine or system at the facsimile telephone number provided to Freddie Mac by the Seller/Servicer

Other addresses may be substituted for the above upon notice of the substitution.

**(e) Severability**

If any provision of this Guide shall be held invalid, the legality and enforceability of all remaining provisions shall not in any way be affected or impaired thereby, and this Guide shall be interpreted as if such invalid provision were not contained herein.

**(f) Defined terms**

Initial capitalization of words in the Guide generally denotes terms that are defined in (i) the Glossary, (ii) the chapter in which capitalized words appear, or (iii) an expressly referenced chapter.

**(g) Construction of the Guide**

This Guide shall not be construed against Freddie Mac as being the drafter hereof.

**(h) Entire agreement**

This Guide, including the exhibits attached to the Guide and all Purchase Documents incorporated by reference in the Guide, constitutes the entire understanding between Freddie Mac and the Seller/Servicer and supersedes all other agreements, covenants, representations, warranties, understandings and communications between the parties, whether oral or written or Electronic, with respect to the transactions contemplated by the Guide.

**(i) Governing law**

This Guide shall be construed, and the rights and obligations of Freddie Mac and the Seller/Servicer hereunder determined, in accordance with the laws of the United States. Insofar as there may be no applicable precedent, and insofar as to do so would not frustrate any provision of this Guide or the transactions governed thereby, the laws of the State of New York shall be deemed reflective of the laws of the United States.

**(j) Copyright**

The Guide (including related supplements and Bulletins) and Industry Letters are copyrighted. Limited permission to reproduce the Guide is granted to Seller/Service providers strictly for their own use in originating and selling Mortgages to, and in Servicing Mortgages for, Freddie Mac. No part of the Guide may be reproduced for any other reason (in any form or by any means) without the express written permission of Freddie Mac. Requests for such permission to reproduce the Guide must be sent to Freddie Mac (**see Directory 1**).

Requests will be reviewed and answered by Freddie Mac in the ordinary course of business.

Freddie Mac reserves the right to revoke permission to reproduce the Guide upon 60 days' notice to any and all Seller/Serviceicers. Under no circumstances will Freddie Mac permit the Guide to be reproduced by any Electronic or mechanical means, including, but not limited to, reproduction in, or as a component of, any information storage and retrieval system.

**(k) Headings and design features**

Headings and design features are written for convenience of reference only and do not constitute a part of this Purchase Document.

# Chapter 1201: General Freddie Mac Policies

## 1201.1: Objective of Freddie Mac's purchase programs (03/02/16)

Freddie Mac was created by Congress in 1970 to stabilize the nation's residential mortgage markets and expand opportunities for homeownership and affordable rental housing (Federal Home Loan Mortgage Corporation Act, 12 U.S.C. 1451 et. seq.). Freddie Mac's public mission is to provide liquidity, stability and affordability to the United States housing market. Freddie Mac does this primarily by purchasing residential Mortgages originated by mortgage lenders. In most instances, Freddie Mac packages these Mortgages into mortgage-related securities, which are guaranteed by Freddie Mac and sold in the global capital markets. Freddie Mac also invests in Mortgages and mortgage-related securities. Freddie Mac does not originate Mortgages or lend money directly to consumers.

Freddie Mac supports the United States housing market and the overall economy by:

- Providing America's families with access to mortgage funding at lower rates
- Helping distressed borrowers keep their homes and avoid foreclosure, and
- Providing consistent liquidity to the multifamily mortgage market, which includes providing financing for affordable rental housing

Freddie Mac is also working with the FHFA, Freddie Mac's customers and the industry to build a stronger housing finance system for the nation.

## 1201.2: Overview of Freddie Mac's purchase programs (03/02/16)

Freddie Mac purchase programs provide for the purchase of conventional Home Mortgages on a whole loan basis. Freddie Mac does not set a minimum loan amount for purchases and encourages the Seller to make loans of any amount.

Mortgages under all purchase programs are purchased by Freddie Mac on a Required Net Yield basis to Freddie Mac. Interest payments received on the Mortgages over and above the Required Net Yield are retained by the Seller/Servicer. When a Mortgage is purchased, a Minimum Servicing Spread is required to provide adequate Servicing compensation to the Seller/Servicer.

Freddie Mac reserves the right to supplement, modify or terminate any purchase program at any time without prior notice.

## 1201.3: Characterization and nature of Mortgage purchase transactions (06/12/19)

The Seller and Freddie Mac agree that each and every Mortgage purchase and sale transaction entered into under the Purchase Documents (including, without limitation, any purchase and sale under the Cash, Guarantor or MultiLender Swap programs) — whether sold with or without recourse — is expressly intended by the Seller and Freddie Mac:

- To be construed as the Seller's sale, transfer, conveyance and delivery of all such Mortgages to Freddie Mac, and
- To be construed as Freddie Mac's purchase and receipt of such Mortgages, and
- Not to be construed as the Seller's pledge to secure a debt or any other obligation

The Seller and Freddie Mac intend for the sale, transfer, conveyance and delivery of all Mortgages to Freddie Mac by the Seller to be true, absolute and unconditional sales.

If despite the intent of the Seller and Freddie Mac, the Mortgages (or any of them) are determined to be property of the Seller (i.e., the sale was not a true sale), Freddie Mac and the Seller agree that:

- The Purchase Documents created a security agreement within the meaning of the Uniform Commercial Code (UCC) in effect in the applicable State, conveying to Freddie Mac a security interest in all of the Seller's right, title, and interest in and to the Mortgage and all proceeds from the Mortgage
- Freddie Mac is the secured party under such security agreement
- The possession by Freddie Mac or its designee (including, without limitation, any applicable Document Custodian) of the Notes (and any related documents) shall be deemed to be possession by the secured party for purposes of perfecting the security interest pursuant to the UCC
- The Seller shall assist Freddie Mac with any reasonable actions necessary to ensure that Freddie Mac receives a perfected security interest of first priority under applicable law; and
- Freddie Mac will have all of the rights and remedies of a secured party and creditor under the UCC and may execute and file UCC financing statements as reasonably necessary

## 1201.4: Limitation on Mortgage purchases and commitments (03/02/16)

### (a) Limitation on number and amount of Mortgage purchases and commitments

Freddie Mac reserves the right to:

- Limit the number and/or aggregate dollar amount of Mortgage commitments it will accept from any Seller. Maximums are subject to change by Freddie Mac at any time without prior notice or publication
- Establish the Maximum Annual Mortgage Purchase Amount that Freddie Mac will purchase from a Seller in any calendar year. Freddie Mac will notify a Seller in writing if Freddie Mac has established a Maximum Annual Mortgage Purchase Amount for that Seller for that calendar year and will inform the Seller of the maximum amount for that year. The Maximum Annual Mortgage Purchase Amount will not be adjusted by a purchase tolerance, and the purchase tolerances in Section 6401.1 will not apply to the Maximum Annual Mortgage Purchase Amount.
- Limit the number and/or aggregate dollar amount of Home Mortgages it will purchase in any subdivision, tract, Condominium Project, Planned Unit Development (PUD), or ground lease community
- Establish maximum Mortgage purchase amounts for time frames other than one year
- Establish maximum purchase amounts for specific types of Mortgages based on Mortgage characteristics or any other basis Freddie Mac deems appropriate, at its sole discretion
- Establish minimum Mortgage purchase amounts

### (b) Review of aggregate purchase amount

If Freddie Mac has established a Maximum Annual Mortgage Purchase Amount with respect to the Seller, Freddie Mac will, after a commitment has been made, review the aggregate amount of Mortgages purchased from the Seller to date in the current calendar year. Freddie Mac will notify the Seller if the contract commitment amount stated in the Purchase Contract, when added to the aggregate amount of Mortgage purchases to date from the Seller for that calendar year, would cause the Seller to exceed the Maximum Annual Mortgage Purchase Amount established for the Seller. In such case, Freddie Mac, in its sole and absolute discretion, may purchase Mortgages from the Seller in an amount that exceeds the Seller's Maximum Annual Mortgage Purchase Amount or may rescind, in whole or in part, any Purchase Contract (including any Purchase Contract entered into by any other Freddie Mac authorized method) that will result in the Seller's exceeding its Maximum Annual Mortgage

Purchase Amount. The Seller agrees that any such rescission shall be made without the payment by Freddie Mac of any Seller claims.

## **1201.5: Servicing in accordance with Purchase Documents (03/02/16)**

Mortgages purchased by Freddie Mac must be serviced by a Servicer in accordance with applicable law and the applicable Purchase Documents. For performing Servicing duties, Freddie Mac will compensate the Servicer in accordance with Chapter 8103.

Freddie Mac reserves the right to refuse to purchase any Mortgage that, in its sole discretion, Freddie Mac determines cannot be adequately serviced by the Seller (if also a Servicer), its assignee or its duly authorized Servicing Agent.

## **1201.6: Transfer costs (03/02/16)**

The Seller agrees to pay documentary stamp taxes, recording fees, transfer taxes and all other expenses payable in connection with Mortgages purchased by Freddie Mac.

## **1201.7: Sale of Mortgages by Freddie Mac (03/02/16)**

Freddie Mac may, from time to time, sell in whole or in part Mortgages it has purchased pursuant to the Purchase Documents.

For information regarding a termination of Servicing related to the sale of Mortgages by Freddie Mac, refer to Section 3603.6.

## **1201.8: Receipt and treatment of confidential information (11/13/19)**

### **(a) Receipt and treatment of Freddie Mac confidential information**

In connection with its relationship with Freddie Mac, Seller/Servicer may obtain, or Freddie Mac may provide the Seller/Servicer with, information and documentation that Freddie Mac identifies or has identified as confidential (collectively, “Freddie Mac confidential information”). Freddie Mac confidential information may include, but is not limited to, information and documentation concerning the development, negotiation, operation or terms of various products or programs, technology, business terms, trade secrets and commercial and financial information. In addition, information that Seller/Servicer is required by

applicable law to treat as confidential, and information that Seller/Servicer knows or should know should be treated as confidential are considered Freddie Mac confidential information, whether or not Freddie Mac has identified the information as confidential. All information and materials that are based on, or include, Freddie Mac confidential information (“derivative information”), including without limitation, information and materials created by Seller/Servicer, are also considered Freddie Mac confidential information. Confidential information may include confidential information belonging to third parties.

**(i) Treatment of Freddie Mac confidential information**

The Seller/Servicer must treat all Freddie Mac confidential information as strictly confidential and proprietary to Freddie Mac. The Seller/Servicer must not release or disclose or permit the release or disclosure of Freddie Mac confidential information, or any portion thereof, for any purpose at any time except to the following extent (the “Permitted Purposes”):

- Allowed by this Section 1201.8
- Expressly required or consented to by Freddie Mac in writing, or
- Ordered by a court or administrative agency of competent jurisdiction

In the event the Seller/Servicer anticipates that it may be required, for any reason, to release or disclose Freddie Mac confidential information (other than as allowed in the first two bullets of the preceding sentence), the Seller/Servicer shall immediately notify Freddie Mac (**see Directory 1**), and provide reasonable cooperation to Freddie Mac, to allow Freddie Mac to take any actions it deems necessary to prevent or limit the release or disclosure of the Freddie Mac confidential information in question.

**(ii) Copies of Freddie Mac confidential information**

The Seller/Servicer shall not copy or permit copies to be made of the Freddie Mac confidential information or any portion thereof, except to the extent necessary for the Permitted Purposes. The Seller/Servicer shall mark “Confidential” in a prominent location on all Freddie Mac confidential information and copies.

**(iii) Authorized parties**

To the extent necessary to fulfill Servicing or other obligations to Freddie Mac (except as set forth below regarding the Freddie Mac Exclusionary List), the Seller/Servicer may provide Freddie Mac confidential information and copies thereof, to the following persons (“Persons”):

- Officers, directors, principals, partners, employees of the Seller/Servicer
- Its regulators, auditors, counsel and accountants

- Any MI or other vendor
- Any prospective Transferee Servicer, but only with respect to copies of a Transferor Servicer's Purchase Documents applicable to the Mortgages related to the Transfer of Servicing required to be provided pursuant to Section 7101.2

The Seller/Servicer also may provide Freddie Mac confidential information and copies thereof to Persons to the extent counsel for the Seller/Servicer determines that such sharing is legally required. The Seller/Servicer must notify any Persons receiving the Freddie Mac confidential information (and any copy thereof) that such Person has the same obligations as the Seller/Servicer to keep the Freddie Mac confidential information (and any copy thereof) confidential and may use it only for the Permitted Purpose for which the information was provided to such Person. The Seller/Servicer is responsible for compliance by all such Persons with the provisions of this Section 1201.8. The Seller/Servicer will deliver to Freddie Mac a list of all such Persons promptly upon request.

Notwithstanding the preceding provisions of this Section 1201.8, under no circumstances may a Seller/Servicer provide or otherwise make available the Exclusionary List to any Person or entity (other than to the Seller/Servicer's officer, director, principal, partner or employee with a need to have the Exclusionary List for the purposes set forth in this section) without the prior express written authorization of the Vice President, Single-Family Counterparty Credit Risk Management.

#### **(iv) Exclusions**

Confidential information does not include:

- Any information that is:
  - Generally available to the public without violation of the provisions of this Section 1201.8
  - Provided to the Seller/Servicer by a third party that is not itself under a confidentiality obligation with respect to the information, or
  - Independently developed by the Seller/Servicer without use of the Freddie Mac confidential information, derivative information or any portion thereof

In addition, nothing in this Section 1201.8(a) will be deemed to preclude the Seller/Servicer from disclosing Freddie Mac confidential information to the extent ordered by a court or agency of competent jurisdiction, as long as (i) if legally permissible, Seller/Servicer promptly notifies Freddie Mac of the order and provides Freddie Mac with a reasonable opportunity to respond in such manner as Freddie Mac deems appropriate to limit the disclosure, and (ii) Seller/Servicer notifies the court or



agency in writing before any disclosure that the information is Freddie Mac confidential information.

**(b) Treatment of Seller/Servicer confidential information**

In response to Freddie Mac’s request, Seller/Servicer may provide Freddie Mac with the following information and documentation that Seller/Servicer identifies as confidential (collectively, “Seller/Servicer confidential information”):

- (i) information regarding Seller/Servicer’s financial condition
- (ii) Seller/Servicer’s responses to Freddie Mac’s security questionnaire
- (iii) information about Seller/Servicer’s information security policies; and
- (iv) information in Seller/Servicers’ SOC-1 or SOC-2 report and other third-party audit reports

Seller/Servicer confidential information does not include information that is publicly available, provided to us by a third party that is not to Freddie Mac’s knowledge itself under an obligation to keep the information confidential or independently developed.

Freddie Mac may use Seller/Servicer confidential information for the purposes for which the information was provided to Freddie Mac and for other internal business purposes (the “Freddie Mac Purposes”). Freddie Mac will exercise at least the same degree of care to preserve the confidentiality of Seller/Servicer confidential information that Freddie Mac exercise to protect its own information of a similar level of sensitivity, but in no event less than a reasonable degree of care. Freddie Mac may disclose Seller/Servicer confidential information as necessary or appropriate for the Freddie Mac Purposes. Freddie Mac also may disclose it to the extent ordered by a court or agency of competent jurisdiction, as long as (i) if legally permissible, Freddie Mac promptly notifies Seller/Servicer of the order and provide it with a reasonable opportunity to respond in such manner as it deems appropriate to limit the disclosure, and (ii) Freddie Mac notifies the court or agency in writing before any disclosure that the information is Seller/Servicer confidential information. Freddie Mac also may disclose Seller/Servicer confidential information to the FHFA or Freddie Mac’s other regulators without regard to the requirements of the preceding sentence.

## **1201.9: The Mortgage file, Mortgage data and related records (10/09/19)**

**(a) Ownership**

All documents in the Mortgage file, all data related to Mortgages owned or guaranteed by Freddie Mac to which the Servicer obtains access in connection with any agreement with

Freddie Mac, including, without limitation, data in the documents in the Mortgage file (collectively, Mortgage data) and all other documents and records related to the Mortgage of whatever kind or description (whether prepared or originated by the Servicer or others, or whether prepared or maintained or held by the Servicer or others acting for and on behalf of the Servicer), including all current and historical computerized data files, will be, and will remain at all times, the property of Freddie Mac. All of these records and Mortgage data in the possession of the Servicer are retained by the Servicer in a custodial capacity only.

**(b) Permitted use of Mortgage data**

The Servicer may use these records and Mortgage data only for the following purposes:

- Servicing Mortgages (and, in compliance with the provisions of the Guide, retaining subservicers to service Mortgages) on behalf of, and in the interest of, Freddie Mac
- As background information for the Servicer’s use related to marketing or cross-selling of the Servicer’s own primary market products and services in compliance with applicable laws, provided that such marketing and cross-selling does not involve disclosure of these records or Mortgage data to any third parties, other than vendors assisting the Servicer in its marketing activities who are themselves bound by these requirements
- As necessary to enable a vendor to provide analytic services to the Servicer with respect to the Servicer’s Servicing portfolio, for the Servicer’s internal use only, provided the vendor is bound by these requirements, and
- As necessary to enable the Servicer to comply with its obligations under applicable law including, without limitation, any disclosures required in connection with audits by regulatory agencies with jurisdiction over the Servicer’s operations

Except as expressly authorized by Freddie Mac in writing, Servicers may not use or disclose, or authorize or permit third parties to use or disclose, these records or Mortgage data for any other purpose including, without limitation, resale or licensing of Mortgage data, either alone or with other data. See Section 8101.7 [for additional information related to Freddie Mac audits and access to Mortgage records](#) and Section 8101.8 for additional requirements related to confidentiality.

## **1201.10: Minority-Owned, Women-Owned and Disabled-Owned Business Enterprises (03/02/16)**

It is Freddie Mac’s policy to provide, to the maximum extent possible in balance with financially safe and sound business practices, the opportunity for Minority-Owned, Women-Owned and Disabled-Owned Business Enterprises to compete fairly as suppliers, contractors and subcontractors in Freddie Mac’s business activities, taking into account both price and quality.

As an aspect of this policy, Freddie Mac encourages Seller/Serviceicers to ensure that Minority-Owned, Women-Owned and Disabled-Owned Business Enterprises are given the opportunity to compete fairly in supplying services to Seller/Serviceicers.

## **1201.11: Audit confirmation requests (03/02/16)**

Sellers or Serviceicers requiring confirmation from Freddie Mac with respect to the Mortgages sold to and serviced for Freddie Mac must use a format similar to that provided in Exhibit 65, Audit Confirmation Request. The confirmation request must be submitted to Freddie Mac via e-mail at **audit\_confirmation@freddiemac.com**.

# Chapter 1301: General Responsibilities of the Seller/Servicer

## 1301.1: Submission of data to Freddie Mac (03/02/16)

The Seller/Servicer warrants that all data and/or other information submitted to Freddie Mac is true, complete and accurate. The Seller/Servicer agrees to complete all Freddie Mac forms according to the instructions or guidance provided by Freddie Mac. With respect to data and/or other information transmitted to Freddie Mac through a permitted electronic medium, the Seller/Servicer warrants that the:

- Transmission complies with the requirements of the applicable Purchase Documents
- Transmission contains all the required information
- Terms, conditions and requirements stated in the Purchase Documents have been fully satisfied and adhered to

## 1301.2: Compliance with applicable law (11/06/19)

### (a) Seller/Servicer obligations

The Seller/Servicer agrees to comply with all applicable federal, State and local laws, ordinances, regulations, orders and regulator guidance (collectively, “Applicable Laws”), including, without limitation and as amended, the following **Applicable Laws**:

1. Title VI of the Civil Rights Act of 1964
2. Title VIII of the Civil Rights Act of 1968, as amended
3. Section 527 of the National Housing Act
4. The Equal Credit Opportunity Act
5. The Fair Credit Reporting Act
6. All **Applicable Laws governing consumer protection**, data privacy and/or the safeguarding of Borrower personal information including, without limitation, the Gramm-Leach-Bliley Act

7. Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on November 20, 1962
8. The foreign assets control regulations, 31 C.F.R. Chapter V, as amended, and any authorizing legislation or executive order relating thereto, as administered by the Office of Foreign Assets Control (OFAC) within the United States Department of the Treasury (collectively “OFAC Regulations”)
9. The Bank Secrecy Act, the Money Laundering Control Act and Title III of the USA PATRIOT Act
10. Section 5 of the Federal Trade Commission Act and similar laws that prohibit unfair or deceptive acts or practices
11. The Truth-in-Lending Act
12. The Real Estate Settlement Procedures Act
13. The Fair Debt Collections Practices Act
14. The Homeowners Protection Act of 1998
15. Judicial and professional rules of conduct governing discussions with opposing parties in litigation when represented by counsel (e.g., solicitation of delinquent Borrowers in bankruptcy or Borrowers engaged in litigation with the Servicer)
16. The U.S. Bankruptcy Code
17. The Electronic Signatures in Global and National Commerce Act, as enacted by the United States government (“E-SIGN”)
18. The Uniform Electronic Transactions Act, as enacted by the applicable State (“UETA”) unless superseded by E-SIGN

Without limiting the preceding provisions of this Section 1301.2, the Servicer must make such disclosures to Borrowers and other individuals as are required by, and must otherwise comply with, the requirements of applicable state privacy and consumer protection laws, including without limitation, the California Consumer Privacy Act of 2018 and its implementing regulations (“the CCPA”) and similar State laws and regulations now existing or that may be effective in the future. The Servicer certifies that it is and will be aware of the requirements of such laws and regulations and covenants that it will comply with their requirements and restrictions. In addition, upon Freddie Mac’s request, the Seller/Servicer shall cooperate with Freddie Mac in connection with responding to and complying with “Verifiable Consumer Requests” and other requests received by Freddie Mac from

“Consumers” (as such terms are defined in the CCPA) who wish to exercise their rights under the CCPA and similar State laws and regulations.

The Seller/Servicer agrees to indemnify and hold Freddie Mac harmless from and against all claims, judgments, losses, costs and expenses incurred by Freddie Mac arising out of the Seller/Servicer’s violation of any **Applicable Law**.

The Seller/Servicer **acknowledges that it** cannot assume that because it complies with all applicable Freddie Mac requirements that the Seller/Servicer therefore complies with all **Applicable Laws**.

**(b) OFAC screening; notice of OFAC match**

Seller/Servicers are expected to establish and maintain an effective OFAC compliance program that ensures compliance with OFAC Regulations.

Sellers must screen each Borrower against OFAC’s most recent list of Specially Designated Nationals and Blocked Persons (“OFAC SDN List”) prior to delivery to Freddie Mac. If a Borrower is on the OFAC SDN List, the Mortgage is ineligible for sale to Freddie Mac.

The Servicer must periodically screen the Mortgages that it services for Freddie Mac against the OFAC SDN List. The frequency of such screening should be based on the Servicer’s OFAC compliance program and be commensurate with the Servicer’s OFAC risk profile (i.e., Servicers could screen Freddie Mac Mortgages with the same frequency as they do their own portfolio). A Servicer that identifies a valid Borrower match against the OFAC SDN List must notify Freddie Mac via e-mail within 24 hours of identifying such match to discuss potential changes to the Servicing of the associated Mortgage, which may include, but are not limited to, the blocking and/or segregation of Mortgage-related funds and ceasing certain Servicing-related activities (**see Directory 1**).

Such e-mail notification must also provide the following information:

- Freddie Mac loan number
- Borrower name
- Name, title, e-mail address, and telephone number for the point of contact at the Servicer who will be able to discuss the OFAC SDN List match

Upon receipt of the notice, a representative from Freddie Mac will contact the Servicer to discuss the OFAC SDN List match and any next steps. Freddie Mac may require the Servicer to provide additional documentation or information regarding the OFAC SDN List match.

Notifying Freddie Mac of a confirmed match against the OFAC SDN List does not absolve the Servicer from any of its responsibilities under OFAC Regulations.

**(c) Anti-money laundering (AML) compliance; reporting AML non-compliance and Suspicious Activity**

Seller/Servicers subject to the AML provisions of the Bank Secrecy Act are expected to establish and maintain a compliance program that ensures compliance with all applicable provisions of the Bank Secrecy Act and implementing federal regulations.

Seller/Servicers must, as permitted by law, notify Freddie Mac (**see Directory 1**) within seven Business Days of confirmation of any instances of the Seller/Servicer's own non-compliance or compliance failure related to the AML requirements of the Bank Secrecy Act, the Money Laundering Control Act, or Title III of the USA Patriot Act, and applicable implementing federal regulations.

All Seller/Servicers, including those not subject to the AML provisions of the Bank Secrecy Act, must develop internal controls, policies and procedures designed to detect Suspicious Activity, and to report such Suspicious Activity to Freddie Mac (**see Directory 1**) in accordance with Section 3201.2.

**(d) FHFA Suspended Counterparty Program**

Seller/Servicers must comply with the requirements set forth in Section 3101.2 applicable to FHFA's Suspended Counterparty Program.

**(e) Seller lending practices**

The Seller must employ business practices that promote fair lending.

**(f) Servicer responsibility for incident response program and notice of breach**

Servicers must maintain a "Response Program" consistent with the requirements of the Interagency Guidance on Response Programs for Unauthorized Access to Customer Information and Customer Notice (the "Interagency Guidance") (12 CFR Parts 208 and 225).

If the Servicer believes there has been a "security incident," defined as any unauthorized access to, or acquisition of, information that compromises the security, confidentiality or integrity of "sensitive customer information" (as defined in the Interagency Guidance) maintained by the Servicer **or in its possession or control or any other information about one or more Borrowers or other individuals that is the subject of any state breach notification law,** and **if** that security incident is related to Mortgages owned by Freddie Mac, **then** the Servicer must send the following notifications to Freddie Mac (**see Directory 1**)

- Written notice of the security incident, including a detailed description of its scope and root cause (to the extent then understood) and a description of the notices provided to affected Borrowers, within a reasonable time after the security incident; and

- If the Servicer does not send notices to all Borrowers and other individuals affected by a certain security incident, the Servicer must provide written notice including a rationale and explanation for not sending notice to all affected Borrowers and other individuals as soon as practicable after the security incident

If the Servicer intends to refer to Freddie Mac in any notices it sends to Borrowers and others on Mortgages whose information was affected by the security incident, the Servicer must notify Freddie Mac within a reasonable time prior to sending those notices. Freddie Mac must have the opportunity to review the content of the notices.

In all such cases, the Servicer must cooperate with Freddie Mac including, without limitation, by providing all information and assistance requested to enable Freddie Mac to comply with its legal obligations and to manage any issues arising out of the security incident.

**(g) Servicers diversity practices – minority, women and disabled inclusion**

In accordance with regulations adopted by the Federal Housing Finance Agency, 12 C.F.R. Pt. 1207, pursuant to the Housing and Economic Recovery Act of 2008, 12 U.S.C. § 4520 (“HERA”), each Servicer will:

1. Practice the principles of equal employment opportunity and non-discrimination in all its business activities
2. Contractually require each subcontractor that the Servicer engages to provide services or goods to Freddie Mac to practice the principles of equal employment opportunity and non-discrimination in all its business activities, and
3. Upon request, provide Freddie Mac with information and appropriate certifications regarding:
  - The diversity status of the Servicer
  - The diversity status of subcontractors the Servicer engages to provide services or goods to Freddie Mac with respect to Servicing under the Purchase Documents
  - The amounts Freddie Mac pays to the Servicer for Servicing under the Purchase Documents
  - The amounts the Servicer pays to subcontractors to provide services or goods to Freddie Mac with respect to Servicing under the Purchase Documents, and
  - Any other information Freddie Mac requests to comply with HERA and applicable diversity and inclusion regulations



## **(h) Servicer adverse action notices**

If Freddie Mac participated in evaluating a Borrower for a workout or relief option that is not approved, Freddie Mac will provide the reasons why it did not approve the workout or relief option to the Servicer. If Freddie Mac participated in the decision and if the decision gives rise to an obligation to provide the Borrower a notice or notices under applicable law, including, but not limited to, adverse action notices required by the Equal Credit Opportunity Act or the Fair Credit Reporting Act, then the Servicer must provide such notices to the Borrower on behalf of Freddie Mac. In these cases, the notices provided by the Servicer to the Borrower must identify both the Servicer and Freddie Mac as having participated in the evaluation of the workout or relief option and the decision to deny the request.

## **(i) Repurchase requests related to compliance with laws representations and warranties**

(i) Freddie Mac will only issue a repurchase request for Seller violations of law that:

- Could be expected to impair Freddie Mac's or its Servicer's ability to enforce the Note or Mortgage
- Impose assignee liability, or
- Are found to have been violations of, or if Freddie Mac has made a finding based on the facts available to Freddie Mac that a violation may have occurred of, one or more of the following laws or related regulations:
  - OFAC Regulations
  - The Fair Housing Act
  - Anti-discrimination provisions of the Equal Credit Opportunity Act (ECOA)
  - Unfair, deceptive, or abusive acts or practices under federal and State laws (UDAAP), and
  - The Securities Exchange Act of 1934

With respect to UDAAP, Freddie Mac will take into consideration published federal and State announcements of interpretations as well as all published judicial and administrative decisions and will not enforce a repurchase if the matter can be cured by remediation to the injured party and the Seller makes such remediation. However, three or more years after the Settlement Date of a Mortgage, Freddie Mac may not seek repurchase on UDAAP grounds regarding a specific practice unless a lender self-reports or if a federal or State enforcement authority has indicated, asserted or claimed that such practice violates or may violate UDAAP, or a federal or State court has held that a specific practice violates UDAAP.

- (ii) A repurchase demand based on a compliance with law violation by the Seller will include supporting facts and findings made by Freddie Mac in the course of considering the facts and circumstances before it. Freddie Mac's determination that a violation has occurred must be consistent with the facts and circumstances provided by the Seller and any other information obtained by Freddie Mac as part of its evaluation of the situation.
- (iii) When Freddie Mac issues a repurchase request to the Seller in connection with a failure to comply with laws and there is pending litigation underway involving that same issue or a government agency with authority to make a determination regarding the issue has publicly stated that it is reviewing the issue, the Seller will not be required to repurchase until 30 days after the litigation has been dismissed, settled or concluded at trial in an adjudication or the governmental agency has made a final determination, as applicable (collectively, "the Resolution"). After the Resolution, the Seller may request that Freddie Mac review the appropriateness of the repurchase request in light of the Resolution. Freddie Mac will withdraw the repurchase request where appropriate.
- (iv) Freddie Mac will not issue a repurchase request to the Seller based on violations of the ability to repay provisions under the Truth-in-Lending Act ("ATR") unless a court or regulator concludes the Mortgage did not comply with ATR.
- (v) This section does not limit Freddie Mac's rights to issue repurchase requests for Servicer breach of its obligations regarding compliance with [Applicable Laws](#).

### **1301.3: Inspection of records (03/02/16)**

The Seller/Servicer agrees to allow Freddie Mac, during normal business hours, to inspect all of the Seller/Servicer's books and records pertaining to its Mortgage operations and to any Mortgages purchased by Freddie Mac.

Additionally, when Freddie Mac requests, either before or after termination of Servicing, the Servicer must permit Freddie Mac at any time during normal business hours to inspect the Mortgage files and all of the Servicer's records pertaining to Mortgage operations related to Freddie Mac.

### **1301.4: Reliance on the Seller/Servicer warranties and representations (03/02/16)**

The Seller/Servicer should carefully read the Purchase Documents. The Seller/Servicer acknowledges that Freddie Mac and any transferees or assignees of Freddie Mac purchase Mortgages and trade in any related securities in reliance on the accuracy and truth of the Seller/Servicer's warranties and representations and on its compliance with the agreements, requirements, terms and conditions set forth in the Purchase Documents.

## **1301.5: Review of Mortgages by Freddie Mac prior to purchase (06/03/19)**

Before the Freddie Mac Funding Date (Cash programs) or Settlement Date of the **UMBS™**, **MBS**, **Supers™** or **WAC ARM PC** (Guarantor programs), Freddie Mac may, in its discretion, refuse to purchase any Mortgage if it determines any of the following:

- The Mortgage is not of investment quality
- The Seller has failed to satisfy or has breached any of the provisions of the Purchase Documents
- Any of the warranties or representations of the Seller to Freddie Mac are untrue
- The Seller has failed to provide Freddie Mac with information that is true, complete and accurate as to the Mortgage

For each Mortgage it refuses to purchase, Freddie Mac may require the Seller to substitute in its place another Mortgage that is satisfactory to Freddie Mac.

## **1301.6: Seller authorized to sell Mortgage (06/03/19)**

The Seller must have the full legal authority, must have taken all action required by law and by its organizational documents and must have obtained any consents required, to sell, transfer and assign a Mortgage to Freddie Mac free and clear of all claims, security interests or other encumbrances.

The Note and the Security Instrument must be enforceable by the Seller. Transfer of the Note and the Security Instrument in whole or in part to any subsequent purchaser must not detract from their enforceability. The Purchase Contract must have been duly authorized, executed and delivered by the Seller and must be valid, binding and enforceable according to its terms and conditions.

Compliance with the terms and conditions of the Purchase Documents by the Seller must not conflict with, result in a breach of or default under or be adversely affected by the following:

- Any terms and conditions of the charter or bylaws or other type of organization constituent documents of the Seller
- Any agreement or instrument to which the Seller is a party
- Any judgment, order or regulation to which the Seller is subject

Each Seller that is an “insured depository institution,” as that term is defined in Section 1813(c)(2) of Title 12 of the United States Code, as amended, acknowledges, agrees, covenants, represents and warrants to Freddie Mac that the Seller’s Master Agreements and other applicable Purchase Documents entered into by and between the Seller and Freddie Mac:

- Are in writing or are Records or Electronic Records, as those terms are defined in Section 1401.2
- Were executed or authenticated by the Seller and Freddie Mac contemporaneously with the agreement reached by the Seller and Freddie Mac for sale of Mortgages by the Seller to Freddie Mac in return for cash and/or **UMBS™, MBS, Supers™ or WAC ARM PCs** received by the Seller
- Were approved by the Seller’s board of directors or the Seller’s officers or employees who were duly authorized by the board of directors to enter into such agreements and board approvals, resolutions and/or delegations of authority are reflected in the minutes of the board, and
- Have been, continuously, from the time of their execution or authentication, official records of the Seller

## **1301.7: Servicer authorized to service (03/02/16)**

The Servicer must be eligible to service Mortgages for Freddie Mac under the requirements of the Purchase Documents. The Servicer warrants that it has complied with all applicable laws related to licensing, qualification to do business or approval to service Mortgages. The Servicer also warrants that the Purchase Documents have been duly authorized, executed and delivered and are valid and enforceable according to their terms. The Servicer further warrants that compliance with the terms and conditions thereof will not conflict with, result in a breach of or default under, or be adversely affected by the following:

- Any terms and conditions of the Servicer’s charter
- Any agreement or instrument to which the Servicer is a party
- Any judgment, order or regulation to which the Servicer is subject

## **1301.8: Warranties and representations by the Seller (06/12/19)**

As of the Delivery Date, the Funding Date or the Settlement Date (as applicable), and the date of any substitution of Mortgages pursuant to the Purchase Documents, the Seller makes the

warranties and representations in this section for each Mortgage purchased by Freddie Mac. The Seller is fully liable for all warranties and representations made to Freddie Mac, regardless of whether the Seller originated the Mortgage.

**(a) General warranties and representations**

1. The terms, conditions and requirements stated in the Purchase Documents have been fully satisfied
2. All warranties and representations of the Seller are true and correct
3. The Seller is in compliance with its agreements contained in the Purchase Documents
4. The Seller has not misstated, misrepresented or omitted any material fact about the Mortgage
5. The Seller has given correctly and on a timely basis to the Borrower all disclosures and notices required under applicable law and the terms of the Note and the Security Instrument
6. With respect to each ARM, the Seller has calculated any and all adjustments to the interest rate or the monthly payment correctly and given on a timely basis any and all notices of such adjustments completely in accordance with the terms of the Note and the Security Instrument and with the requirements of applicable law
7. The Seller has adopted Exhibit 31, Home Valuation Code of Conduct, and for each conventional Mortgage, the appraisal was obtained in a manner consistent with the Home Valuation Code of Conduct
8. No person or entity on the Freddie Mac Exclusionary List played a role in the origination or sale of such Mortgage or the related real estate transaction. See Section 3101.1(b).
9. Solely with respect to a Mortgage registered with MERS<sup>®</sup>, MERS is the mortgagee of record (either by being named in the Security Instrument as nominee for the Seller, or by being named as the assignee in a recorded assignment of the Security Instrument), or, where applicable, MERS is not the mortgagee of record for purposes of MERS iRegistration

Upon Freddie Mac's written request, either before or after the Funding Date, the Seller will supply evidence satisfactory to Freddie Mac of the Seller's compliance with any provision of the Purchase Documents. Before the Funding Date, the Seller must obtain Freddie Mac's written approval of any waivers or modifications to the provisions of the Purchase Documents.

The Seller represents and warrants that all persons executing documents on behalf of the Seller are duly authorized to do so.

The Seller warrants that it and, if applicable, the originator of the Mortgages it sells to Freddie Mac have complied with all applicable laws relating to licensing, qualification to do business or approval to originate Mortgages.

Before the Funding Date, the Seller may contact Freddie Mac to request review of a Mortgage in order to obtain a waiver of the warranty requirements of Sections 3101.1(d) and 1301.8(a)(8). The Seller should make such request to the Freddie Mac Fraud Mailbox at **mortgage\_fraud\_reporting@freddiemac.com** or, alternatively, may make such request by fax or mail (**see Directory 1**). As part of the request, the Seller must inform Freddie Mac of the nature and extent of the role played by the person or entity on the Exclusionary List in connection with the Mortgage and must provide other relevant information upon request. If Freddie Mac reviews the Mortgage and subsequently elects to purchase the Mortgage, Freddie Mac will provide the Seller with written notice of such election, in which case the warranty concerning the involvement of an excluded person or entity will not be applicable to the sale of the Mortgage. All other requirements of the Purchase Documents relating to the sale of the Mortgage will remain in full force and effect. Freddie Mac's election to review and its decision to purchase such a Mortgage are within its sole discretion.

**(b) Seller sole Mortgage owner; Mortgage not subject to any other interest**

- (i) As of the Delivery Date, the Seller must be the sole owner of the Mortgage.

As of the Funding Date or the Settlement Date, whichever is applicable, all Mortgages purchased by Freddie Mac must be free and clear of all claims, security interests or other encumbrances. The Seller agrees to take or cause to be taken such further actions, including without limitation, the preparation, execution and filing of additional documents and instruments, as may be reasonably necessary to assure and confirm to Freddie Mac that the Mortgages purchased by Freddie Mac are free and clear of any and all security interests as of the Funding Date or the Settlement Date.

- (ii) The Seller warrants to Freddie Mac that as of the Freddie Mac Funding Date (Cash programs) or Settlement Date of the UMBS<sup>TM</sup>, MBS, Supers<sup>TM</sup> or WAC ARM PC (Guarantor programs), the Mortgage is not subject to any other interest.

The Seller further warrants and agrees not to sell, assign, convey, hypothecate, pledge or in any other way transfer, conditionally or otherwise, its interest in a Mortgage that Freddie Mac has purchased, except as expressly permitted in the Purchase Documents.

**(c) eMortgage representations and warranties**

For additional representations and warranties related to eMortgages, see Section 1402.8(c)(viii).

## **1301.9: Servicer agreements (06/12/19)**

In addition to general warranty statements elsewhere in this Guide, the Servicer agrees that, in Servicing Mortgages and REO for Freddie Mac, the Servicer will:

- Comply with the Purchase Documents and any instruction, request or requirement issued by Freddie Mac
- Abide by Freddie Mac's decision with respect to any of the Mortgages or REO
- Hold Freddie Mac harmless for any loss the Servicer may suffer from any decision made by Freddie Mac with respect to any of the Mortgages or REO
- Reimburse Freddie Mac for any expenses (including court costs and reasonable attorney fees) incurred by Freddie Mac, at its sole discretion, in remedying or correcting any failure of the Servicer to service a Mortgage or REO in accordance with the requirements of the Purchase Documents
- Reimburse Freddie Mac for any costs incurred by Freddie Mac as a result of a Servicer's delays in meeting the foreclosure or bankruptcy timelines when the delay results from any failure of a Seller/Servicer to originate a Mortgage or service a Mortgage or REO in accordance with the requirements of the Purchase Documents; such costs to be determined in Freddie Mac's sole discretion.

## **1301.10: Survival of warranties; remedies (03/02/16)**

The warranties and representations in the Purchase Documents for any Mortgage purchased by Freddie Mac survive payment of the purchase price by Freddie Mac. The warranties and representations are not affected by any investigation made by, or on behalf of, Freddie Mac, except when expressly waived in writing by Freddie Mac.

When any party has purchased a Mortgage from Freddie Mac that Freddie Mac previously purchased from a Seller, Freddie Mac may exercise any rights or remedies at law or in equity on behalf of the party to the extent that the party does not affirmatively do so. Freddie Mac may also exercise its discretion to disqualify or suspend a Seller or a Servicer pursuant to Chapter 2301 or Section 9102.1.

For each Mortgage purchased by Freddie Mac, the Seller and the Servicer agree that Freddie Mac may, at any time and without limitation, require the Seller or the Servicer, at the Seller's or the Servicer's expense, to make such endorsements to and assignments and recordings of any of the Mortgage documents so as to reflect the interests of Freddie Mac and/or its successors and assigns.

# 1301.11: Enforcement of representations and warranties related to underwriting of the Borrower, Mortgaged Premises and project (10/02/19)

Freddie Mac will not exercise its remedies, including the issuance of a repurchase request, in connection with the Seller/Servicer's breaches of certain selling representations and warranties as described in Sections 1301.11I and 1301.11II below. Mortgages that are processed by the Seller through Freddie Mac Loan Advisor<sup>SM</sup> (Loan Collateral Advisor<sup>®</sup> and Loan Product Advisor<sup>®</sup>) may also qualify for additional enforcement relief related to value, condition and marketability, provided certain conditions are met. See Section 5601.9 for details

## I. Selling representation and warranty framework – Version 1

**The requirements below are effective for Mortgages with Freddie Mac Settlement Dates on and after January 1, 2013 and before July 1, 2014.**

See Section 1301.11II below for selling representation and warranty framework – Version 2.

### (a) Representations and warranties

For Mortgages, including Mortgages sold pursuant to negotiated provisions, that comply with the eligibility requirements set forth in (b) below, Freddie Mac will not exercise its remedies, including the issuance of a repurchase request, in connection with the Seller/Servicer's breaches of selling representations and warranties in the topics, chapters and sections of the Guide listed in the table below<sup>1</sup>, relating to:

- The underwriting of the Borrower, which includes the Seller's assessment of the Borrower's loan terms, credit history, employment and income, assets, and other financial information used for qualifying the Borrower for the Mortgage
- The underwriting of the Mortgaged Premises, which is the analysis of the description and valuation of the Mortgaged Premises to determine its adequacy as collateral for the Mortgage
- The underwriting of the project in which the Mortgaged Premises is located, which is the analysis of the Planned Unit Development (PUD) or Condominium Project

<sup>1</sup> This includes the topics, chapters and sections as amended by the Seller's Purchase Documents, if applicable.

For Guide provisions not listed in this table, the Seller/Servicer will continue to be responsible for representations and warranties for the life of the loan.



Guide topic/chapter/section	Title of topic, chapter or section and where noted, exclusions to provisions in the topic/chapter/section  Note: Where the following provisions of the Guide contain references to requirements located in other topics, chapters and/or sections of the Guide, Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties related to those requirements only if the topic/chapter/section where the requirement is located is included below.
Section 4101.1	The Mortgage Application
Section 4201.1	Investment Quality Mortgage  With the exception of the Mortgage being adequately secured by real property
Section 4201.4	Term, with the following exceptions:  For a Mortgage with an Application Received Date prior to <b>January 10, 2014</b> , and a Freddie Mac Settlement Date on or before <b>July 31, 2014</b> : The Mortgage must not have an original maturity that exceeds 40 years from the Origination Date or the Effective Date of Permanent Financing for a Construction Conversion or Renovation Mortgage.  For a Mortgage with an Application Received Date on or after <b>January 10, 2014</b> , or a Freddie Mac Settlement Date after <b>July 31, 2014</b> : The Mortgage must not have an original maturity that exceeds 30 years from the Origination Date or the Effective Date of Permanent Financing for a Construction Conversion or Renovation Mortgage.
Subsection 4201.5(d)	Age of Collateral Documentation: Settlement Dates More than 120 days After the Note Date
Section 4201.8	Assumption of Mortgage
Section 4201.13	No Circumstances Adversely Affecting Value of Mortgage
Section 4201.14	Mortgages Secured by Primary Residences
Section 4201.15	Second Home Mortgages

<b>Guide topic/chapter/section</b>	<b>Title of topic, chapter or section and where noted, exclusions to provisions in the topic/chapter/section</b>  Note: Where the following provisions of the Guide contain references to requirements located in other topics, chapters and/or sections of the Guide, Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties related to those requirements only if the topic/chapter/section where the requirement is located is included below.
Section 4201.16	Investment Property Mortgages
Section 4201.17	Purchase Requirements for Mortgages Secured by Properties with Resale Restrictions
Section 4201.18	Impact of Contaminated Sites
Section 4201.20	Blanket Mortgages
Chapter 4203	Maximum Loan Amounts and LTV, TLTV and HTLTV Ratios
Chapter 4204	Secondary Financing and Other Financing Arrangements  With the exception of the requirement that for any Mortgage with a buydown plan, the initial interest rate may not be more than 3% below the Note Rate and the buydown plan may not extend for more than 3 years
Topic 4300	Refinance Mortgages  With the exception of Section 4301.3 regarding refinance practices
Subsection 4401.8(b)	Calculating Borrower Ratios for ARMs
Chapter 4402	Seller-Owned Converted and Seller-Owned Modified Mortgages
Chapter 4404	Land Contract; Contract for Deed
Chapter 4405	Energy Conservation Improvements
Topic 4500	Affordable Mortgages

Guide topic/chapter/section	Title of topic, chapter or section and where noted, exclusions to provisions in the topic/chapter/section  Note: Where the following provisions of the Guide contain references to requirements located in other topics, chapters and/or sections of the Guide, Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties related to those requirements only if the topic/chapter/section where the requirement is located is included below.
Topic 4600	Special Freddie Mac Mortgage Products
Subsection 4701.2(a)	Financed Premiums (Mortgage Insurance Premiums)
Topic 5100	Determining Borrower Eligibility With the exception of: <ul style="list-style-type: none"> <li>▪ Section 5103.2 regarding requirements for permanent and nonpermanent resident aliens</li> <li>▪ Section 5103.5 regarding requirements for living trusts</li> </ul>
Topic 5200	Credit Assessment
Topic 5300	Stable Monthly Income and Asset Qualification Sources
Topic 5400	Evaluation of Monthly Obligations
Topic 5500	Assets (Borrower Funds and Reserves)
Topic 5600	Property Eligibility and Appraisal Requirements With the exception of: <ul style="list-style-type: none"> <li>■ Subsection 5601.2(a), Residential Requirements</li> <li>■ Subsection 5601.3(a) relating to Exhibit 35, Appraiser Independence Requirements</li> <li>■ Subsection 5601.3(a) relating to the Uniform Standards of Professional Appraisal Practice (USPAP)</li> </ul>
Chapter 5701	Condominiums With the exception of:

<b>Guide topic/chapter/section</b>	<b>Title of topic, chapter or section and where noted, exclusions to provisions in the topic/chapter/section</b>  Note: Where the following provisions of the Guide contain references to requirements located in other topics, chapters and/or sections of the Guide, Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties related to those requirements only if the topic/chapter/section where the requirement is located is included below.
	<ul style="list-style-type: none"> <li>■ Section 5701.2 relating to project insurance requirements</li> <li>■ Section 5701.2 relating to title insurance</li> <li>■ Section 5701.2 relating to project ownership</li> <li>■ Subsection 5701.3(a), Project Required to be Registered with a Federal or State Securities Agency</li> <li>■ Subsection 5701.3(b), Condominium Hotel</li> <li>■ Subsection 5701.3(d), Project with Non-Incidental Commercial Space</li> <li>■ Subsection 5701.3(e), Tenancy in Common Apartment Project</li> <li>■ Subsection 5701.3(f), Timeshare Project or Project with Segmented Ownership</li> <li>■ Subsection 5701.3(g), Houseboat Project</li> <li>■ Subsection 5701.3(l), Continuing Care Retirement Community (CCRC)</li> <li>■ Subsection 5701.3(m), Manufactured Homes</li> <li>■ Subsection 5701.3(n), New Condominium Projects in Florida</li> <li>■ Subsection 5701.6(f), Compliance with Laws</li> <li>■ Subsection 5701.6(g), Limitations on Ability to Sell/Right of First Refusal</li> <li>■ Subsection 5701.6(i), Mortgagee Consent</li> <li>■ Subsection 5701.6(j), Rights of Condominium Mortgagees and Guarantors</li> </ul>
Chapter 5702	Planned Unit Developments

Guide topic/chapter/section	Title of topic, chapter or section and where noted, exclusions to provisions in the topic/chapter/section  Note: Where the following provisions of the Guide contain references to requirements located in other topics, chapters and/or sections of the Guide, Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties related to those requirements only if the topic/chapter/section where the requirement is located is included below.
	With the exception of subsection 5702.2(b) relating to insurance requirements
Chapter 5703	Manufactured Homes  With the exception of subsections 5703.2(a) and (b) regarding the characteristics and requirements of a Manufactured Home
Chapter 5704	Leasehold Estates  With the exception of subsection 5704.1(b) regarding warranties for leasehold Mortgages

**(b) Eligible Mortgages**

Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties described in Section 1301.11(a) for Mortgages that meet the following requirements:

- The Mortgage must have a Freddie Mac Settlement Date on or after January 1, 2013
- The Mortgage must have an acceptable payment history by meeting the following:
  - For Mortgages other than Freddie Mac Relief Refinance Mortgages<sup>SM</sup>:
    - Following the Freddie Mac Settlement Date, the Borrower made the first 36 monthly payments due with no 30-day or greater Delinquencies, or
    - Following the Freddie Mac Settlement Date, the Borrower (i) made the first 60 monthly payments due with no more than two 30-day Delinquencies, and no 60-day or greater Delinquencies, during the first 36 monthly payments; and (ii) must not be 30 or more days delinquent with respect to the 60th monthly payment

- ❑ For Relief Refinance Mortgages:
  - Following the Freddie Mac Settlement Date, the Borrower made the first 12 monthly payments due with no 30-day or greater Delinquencies, or
  - Following the Freddie Mac Settlement Date, the Borrower (i) made the first 60 monthly payments due with no more than two 30-day Delinquencies, and no 60-day or greater Delinquencies, during the first 36 monthly payments; and (ii) must not be 30 or more days delinquent with respect to the 60th monthly payment

In addition, during the applicable payment history period:

- ❑ With the exception of temporary subsidy buydown arrangements permitted by the Purchase Documents, neither the Seller/Servicer nor any third party may escrow or advance funds to be used for payment of any monthly installment, principal, interest or other charge payable under the terms of the Mortgage, and
- ❑ The Mortgage must not have been subject to a forbearance agreement, repayment plan, or otherwise have been modified from its original terms, except as otherwise stated below for a disaster-related forbearance plan
- The Mortgage must be a conventional Mortgage delivered to Freddie Mac through a flow purchase contract (that is, not sold through the bulk path)
- The Mortgage must not be a Mortgage that Freddie Mac and the Seller/Servicer have agreed is subject to any credit enhancement other than primary mortgage insurance
- The Mortgage must not have an outstanding request for a repurchase, a repurchase alternative or a make-whole
- The Mortgage may have been subject to a disaster-related forbearance plan during the applicable payment history period as a result of the Borrower being impacted by an Eligible Disaster pursuant to Chapter 8404, provided that:
  - ❑ The Mortgage is fully reinstated as described in Section 9203.3, or
  - ❑ The Borrower agrees to a repayment plan and complies with the terms of the repayment plan, restoring the Mortgage to a current status, or
  - ❑ The disaster-related forbearance transitions into a permanent modification, restoring the Mortgage to a current status

For all three options described above, payments due during the disaster-related forbearance period are considered to have been made on time for the purposes of this section.

**(c) Life-of-loan representations and warranties**

For Mortgages that meet the eligibility requirements set forth in (b) above, the Seller/Servicer will not be relieved from Freddie Mac's enforcement of its representations and warranties with respect to the following matters, even if such issues are referenced in the Guide topics, chapters or sections in the table above. Instead, the Seller/Servicer will be responsible for all such representations and warranties for the life of the loan.

■ **Charter matters.** Each Mortgage must be eligible for purchase under the Freddie Mac Charter Act in the following respects:

- ❑ The Mortgage must be secured by a residential property that is located within any of the 50 States, the District of Columbia, Guam, Puerto Rico or the U.S. Virgin Islands at the time of Freddie Mac's purchase, as set forth in Section 4201.1 and the definition of a State in the Glossary
- ❑ The original UPB of the Mortgage must not exceed the maximum original loan amounts set forth in Sections 4203.3 and 4603.2
- ❑ The Mortgage must not be secured by vacant land or property primarily used for agriculture, farming or commercial enterprise at the time of Freddie Mac's purchase
- ❑ The Mortgage must be secured by a residential property consisting of 1-4 dwelling units at the time of Freddie Mac's purchase
- ❑ Any Mortgage with a loan-to-value (LTV) ratio in excess of 80% at the time of Freddie Mac's purchase must (i) have mortgage insurance on the portion of the Mortgage in excess of 80% of the property's value (determined in accordance with Section 4701.1, or in the case of Relief Refinance Mortgages, meet the applicable mortgage insurance requirements in the Guide), (ii) be sold with recourse, within the meaning of Section 6201.7(a), or (iii) be sold on a participation basis

■ **Misstatements, misrepresentations and omissions**

The Mortgage must not have any misstatements, misrepresentations or omissions ("misrepresentations"), by any party to the Mortgage transaction (including, but not limited to, the Seller, Borrowers, property sellers, builders, real estate agents, lenders, mortgage brokers, loan officers, originators, appraisers, appraisal companies, closing

agents, title companies or other third party vendors) pertaining to the requirements described in the topics, chapters and sections of the Guide set forth in the table above that are made with or without the Seller's knowledge, and that:

- ❑ Involve three or more Mortgages sold to Freddie Mac by the same Seller, and
- ❑ Were made pursuant to a common pattern of activity in connection with the Mortgage origination or sale, based on information in the Mortgage file or other facts or circumstances that existed on the Settlement Date, which involved at least one party common to all the Mortgages (if the common party is the Seller, then the same individual; if the common party is a third party, then the same individual or entity), and
- ❑ Are "significant" in that, using true and accurate information, either Freddie Mac determines that:
  1. The Mortgage would not have been eligible for sale under the terms of the Seller's Purchase Documents in effect on the Settlement Date, or
  2. The Mortgage would have been eligible for sale, but under different terms

For purposes of finding three or more Mortgages to constitute the pattern, both Mortgages that have obtained relief under the framework and Mortgages that have not obtained relief may be counted. If Mortgages that have not obtained relief are counted for purposes of establishing a pattern, those Mortgages must meet all requirements of this exclusion (i.e., three or more Mortgages, common pattern of activity, significance) in order for Freddie Mac to enforce a remedy for each Mortgage.

In determining whether a misrepresentation is significant, Freddie Mac will rely on its Loan Prospector simulator, which approximates the Risk Class at the time of delivery. Freddie Mac will compare the Loan Prospector simulator assessment using true and accurate information with the Loan Prospector simulator assessment received at the time of delivery.

A misrepresentation will be considered significant only if the Mortgage receives a worse Loan Prospector assessment from the simulator than was received at the time of delivery to Freddie Mac, except that Freddie Mac will also take into account any applicable negotiated terms of business and the impact of any undisclosed concessions, concealed transaction terms or other violations of the Seller's Purchase Documents that are involved in the misrepresentation, but are not evaluated by the Loan Prospector simulator when determining significance. Freddie Mac will notify the Seller/Serviceicer of any such undisclosed matters or violations that are considered in connection with determining significance and will provide the Seller/Serviceicer with documentation supporting the significance determination.



If Freddie Mac determines that the Mortgage would have been eligible for sale but under different terms than those under which the Mortgage was sold, as described in number 2 of the third bullet above, Freddie Mac will not seek repurchase, but instead will re-price the Mortgage, consistent with the Seller's Purchase Documents in effect on the Settlement Date, to reflect the true risk profile of the Mortgage.

As an exception to the above, Mortgages involving fraud will be subject to repurchase, regardless of whether the above test (three or more Mortgages, common pattern of activity, significance) has been met. For purposes of this life-of-loan representation and warranty only, "fraud" is established either by:

- An adjudicated claim affirming fraud by or against the Seller or other party to the Mortgage transaction, or
- Freddie Mac finding clear and convincing evidence that a Seller or other party to the Mortgage transaction knowingly executed or participated in a scheme or artifice in connection with the underwriting, origination or sale of a Mortgage to:
  - Defraud Freddie Mac or any other party to the Mortgage transaction, or
  - Obtain any moneys, funds, credits, assets, securities, or other properties from Freddie Mac or any other party to the Mortgage transaction by means of fraudulent pretenses, representations or promises

■ **Data inaccuracies**

The Mortgage must not have any Uniform Loan Delivery Dataset (ULDD) data inaccuracies pertaining to the requirements described in the topics, chapters and sections of the Guide set forth in the table above, if and to the extent:

- The data inaccuracies affect five or more Mortgages and involve the same delivery data element(s), and
- The ULDD data differs from the information in the Mortgage file, and
- The data inaccuracies are "significant" in that, using the information in the Mortgage file to qualify the Borrower, Mortgaged Premises and/or project in which the Mortgaged Premises is located, either Freddie Mac determines that:
  1. The Mortgage would not have been eligible for sale under the terms of the Seller's Purchase Documents in effect on the Settlement Date, or
  2. The Mortgage would have been eligible for sale, but under different terms

For purposes of finding five or more Mortgages involving the same delivery data element inaccuracy, both Mortgages that have obtained relief under the framework and Mortgages that have not obtained relief may be counted. If Mortgages that have not obtained relief are counted for purposes of establishing that there were five or more Mortgages with the same delivery data element inaccuracy, those Mortgages must meet all other requirements of this exclusion (i.e., same delivery data elements, data differs from information in the Mortgage file, significance) in order for Freddie Mac to enforce a remedy for each Mortgage.

In determining whether the data inaccuracy is significant, Freddie Mac will rely on its Loan Prospector simulator, which approximates the Risk Class at the time of delivery. Freddie Mac will compare the Loan Prospector simulator assessment using true and accurate information with the Loan Prospector simulator assessment received at the time of delivery.

A data inaccuracy will be considered significant only if the Mortgage receives a worse Loan Prospector assessment from the simulator than was received at the time of delivery to Freddie Mac, except that Freddie Mac will also take into account any applicable negotiated terms of business when determining significance. Freddie Mac will provide the Seller/Servicer with documentation supporting the significance determination.

If Freddie Mac determines that the Mortgage would have been eligible for sale, but under different terms than those under which the Mortgage was sold, as described in number 2 of the third bullet above, Freddie Mac will not seek repurchase, but instead will re-price the Mortgage consistent with the Seller's Purchase Documents in effect on the Settlement Date to reflect the true risk profile of the Mortgage.

- **Clear title/First Lien priority.** The Mortgage must be enforceable as a First Lien (with no pending condemnation proceedings) and have clear title through foreclosure.
- **Compliance with laws.** The Mortgage must comply with all applicable federal, State and local laws, ordinances, regulations and orders, including, without limitation, State anti-predatory lending laws and regulations.
- **Unacceptable Mortgage products**

The Mortgage must be a Mortgage product acceptable for sale to Freddie Mac. The Seller/Servicer will not be relieved of Freddie Mac's enforcement of its representations and warranties for unacceptable Mortgage products, including, but not limited to, the following:

- ❑ A Mortgage with an interest-only feature
- ❑ A Graduated Payment Mortgage

- ❑ A Mortgage originated with stated or no income and/or asset documentation (A Freddie Mac Relief Refinance Mortgage<sup>SM</sup> is not considered a Mortgage originated with stated or no income and/or asset documentation)
- ❑ A Mortgage subject to negative amortization
- ❑ A construction loan (other than a Construction Conversion Mortgage)
- ❑ A daily simple interest Mortgage
- ❑ A Prepayment Penalty Mortgage with an Application Received Date on or after January 10, 2014 or a Freddie Mac Settlement Date after July 31, 2014
- ❑ A reverse Mortgage
- ❑ A Mortgage with balloon payments (with or without a reset option)
- ❑ A second Mortgage

## **II. Selling representation and warranty framework—Version 2**

**The requirements below are effective for Mortgages with Freddie Mac Settlement Dates on and after July 1, 2014.**

### **(a) Representations and warranties**

For Mortgages, including Mortgages sold pursuant to negotiated provisions, that comply with the eligibility requirements set forth in (b) below, Freddie Mac will not exercise its remedies, including the issuance of a repurchase request, in connection with the Seller/Servicer's breaches of selling representations and warranties in the topics, chapters and sections of the Guide listed in the table below<sup>1</sup>, relating to:

- The underwriting of the Borrower, which includes the Seller's assessment of the Borrower's loan terms, credit history, employment and income, assets, and other financial information used for qualifying the Borrower for the Mortgage
- The underwriting of the Mortgaged Premises, which is the analysis of the description and valuation of the Mortgaged Premises to determine its adequacy as collateral for the Mortgage
- The underwriting of the project in which the Mortgaged Premises is located, which is the analysis of the Planned Unit Development (PUD) or Condominium Project

<sup>1</sup> This includes the topics, chapters and sections as amended by the Seller's Purchase Documents, if applicable.

For Guide provisions not listed in this table, the Seller/Servicer will continue to be responsible for representations and warranties for the life of the loan.

<b>Guide topic/chapter/section</b>	<b>Title of topic, chapter or section and where noted, exclusions to provisions in the topic/chapter/section</b> Note: Where the following provisions of the Guide contain references to requirements located in other topics, chapters and/or sections of the Guide, Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties related to those requirements only if the topic/chapter/section where the requirement is located is included below.
Section 4101.1	The Mortgage Application
Section 4201.1	Investment Quality Mortgage With the exception of the Mortgage being adequately secured by real property
Section 4201.4	Term, with the following exceptions: For a Mortgage with an Application Received Date prior to <b>January 10, 2014</b> , and a Freddie Mac Settlement Date on or before <b>July 31, 2014</b> : The Mortgage must not have an original maturity that exceeds 40 years from the Origination Date or the Effective Date of Permanent Financing for a Construction Conversion or Renovation Mortgage. For a Mortgage with an Application Received Date on or after <b>January 10, 2014</b> , or a Freddie Mac Settlement Date after <b>July 31, 2014</b> : The Mortgage must not have an original maturity that exceeds 30 years from the Origination Date or the Effective Date of Permanent Financing for a Construction Conversion or Renovation Mortgage.
Subsection 4201.5(c)	Age of Collateral Documentation: Settlement Dates More than 120 days After the Note Date
Section 4201.8	Assumption of Mortgage
Section 4201.13	No Circumstances Adversely Affecting Value of Mortgage
Section 4201.14	Mortgages Secured by Primary Residences
Section 4201.15	Second Home Mortgages
Section 4201.16	Investment Property Mortgages
Section 4201.17	Purchase Requirements for Mortgages Secured by Properties with Resale Restrictions (Effective as of November 5, 2018, Section 4201.17 is deleted and

<b>Guide topic/chapter/section</b>	<b>Title of topic, chapter or section and where noted, exclusions to provisions in the topic/chapter/section</b> Note: Where the following provisions of the Guide contain references to requirements located in other topics, chapters and/or sections of the Guide, Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties related to those requirements only if the topic/chapter/section where the requirement is located is included below.
	the content has moved to Chapter 4406)
Section 4201.18	Impact of Contaminated Sites
Section 4201.20	Blanket Mortgages
Chapter 4203	Maximum Loan Amounts and LTV, TLTV and HTLTV Ratios
Chapter 4204	Secondary Financing and Other Financing Arrangements With the exception of the requirement that for any Mortgage with a buydown plan, the initial interest rate may not be more than 3% below the Note Rate and the buydown plan may not extend for more than 3 years
Topic 4300	Refinance Mortgages With the exception of Section 4301.3 regarding refinance practices
Subsection 4401.8(b)	Calculating Borrower Ratios for ARMs
Chapter 4402	Seller-Owned Converted and Seller-Owned Modified Mortgages
Chapter 4404	Land Contract; Contract for Deed
Chapter 4405	Energy Conservation Improvements
Chapter 4406	Mortgages Secured by Properties Subject to Resale Restrictions
Chapter 4407	Properties Affected by Disasters
Topic 4500	Affordable Mortgages and Duty to Serve
Topic 4600	Special Freddie Mac Mortgage Products
Subsection 4701.2(a)	Financed Premiums (Mortgage Insurance Premiums)
Topic 5100	Determining Borrower Eligibility With the exception of: <ul style="list-style-type: none"> <li>▪ Section 5103.2 regarding requirements for permanent and nonpermanent resident aliens</li> <li>▪ Section 5103.5 regarding requirements for living trusts</li> </ul>

<b>Guide topic/chapter/section</b>	<b>Title of topic, chapter or section and where noted, exclusions to provisions in the topic/chapter/section</b> Note: Where the following provisions of the Guide contain references to requirements located in other topics, chapters and/or sections of the Guide, Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties related to those requirements only if the topic/chapter/section where the requirement is located is included below.
Topic 5200	Credit Assessment
Topic 5300	Stable Monthly Income and Asset Qualification Sources
Topic 5400	Evaluation of Monthly Obligations
Topic 5500	Assets
Topic 5600	Property Eligibility and Appraisal Requirements With the exception of: <ul style="list-style-type: none"> <li>■ Subsection 5601.2(a), Residential Requirements</li> <li>■ Subsection 5601.3(a) relating to Exhibit 35, Appraiser Independence Requirements</li> <li>■ Subsection 5601.3(a) relating to the Uniform Standards of Professional Appraisal Practice (USPAP)</li> </ul>

<b>Guide topic/chapter/section</b>	<b>Title of topic, chapter or section and where noted, exclusions to provisions in the topic/chapter/section</b> Note: Where the following provisions of the Guide contain references to requirements located in other topics, chapters and/or sections of the Guide, Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties related to those requirements only if the topic/chapter/section where the requirement is located is included below.
Chapter 5701	Condominiums With the exception of: <ul style="list-style-type: none"> <li>■ Section 5701.2 relating to project insurance requirements</li> <li>■ Section 5701.2 relating to title insurance</li> <li>■ Subsection 5701.3(a), Projects in which the unit owners do not have an undivided ownership or leasehold interest in the land on which the project is located</li> <li>■ Subsection 5701.3(b), Condominium Hotel</li> <li>■ Subsection 5701.3(d), Project with Excessive Commercial or Non-residential Space</li> <li>■ Subsection 5701.3(e), Tenancy in Common Apartment Project</li> <li>■ Subsection 5701.3(f), Timeshare Project or Project with Segmented Ownership</li> <li>■ Subsection 5701.3(g), Houseboat Project</li> <li>■ Subsection 5701.3(k), Continuing Care Retirement Community (CCRC)</li> <li>■ Subsection 5701.3(l), Manufactured Homes</li> <li>■ Subsection 5701.3(m), Project with Mandatory Dues or Similar Membership Fees for Use of Amenities Such as Clubhouses or Recreational Facilities</li> <li>■ Subsection 5701.6(e), Compliance with Laws</li> <li>■ Subsection 5701.6(f), Limitations on Ability to Sell/Right of First Refusal</li> <li>■ Subsection 5701.6(h), Mortgagee Consent</li> <li>■ Subsection 5701.6(i), Rights of Condominium Mortgagees and Guarantors</li> <li>■ Subsection 5701.6(n), New Condominium Projects in Florida</li> </ul>

Guide topic/chapter/section	Title of topic, chapter or section and where noted, exclusions to provisions in the topic/chapter/section Note: Where the following provisions of the Guide contain references to requirements located in other topics, chapters and/or sections of the Guide, Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties related to those requirements only if the topic/chapter/section where the requirement is located is included below.
Chapter 5702	Planned Unit Developments With the exception of subsection 5702.1(d) relating to insurance requirements
Chapter 5703	Manufactured Homes With the exception of subsections 5703.2(a) and (b) regarding the characteristics and requirements of a Manufactured Home
Chapter 5704	Leasehold Estates
Chapter 5901	Automated Income Assessment with Loan Product Advisor <sup>®</sup> Using Employer Data
Chapter 5902	Automated Asset Assessment with Loan Product Advisor <sup>®</sup> Using Account Data
Chapter 5903	Automated Income Assessment with Loan Product Advisor <sup>®</sup> Using Tax Return Data

**(b) Eligible Mortgages**

Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties described in Section 1301.11(a) for Mortgages that meet the following requirements:

- The Mortgage must have a Freddie Mac Settlement Date on or after July 1, 2014
- The Mortgage must be a conventional Mortgage delivered to Freddie Mac through a flow purchase contract (that is, not sold through the bulk path)
- The Mortgage must not be a Mortgage that Freddie Mac and the Seller/Servicer have agreed is subject to any credit enhancement other than primary mortgage insurance
- The Mortgage must have either an acceptable payment history or a satisfactory conclusion of a Freddie Mac quality control review as more fully described below:



## Acceptable payment history

The Mortgage has an acceptable payment history if it meets the following eligibility requirements:

- ❑ For Mortgages other than Freddie Mac Relief Refinance<sup>SM</sup> Mortgages and Enhanced Relief Refinance<sup>SM</sup> Mortgages:
  - Following the Freddie Mac Settlement Date, the Borrower (i) made the first 36 monthly payments due with no more than two 30-day Delinquencies, and no 60-day or greater Delinquencies; and (ii) must not be 30 or more days delinquent with respect to the 36<sup>th</sup> monthly payment
- ❑ For Relief Refinance Mortgages and Enhanced Relief Refinance Mortgages:
  - Following the Freddie Mac Settlement Date, the Borrower made the first 12 monthly payments due with no 30-day or greater Delinquencies, or
  - Following the Freddie Mac Settlement Date, the Borrower (i) made the first 36 monthly payments due with no more than two 30-day Delinquencies, and no 60-day or greater Delinquencies; and (ii) must not be 30 or more days delinquent with respect to the 36<sup>th</sup> monthly payment
- ❑ In addition, during the applicable payment history period:
  - With the exception of temporary subsidy buydown arrangements permitted by the Purchase Documents, neither the Seller/Servicer nor any third party may escrow or advance funds to be used for payment of any monthly installment, principal, interest or other charge payable under the terms of the Mortgage
  - The Mortgage must not have been subject to a forbearance agreement, repayment plan, or otherwise have been modified from its original terms, except as otherwise stated below for a disaster-related forbearance plan
  - The Mortgage must not have an outstanding request for a repurchase, a repurchase alternative or a make-whole

- ❑ The Mortgage may have been subject to a disaster-related forbearance plan during the applicable payment period history period as a result of the Borrower being impacted by an Eligible Disaster pursuant to Chapter 8404, provided that:
  - The Mortgage is fully reinstated, as described in Section 9203.3, or
  - The Borrower agrees to a repayment plan and complies with the terms of the repayment plan, restoring the Mortgage to a current status, or
  - The disaster-related forbearance transitions into a permanent modification, restoring the Mortgage to a current status

For all three options described above, payments due during the disaster-related forbearance period are considered to have been made on time for the purposes of this section.

### **Satisfactory conclusion of a Freddie Mac quality control review**

For a Mortgage to obtain a satisfactory conclusion of a Freddie Mac quality control review, it must meet one of the following requirements:

- Freddie Mac completes a quality control review of the Mortgage file, which includes a review of the credit underwriting and eligibility of the Borrower, the Mortgaged Premises (including its value), and the project in which the Mortgaged Premises is located, if applicable (“quality control review”), and determines that the Mortgage is acceptable (that is, the Mortgage is not subject to a repurchase request)
- Freddie Mac completes the quality control review and determines the Mortgage is not acceptable because of a loan deficiency that is curable, and the Seller/Servicer cures the deficiency to Freddie Mac’s satisfaction. For example, if the Mortgage file delivered to Freddie Mac did not contain the required verification of income, the loan deficiency would be deemed to be corrected if the Seller/Servicer provided the missing documentation within the time frame specified. Another example of an action taken to correct a loan deficiency is rectifying a prior lien by producing evidence of a recorded satisfaction or release of such prior lien within the time frame specified.
- Freddie Mac completes the quality control review and determines the Mortgage is not acceptable, but Freddie Mac and the Seller/Servicer agreed upon an alternative to repurchase that has since expired or terminated by its terms. For example, if Freddie Mac determined a Mortgage was not acceptable and, as a repurchase alternative, Freddie Mac and the Seller/Servicer agreed that the Mortgage would be subject to recourse for five years, then the Seller/Servicer will be relieved from Freddie Mac’s enforcement of the representations and warranties

described in Section 1301.11(a) at the end of the five-year period. Other possible repurchase alternatives include indemnification, make-whole arrangements, and certain split loss agreements.

**(c) Life-of-loan representations and warranties**

For Mortgages that meet the eligibility requirements set forth in (b) above, the Seller/Servicer will not be relieved from Freddie Mac's enforcement of its representations and warranties with respect to the following matters, even if such issues are referenced in the Guide topics, chapters or sections in the table above. Instead, the Seller/Servicer will be responsible for all such representations and warranties for the life of the loan.

■ **Charter matters.** Each Mortgage must be eligible for purchase under the Freddie Mac Charter Act in the following respects:

- ❑ The Mortgage must be secured by a residential property that is located within any of the 50 States, the District of Columbia, Guam, Puerto Rico or the U.S. Virgin Islands at the time of Freddie Mac's purchase, as set forth in Section 4201.1 and the definition of a State in the Glossary
- ❑ The original UPB of the Mortgage must not exceed the maximum original loan amounts set forth in Sections 4203.3 and 4603.2
- ❑ The Mortgage must not be secured by vacant land or property primarily used for agriculture, farming or commercial enterprise at the time of Freddie Mac's purchase
- ❑ The Mortgage must be secured by a residential property consisting of 1-4 dwelling units at the time of Freddie Mac's purchase
- ❑ Any Mortgage with an LTV ratio in excess of 80% at the time of Freddie Mac's purchase must (i) have mortgage insurance on the portion of the Mortgage in excess of 80% of the property's value (determined in accordance with Section 4701.1, or in the case of Relief Refinance Mortgages and Enhanced Relief Refinance Mortgages, meet the applicable mortgage insurance requirements in the Guide), (ii) be sold with recourse, within the meaning of Section 6201.7(a)

■ **Misstatements, misrepresentations and omissions**

The Mortgage must not have any misstatements, misrepresentations or omissions ("misrepresentations"), by any party to the Mortgage transaction (including, but not limited to, the Seller, Borrowers, property sellers, builders, real estate agents, lenders, mortgage brokers, loan officers, originators, appraisers, appraisal companies, closing agents, title companies or other third party vendors) pertaining

to the requirements described in the topics, chapters and sections of the Guide set forth in the table above that are made with or without the Seller's knowledge, and that:

- ❑ Involve three or more Mortgages sold to Freddie Mac by the same Seller, and
- ❑ Were made pursuant to a common pattern of activity in connection with the Mortgage origination or sale, based on information in the Mortgage file or other facts or circumstances that existed on the Settlement Date, which involved at least one party common to all the Mortgages (if the common party is the Seller, then the same individual; if the common party is a third party, then the same individual or entity), and
- ❑ Are "significant" in that, using true and accurate information, either Freddie Mac determines that:
  1. The Mortgage would not have been eligible for sale under the terms of the Seller's Purchase Documents in effect on the Settlement Date, or
  2. The Mortgage would have been eligible for sale, but under different terms

For purposes of finding three or more Mortgages to constitute the pattern, both Mortgages that have obtained relief under the framework and Mortgages that have not obtained relief may be counted. If Mortgages that have not obtained relief are counted for purposes of establishing a pattern, those Mortgages must meet all requirements of this exclusion (i.e., three or more Mortgages, common pattern of activity, significance) in order for Freddie Mac to enforce a remedy for each Mortgage.

In determining whether a misrepresentation is significant, Freddie Mac will rely on its Loan Prospector simulator, which approximates the Risk Class at the time of delivery. Freddie Mac will compare the Loan Prospector simulator assessment using true and accurate information with the Loan Prospector simulator assessment received at the time of delivery.

A misrepresentation will be considered significant only if the Mortgage receives a worse Loan Prospector assessment from the simulator than was received at the time of delivery to Freddie Mac, except that Freddie Mac will also take into account any applicable negotiated terms of business and the impact of any undisclosed concessions, concealed transaction terms or other violations of the Seller's Purchase Documents that are involved in the misrepresentation but are not evaluated by the Loan Prospector simulator when determining significance. Freddie Mac will notify the Seller/Servicer of any such undisclosed matters or violations that are considered in connection with determining significance and will provide the Seller/Servicer with documentation supporting the significance determination.

If Freddie Mac determines that the Mortgage would have been eligible for sale but under different terms than those under which the Mortgage was sold, as described in number 2 of the third bullet above, Freddie Mac will not seek repurchase, but instead will re-price the Mortgage, consistent with the Seller's Purchase Documents in effect on the Settlement Date, to reflect the true risk profile of the Mortgage.

As an exception to the above, Mortgages involving fraud will be subject to repurchase, regardless of whether the above test (three or more Mortgages, common pattern of activity, significance) has been met. For purposes of this life-of-loan representation and warranty only, "fraud" is established either by:

- An adjudicated claim affirming fraud by or against the Seller or other party to the Mortgage transaction, or
- Freddie Mac finding clear and convincing evidence that a Seller or other party to the Mortgage transaction knowingly executed or participated in a scheme or artifice in connection with the underwriting, origination or sale of a Mortgage to:
  - Defraud Freddie Mac or any other party to the Mortgage transaction, or
  - Obtain any moneys, funds, credits, assets, securities, or other properties from Freddie Mac or any other party to the Mortgage transaction by means of fraudulent pretenses, representations or promises
- **Data inaccuracies**

The Mortgage must not have any Uniform Loan Delivery Dataset (ULDD) data inaccuracies pertaining to the requirements described in the topics, chapters and sections of the Guide set forth in the table above, if and to the extent:

- The data inaccuracies affect five or more Mortgages and involve the same delivery data element(s), and
- The ULDD data differs from the information in the Mortgage file, and
- The data inaccuracies are "significant" in that, using the information in the Mortgage file to qualify the Borrower, Mortgaged Premises and/or project in which the Mortgaged Premises is located, either Freddie Mac determines that:
  1. The Mortgage would not have been eligible for sale under the terms of the Seller's Purchase Documents in effect on the Settlement Date, or

2. The Mortgage would have been eligible for sale, but under different terms

For purposes of finding five or more Mortgages involving the same delivery data element inaccuracy, both Mortgages that have obtained relief under the framework and Mortgages that have not obtained relief may be counted. If Mortgages that have not obtained relief are counted for purposes of establishing that there were five or more Mortgages with the same delivery data element inaccuracy, those Mortgages must meet all other requirements of this exclusion (i.e., same delivery data elements, data differs from information in the Mortgage file, significance) in order for Freddie Mac to enforce a remedy for each Mortgage.

In determining whether the data inaccuracy is significant, Freddie Mac will rely on its Loan Prospector simulator, which approximates the Risk Class at the time of delivery. Freddie Mac will compare the Loan Prospector simulator assessment using true and accurate information with the Loan Prospector simulator assessment received at the time of delivery.

A data inaccuracy will be considered significant only if the Mortgage receives a worse Loan Prospector assessment from the simulator than was received at the time of delivery to Freddie Mac, except that Freddie Mac will also take into account any applicable negotiated terms of business when determining significance. Freddie Mac will provide the Seller/Servicer with documentation supporting the significance determination.

If Freddie Mac determines that the Mortgage would have been eligible for sale but under different terms than those under which the Mortgage was sold, as described in number 2 of the third bullet above, Freddie Mac will not seek repurchase, but instead will re-price the Mortgage, consistent with the Seller's Purchase Documents in effect on the Settlement Date, to reflect the true risk profile of the Mortgage.

- **Clear title/First Lien priority.** The Mortgage must be enforceable as a First Lien (with no pending condemnation proceedings) and have clear title through foreclosure.
- **Compliance with laws.** The Mortgage must comply with all applicable federal, State and local laws, ordinances, regulations and orders, including, without limitation, State anti-predatory lending laws and regulations.
- **Unacceptable Mortgage products**

The Mortgage must be a Mortgage product acceptable for sale to Freddie Mac. The Seller/Servicer will not be relieved of Freddie Mac's enforcement of its representations and warranties for unacceptable Mortgage products, including, but not limited to, the following:

- A Mortgage with an interest-only feature
- A Graduated Payment Mortgage
- A Mortgage originated with stated or no income and/or asset documentation (Relief Refinance Mortgages and Enhanced Relief Refinance Mortgages are not considered a Mortgage originated with stated or no income and/or asset documentation)
- A Mortgage subject to negative amortization
- A construction loan (other than a Construction Conversion Mortgage)
- A daily simple interest Mortgage
- A Prepayment Penalty Mortgage with an Application Received Date on or after January 10, 2014 or a Freddie Mac Settlement Date after July 31, 2014
- A reverse Mortgage
- A Mortgage with balloon payments (with or without a reset option)
- A second Mortgage

## **1301.12: Non-discrimination (03/15/18)**

Freddie Mac expects all Seller/Service providers with whom Freddie Mac does business to practice the principles of equal opportunity and non-discrimination in all business activities. As such, Seller/Service providers 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.

# Chapter 1302: Information Security and Business Continuity Planning

## 1302.1: Overview of information security and business continuity planning requirements (05/02/16)

To minimize Freddie Mac's risk of loss in the event of a disaster or unexpected disruption to critical business processes, a Seller/Servicer must have and maintain an information security program and business continuity plan that ensure its ongoing ability to conduct business operations with Freddie Mac.

This chapter contains the minimum information security program requirements Seller/Servicers must implement to reduce the impact and likelihood of unauthorized persons (or authorized persons with malicious or unlawful intentions) from gaining access to Freddie Mac's proprietary information, data and consumer personal non-public information in:

- Freddie Mac's systems
- Seller/Servicers' files, records, storage facilities and systems
- Seller/Servicers' vendors' files, records, storage facilities and systems

This chapter also includes the minimum requirements for a Seller/Servicer's business continuity plan to support continuation of critical business processes necessary to comply with the Seller/Servicer's Purchase Documents.

If a Seller/Servicer's regulator has established information security and/or business continuity plan requirements that exceed Freddie Mac's minimum requirements, then the more rigorous requirements shall apply.

The Federal Financial Institutions Examination Council (FFIEC) provides detailed guidance on its public [web site](#) on the components of a successful information security program, business continuity plan and activities. Seller/Servicers are strongly encouraged to review this guidance.

## 1302.2: Information security (05/02/16)

Seller/Servicers should be familiar with the following terms as they relate to information security requirements:



- **Authentication:** The process in which a system verifies the identity of an individual usually based on a username and password
- **Encryption:** The process of encoding messages or information in such a way that only authorized parties can read it

**(a) Information security program**

Seller/Service providers must adopt, maintain and administer written minimum security standards, policies and procedures that address critical issues including, but not limited to, user responsibilities, ownership of information, baseline security practices, technical security protection mechanisms and other requirements in this section.

At least annually, Seller/Service providers must review and assess the adequacy of their information security policies and procedures used in connection with the selling and Servicing of Freddie Mac Mortgages to ensure compliance with the Guide and their other Purchase Documents. Seller/Service providers must make their information security program policies and procedures available to Freddie Mac upon request.

**(i) Human resources security**

- Pre-employment screening: Seller/Service providers must conduct, or retain a third party to conduct, background verification checks (screening) for all candidates for employment or contractor status
- Information security awareness, education and training: Seller/Service providers must provide information security awareness training to all employees of the organization, and, where relevant, contractors and third party users. The awareness training must provide information on roles and responsibilities for all users in protecting information at the Seller/Service provider, along with practical ways to incorporate information security into daily routines.

**(ii) Physical and environmental security controls**

Seller/Service providers must create and maintain:

- A physical security control program of the organization's buildings and facilities containing information systems, to detect and prohibit unauthorized persons gaining access and respond to physical security incidents using real-time physical intrusion alarms and surveillance equipment
- Environmental security controls to protect the organization from loss of connectivity and damage caused by fire, earthquake, flood, hurricane, tornado and other weather-related adverse events and other adverse events

### **(iii) Communications and operations management**

Seller/Service providers must implement technical security measures to prevent and monitor for malicious software, stop unwanted spam and traffic, and protect from unauthorized use of wireless connections. Measures must include those provided in the remainder of this section.

### **(iv) Removable media policy**

Seller/Service providers must restrict usage of removable media such as USB thumb drives, CD/DVD drives and external hard drives to personnel with a business need for this media to complete their activities. If data must be placed on removable media, the media must be encrypted.

### **(v) Anti-virus program/updates**

Seller/Service providers must install anti-virus software to protect servers and end user systems and ensure that updates are applied periodically.

### **(vi) Boundary protection**

Seller/Service providers must:

- Implement information technology controls that allow for monitoring, detection and restriction of unauthorized network perimeter activity, such as a firewall
- Manage and restrict ports, protocols and services to only those that are required for business operations

### **(vii) Wireless networks**

Seller/Service providers must control, secure and monitor wireless access points. In addition, Seller/Service providers that offer wireless networks for network users must:

- Implement a strong Wireless Local Area Network (WLAN) Authentication method; prohibit use of the Wired Equivalent Privacy (WEP) algorithm
- Password protect administrative access to the router

### **(viii) Vulnerability management**

Vulnerability testing enumerates known software vulnerabilities on a system and prioritizes them according to likelihood of occurrence, and impact of exploitation. Seller/Service providers must conduct vulnerability testing on a regular basis and have a process in place to analyze and remediate identified vulnerabilities.

**(ix) Configuration and patch management**

Seller/Service providers must:

- Develop and execute a process for developing and maintaining secure configuration baselines (also known as hardening guides, baseline secure configurations) of infrastructure components
- Identify a group responsible for software updates and patches and maintain a process for testing and installing software updates as they are available

**(x) Data Encryption**

Seller/Service providers must:

- Ensure the protection, integrity and confidentiality of data in transit
- Use Encryption during transmission of any sensitive data such as Protected Personal Information (PPI)
- Use Encryption mechanisms on portable end-user devices to protect data if the hardware (laptop, mobile device) is lost or stolen

**(b) Access control**

**(i) Access management policy**

As part of its information security program, a Seller/Service provider must:

- Establish an access management policy that includes a process for granting and removing system access, requirements for Authentication and rules of behavior
- Enforce access control methods that limit access to systems, physical or virtual resources and grant access to users on a need to know basis
- Manage Seller/Service provider user accounts for Freddie Mac systems in accordance with the Guide and its applicable Purchase Documents. Seller/Service providers must monitor for users who transfer roles or are terminated and no longer need access to their accounts. Seller/Service providers must notify Freddie Mac (**see Directory 8**) within 24 hours of or prior to the transfer or termination. Refer to the instructions to update systems access for relevant applications at [http://www.freddiemac.com/singlefamily/technology\\_user\\_access.html](http://www.freddiemac.com/singlefamily/technology_user_access.html)

**(ii) Granting, removing and reviewing access**

Seller/Service providers must maintain written procedures for the following:

- Approval of access requests
- Removal of access for terminations
- Analysis of user access and removal of access no longer needed for employee/contractor transfers
- Periodic account maintenance and reconciliation

**(iii) Authentication requirements and guidelines**

Seller/Service providers must require employees to authenticate or prove their identity to the system through a private, protected method or process which includes, but is not limited to, user identification codes, passwords, personal identification numbers, a smart card and/or a token device. If passwords are used, the Authentication policy must mandate minimum guidelines for password complexity, reuse timelines and password change timelines.

**(iv) Asset management**

Seller/Service providers must maintain an inventory management system to track physical and software assets, such as end-user technology, servers, network devices, and corresponding asset ownership. The inventory management system must be reconciled to actual inventory on a periodic basis to verify all assets are included.

**(v) Vendor risk management program**

Seller/Service providers must implement a vendor risk management program to formally evaluate, track and measure third-party risk; to assess its impact on aspects of the organization's business; and to develop compensating controls or other forms of mitigation to safeguard and protect Freddie Mac's information, data and PPI from unauthorized persons, malicious software or other harmful computer information, commands, codes or programs.

If a provision of the Guide or a Seller/Service provider's other Purchase Documents require more stringent minimum information security requirements, then the Seller/Service provider must adhere to those more stringent requirements.

## **1302.3: Business continuity planning (05/02/16)**

A Freddie Mac Seller/Service provider must have a business continuity plan in place to support its ongoing ability to conduct business operations and maintain or restore Freddie Mac

Mortgage proprietary information, Mortgage files, data and consumer personal non-public information and records in the event of a disaster or other interruption to business operations and processes.

At a minimum, the Seller/Servicer must:

1. Establish and maintain a written business continuity policy and plan, approved by management, that addresses potential disruptions and is reviewed and updated annually
2. Establish a governing body or committee to provide guidance for the Seller/Servicer's business continuity plan
3. At least annually, conduct:
  - A business disruption impact analysis of the organization
  - A test of the Seller/Servicer's business continuity plan. This includes recovering predefined critical business functions.
4. At least once every two years, conduct a formal risk and threat assessment of the organization, or more frequently after significant changes to business operations
5. Establish a formal crisis management team, which is responsible for declaring the event a crisis and implementing a documented crisis management plan; and develop a plan for activating the crisis management team
6. Establish a documented crisis management plan, that is reviewed and updated at least annually

If a provision of the Guide or Seller/Servicer's other Purchase Documents require more stringent minimum information security requirements, then the Seller/Servicer must adhere to those more stringent requirements.

# Chapter 1401: Electronic Transactions

## 1401.1: Electronic Transactions (06/12/19)

This chapter sets forth the requirements for Electronic Transactions, as defined in Section 1401.2. The Electronic Transactions permitted or required hereunder are Eligible Electronic Transactions, as such term is defined in Section 1401.2. [See Chapter 1402 for Freddie Mac's selling and Servicing requirements for Mortgages with Electronic Notes \(eNotes\).](#)

[A Seller/Servicer who wishes to sell and/or service eMortgages \(as defined in Section 1402.2\) for Freddie Mac should contact its Freddie Mac account representative or the Freddie Mac eMortgage Team \(eMortgage\\_Team@freddiemac.com\) to begin the process of determining its eligibility to sell and/or service eMortgages for Freddie Mac.](#)

## 1401.2: Defined terms (08/14/19)

The following defined terms are used throughout Chapter 1401, other chapters of the Guide and the Seller/Servicer's other Purchase Documents for all Eligible Electronic Transactions. Any defined term in Section 1401.2 that is used in the definition of another defined term in Section 1401.2 will be in quotes (" ") unless the defined term is in a title.

**Closing Documents:** All loan documents (excluding eNotes) provided to a Borrower at the closing (settlement) of a Mortgage, as required by: (i) Federal, State and/or local law, regulations, rules or ordinances; (ii) the originating lender; and (iii) Freddie Mac

**Confidential Means of Access:** A private, protected method or process used to enter Freddie Mac's applications and systems, which includes, but is not limited to, user identification codes, passwords, personal identification numbers or other Freddie Mac permitted methods of or processes to access Freddie Mac's confidential and proprietary "Systems"

**Electronic:** Relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities, as defined in the "UETA" and/or "E-SIGN"

**Electronic Record:** A "Record" created, generated, sent, communicated, received, or stored by "Electronic" means, as defined in the "UETA" and/or "E-SIGN." The term also includes a paper document converted into an Electronic Record.

**Electronic Signature:** An "Electronic" sound, symbol or process attached to, or logically associated with, a contract or other "Record" and executed or adopted by a person with the intent to sign the "Record," as defined in the "UETA" and/or "E-SIGN"

**Electronic Transaction:** An action or set of actions occurring between two or more persons relating to the conduct of business, commercial, or governmental affairs, using “Electronic” means, as defined in the “UETA” and/or “E-SIGN”

**Electronic Notarization:** Notarization by “Electronic” means of a person’s “Electronic Signature,” after proper identification by a Notary Public, licensed or otherwise authorized by the State in which the Notary Public is domiciled, which complies with the State’s laws, regulations and rules, including, without limitation, the “UETA” and/or “E-SIGN”

**Electronic Recording:**

- Recording a copy of a paper Security Instrument or other paper document (together referred to as a “Paper Document”) with respect to which: (i) the Paper Document was created, executed, witnessed (if applicable) and notarized, in writing, using paper, pen and ink; (ii) the Seller, or its closing or title agent, electronically delivers an “Electronic” copy of the Paper Document to recorder’s office for recording; (iii) the recorder’s office returns to the Seller or its closing or title agent: (a) an “Electronic” or paper copy of the recorded copy of the Paper Document or (b) other form of confirmation containing the recording information; or
- Recording an “Electronic” copy of an “Electronic” Security Instrument or other “Electronic” document (together referred to as an, “Electronic Document”) with respect to which: (i) the Electronic Document was created, executed, witnessed (if applicable) and notarized, electronically, using “Electronic Records,” “Electronic Signatures” and “Electronic Notarization”; (ii) the Seller or its closing or title agent electronically delivers an “Electronic” copy of the Electronic Document to the recorder’s office for recording; and (iii) the recorder’s office returns to the Seller or its closing or title agent: (a) an “Electronic” or paper copy of the recorded copy of the Electronic Document, or (b) other form of confirmation containing the recording information

**Eligible Electronic Transaction:** An “Electronic Transaction” that Freddie Mac has required or permitted the Seller/Service to engage in and/or conduct, as specified in Chapter 1401, other chapters of the Guide or the Seller/Service’s other Purchase Documents

**eModification Agreement** means an agreement that is an Electronic Record that complies with the applicable modification requirements of the Guide and includes, with respect to paper Notes, Electronic modification agreements and Electronic assumption and release of liability agreements under Chapters 9206 and 8406 respectively.

**E-SIGN:** The federal Electronic Signatures in Global and National Commerce Act (15 U.S. Code, Chapter 96)

**Federal Financial Institutions Examination Council or FFIEC:** U.S. government interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by its members, which membership consists of: (i) Board of Governors of the Federal Reserve Board (FRB); (ii) Federal Deposit Insurance Corporation

(FDIC); (iii) National Credit Union Administration (NCUA); (iv) the Office of the Comptroller of the Currency (OCC); and (v) Consumer Financial Protection Bureau (CFPB)

**Federally Regulated Seller/Servicer:** A Seller/Servicer that is regulated by one of the following federal regulators: (i) FRB; (ii) FDIC; (iii) NCUA; (iv) OCC; and (v) CFPB

**Initial Loan Documents:** All documents provided to a Borrower before the closing (settlement) of a Mortgage, as required by: (i) federal, State and/or local law, regulations, rules or ordinances, (ii) the originating lender and (iii) Freddie Mac

**Record:** Information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form as defined in the “UETA” and/or “E-SIGN.” A Record may be a paper or an “Electronic” document.

**Remote Online Electronic Notarization:** A notarial act performed by means of an Electronic device or process that allows a notary public and a principal, who is not in the same physical location as the notary public, to complete a notarial act and communicate with each other simultaneously by sight and sound.

**Systems:** All computers, servers, fax machines, other Electronic devices, hardware, web sites, Internet, private networks, telephone lines or wireless communications, together with software applications, security measures, proprietary coding, interfaces and/or connectivity used to create, present, sign, transfer, transmit, send, submit, deliver, receive, retrieve maintain and/or store Records, Electronic Records or Electronic Signatures in order to engage in and/or conduct Electronic Transactions

**TPPs:** Third-party providers, which include Correspondents, Mortgage Brokers, independent contractors, agents, **Outsource Vendors** or other third parties

**UETA:** The Uniform Electronic Transactions Act of 1999, promulgated by the U.S. Uniform Law Commission for consideration and enactment by the States. Reference to the UETA herein, means the UETA as promulgated by the U.S. Uniform Law Commission or the UETA as enacted by an applicable State.

## **1401.3: Requirements applicable to all Eligible Electronic Transactions (12/11/17)**

The following requirements and applicable requirements in [Chapter 1302](#) apply to all Eligible Electronic Transactions that Freddie Mac permits or requires the Seller/Servicer to engage in or conduct in this Chapter 1401, other Guide chapters, the Seller/Servicer’s other Purchase Documents and any user agreement(s) by and between the Seller/Servicer and Freddie Mac. (Examples of some Eligible Electronic Transactions include, but are not limited to, use of **Loan Selling Advisor<sup>SM</sup>**, Loan Product Advisor<sup>®</sup> and the Freddie Mac Service Loans application.)



If these requirements conflict with requirements in other Guide chapters, the Seller/Service's other Purchase Documents or any user agreement(s) by and between the Seller/Service and Freddie Mac, the requirements in the other Guide chapters, the Seller/Service's other Purchase Documents or any user agreement(s) shall control and prevail over these requirements, but only to the extent necessary to resolve the conflict. If the Seller/Service believes there is any such conflict, the Seller/Service should contact Freddie Mac to discuss any such conflict in an effort to resolve it.

## **1401.4: Consent and agreement to engage in and conduct Eligible Electronic Transactions (03/02/16)**

When the Seller/Service engages in or conducts Eligible Electronic Transactions with Freddie Mac, the Seller/Service agrees:

- That the Seller/Service consents to engage in or conduct Eligible Electronic Transactions with Freddie Mac
- To adopt (among other Electronic Signatures the Seller/Service adopts, from time to time) the Seller/Service's Freddie Mac Seller/Service number(s), a copy or representation of the Seller/Service's representative's written signature and/or Electronic Signature and/or such other symbols or processes as expressly required or permitted by Freddie Mac ("Seller/Service's Electronic Signature(s)")
- That Freddie Mac can rely on any paper Records (with or without Electronic Signatures) or Electronic Records (with or without Electronic Signatures) that are delivered to Freddie Mac
- That the Seller/Service will be bound by all Eligible Electronic Transactions the Seller/Service engages in or conducts with Freddie Mac
- That the Seller/Service will be bound by all Eligible Electronic Transactions that the Seller/Service engages in or conducts with Freddie Mac based upon telephone conversations, including those telephone conversations recorded by Freddie Mac in the ordinary course of business; provided, however, under no circumstances will Freddie Mac be bound by any telephone conversations recorded by the Seller/Service

## **1401.5: Security standards for all Eligible Electronic Transactions engaged in or conducted by the Seller/Service (05/02/16)**

Freddie Mac will provide the Seller/Service with, or require the Seller/Service to create, a Confidential Means of Access (“CMA”) to Freddie Mac’s Systems or other Systems in connection with Eligible Electronic Transactions with Freddie Mac.

A breach of security by the Seller/Service (or any of the Seller/Service’s vendors, independent contractors, agents or other third parties, if applicable) with respect to the Seller/Service’s CMA to Freddie Mac’s Systems may result in unauthorized persons (or authorized persons with malicious or unlawful intentions) gaining access to Freddie Mac’s Systems. Such persons may: (i) destroy, damage or misappropriate Freddie Mac property or (ii) introduce malicious software (“Malware”) or other harmful computer information, commands, codes or programs (“Harmful Software”) into Freddie Mac’s Systems. Any such unlawful entry or intrusion into Freddie Mac’s Systems may result in substantial harm to Freddie Mac including, without limitation, damage to Freddie Mac’s Systems, Records and/or data or theft of confidential proprietary information and/or consumer personal private financial information.

The Seller/Service is responsible for protecting and safeguarding the Seller/Service’s CMA to Freddie Mac’s System and any third-party System, if applicable, from any and all malicious conduct or theft by any of its employees, vendors, independent contractors, agents or third parties, unauthorized persons, and Malware and Harmful Software that may:

- Enable unauthorized access to Freddie Mac’s Systems
- Cause or facilitate the destruction, corruption, malfunction or appropriation of, or damage or change to, any of Freddie Mac’s Systems or the Electronic Records and data (e.g., financial information, proprietary information, confidential information or personal private information) stored in Freddie Mac’s Systems

[Refer to Section 1302.2 for information regarding Freddie Mac’s minimum information security program requirements.](#)

The Seller/Service must notify Freddie Mac immediately in the event the Seller/Service:

- Sustains a breach of security in connection with the Seller/Service’s CMA to Freddie Mac’s Systems, or
- Becomes aware of the loss, theft or unauthorized disclosure or use of the Seller/Service’s CMA to Freddie Mac’s Systems or other Systems, or
- Has any reason to believe that the Seller/Service’s CMA to Freddie Mac’s Systems may be, has been or will be compromised and is no longer safe or secure

The Seller/Servicer's compliance with [Freddie Mac's requirements in Section 1302.2](#) will not relieve the Seller/Servicer from any liability set forth in this chapter; provided, however, adopting and maintaining such minimum security standards should assist the Seller/Servicer in managing and mitigating the Seller/Servicer's security risks. The Seller/Servicer will be solely responsible for implementing and updating its security standards and assessing whether the Seller/Servicer should adopt more rigorous minimum security standards.

The Seller/Servicer's failure to adopt, implement, maintain, administer and update [the required](#) minimum security standards may result in termination of the Seller/Servicer's access to any or all of Freddie Mac's Systems. In addition, Freddie Mac may take other actions available under the Guide, the Seller/Servicer's other Purchase Documents, any user agreement or law.

## **1401.6: Security standards for Eligible Electronic Transactions engaged in or conducted by the Seller/Servicer's TPPs (05/02/16)**

A Federally Regulated Seller/Servicer, that is expressly approved by Freddie Mac in the Sellers/Service's Purchase Documents to permit the Seller/Service's TPPs to engage in or conduct Eligible Electronic Transactions for or on behalf of the Seller/Service (or in connection with doing business with the Seller/Service) must contractually require its TPPs to comply with the following:

- The Seller/Service must require the TPPs to adopt the minimum security standards (or higher standards) as described in Section 1401.5
- The Seller/Service must require use of the mandatory minimum security standards (or higher standards) in the Seller/Service's written agreements with its TPPs
- The Seller/Service must require its TPPs to initially (and annually thereafter) certify to the Seller/Service that they have adopted and implemented the minimum security standards (or higher standards) before the TPP may conduct any Eligible Electronic Transactions for or on behalf of (or in connection with doing business with) the Seller/Service

The Seller/Service's TPPs' adoption of and compliance with the minimum security standards (or higher standards) in Section 1401.5 will not relieve the Seller/Service from any liability set forth in this chapter; provided, however, requiring the Seller/Service's TPPs to adopt and maintain such minimum security standards (or higher standards) should assist the Seller/Service and its TPPs to manage and mitigate the Seller/Service's and the TPP's security risks. The Seller/Service will be solely responsible for updating and implementing its minimum security standards and assessing whether the Seller/Service should adopt (and require its TPPs to adopt) the security practices recommended by the Seller/Service's federal regulator or even higher minimum security standards.

The Seller/Servicer's failure to require its TPPs to adopt, implement, maintain, administer and update the **required** minimum security standards (or higher standards) may result in termination of the Seller/Servicer's access to any or all of Freddie Mac's Systems and/or applications. In addition, Freddie Mac may take other actions available under the Guide, the Seller/Servicer's other Purchase Documents or law.

## **1401.7: Seller's due diligence requirements for the Seller's Systems used to engage in or conduct Eligible Electronic Transactions (03/02/16)**

The Seller must conduct due diligence reviews on the Seller's Systems before the Seller may engage in or conduct any Eligible Electronic Transactions with Freddie Mac, to confirm that:

- The Seller's Systems are in compliance with the Seller's minimum security standards
- The Seller's Systems create valid, enforceable and effective Records, Electronic Records and Electronic Signatures in compliance with E-SIGN, as applicable
- When conducting Electronic Transactions in connection with Borrowers (consumers) the Seller's Systems electronically create and permit Borrowers (consumers) to electronically sign an Electronic Transaction "consumer consent" and provide the Borrower (consumer) with the Electronic Transaction disclosures, in compliance with E-SIGN
- The Seller's Systems comply with all State and federal laws

The Seller's confirmation process would include having the Seller's Systems reviewed by internal or external computer technology and security experts and legal experts.

## **1401.8: Seller's due diligence requirements for TPP's Systems used for Eligible Electronic Transactions (03/02/16)**

The Seller must confirm that its TPPs have conducted due diligence reviews of the Systems the TPPs intend to use before the Seller may permit its TPPs to Conduct Eligible Electronic Transactions for, or on behalf of, the Seller (or in connection with doing business with the Seller).

The Seller must use its reasonable and prudent judgment in determining whether its TPPs have conducted sufficient and appropriate due diligence on the TPP's Systems. The TPPs must conduct the same level of due diligence required of the Seller in Section 1401.7. The Seller will be held responsible for the acts, errors and omissions of its TPPs and the TPPs' Systems.

## **1401.9: Electronic Signatures (03/02/16)**

Unless otherwise provided in the Guide or Seller/Servicer's other Purchase Documents, an Electronic Signature includes, but is not limited to, an Electronic copy or representation of a written signature or other Electronic signing process (permitted or required by Freddie Mac) that is attached to or logically associated with a paper Record or Electronic Record. An Electronic Record includes, but is not limited to:

- A facsimile ("fax") machine copy of a paper Record
- A fax machine copy of an Electronic Record
- An e-mail
- An e-mail with Electronic Record(s) attached
- A scanned copy of a paper Record or Electronic Record
- A paper Record converted into an Electronic Record
- Electronic information communicated or transmitted using Electronic means permitted or required by Freddie Mac

## **1401.10: Additional requirements for Initial Loan Documents and Closing Documents (03/02/16)**

Sections 1401.10 through 1401.16 provide requirements specifically related to Initial Loan Documents and Closing Documents. The Seller must comply with these requirements in addition to compliance with all other sections in Chapter 1401.

## **1401.11: Eligible Electronic Initial Loan Documents and Electronic Closing Documents – Retail Mortgages (06/12/19)**

A Federally Regulated Seller may sell Retail Mortgages to Freddie Mac which are originated using Electronic Initial Loan Documents and closed using Electronic Closing Documents, excluding Mortgages with Electronic Notes (eNotes), set forth in Exhibit 7, provided that the Seller:

- Is and remains at all times, a Federally Regulated Seller

- Adopts, implements, manages, maintains, administers and updates minimum security standards for its Systems
- Adopts, implements, manages, maintains and administers an initial (and annually thereafter) due diligence and certification process, to certify that the Seller's System complies with the Seller's minimum security standards and E-SIGN and/or the UETA, as applicable
- Maintains Records of its initial and annual due diligence and certification process so that such information may be reviewed by Freddie Mac at any time
- Represents and warrants to, and covenants with, Freddie Mac that each Electronic Initial Loan Document and Electronic Closing Document the Seller creates and uses in the origination and closing processes, (i) complies with all applicable federal and/or State laws and regulations and (ii) is valid, enforceable and effective in accordance with the terms therein
- Stores all such Electronic Initial Loan Documents and Electronic Closing Documents in accordance with the requirements of the Guide and, if Servicing is transferred, the Seller must securely transfer all such Electronic Initial Loan Documents and Electronic Closing Documents to the new Servicer

## **1401.12: Eligible Electronic Initial Loan Documents and Electronic Closing Documents – Wholesale Home Mortgages (06/12/19)**

A Federally Regulated Seller that has been expressly approved by Freddie Mac to sell Wholesale Home Mortgages to Freddie Mac in the Seller's Purchase Documents may permit its Correspondents and/or Mortgage Brokers to create and use Electronic Initial Loan Documents and Electronic Closing Documents, as set forth in Exhibit 7, provided that the Seller:

- Is and remains, at all times, a Federally Regulated Seller
- Requires the Correspondents and/or Mortgage Brokers to adopt, implement, maintain and administer the Seller's minimum security standards as set forth in Section 1401.5
- Requires its Correspondents and/or Mortgage Brokers to initially (and annually thereafter) certify to the Seller that the Correspondents and Mortgage Brokers Systems comply with the Seller's minimum security standards and E-SIGN and/or the UETA, as applicable
- Obtains an annual certification from each Correspondent and/or Mortgage Broker, duly signed by a Vice President or higher ranking officer (or their equivalent), that certifies that the Systems that the Correspondents and/or Mortgage Brokers use comply with the Seller's minimum security standards and E-SIGN and/or the UETA, as applicable

- Requires its Correspondents and/or Mortgage Brokers to maintain Records of its initial and annual due diligence and certification processes so that such information may be reviewed by the Seller (or Freddie Mac) at any time
- Requires its Correspondents and Mortgage Brokers to represent and warrant to, and covenant with, the Seller that each Electronic Initial Loan Document and Electronic Closing Document that the Correspondent and/or Mortgage Broker creates and uses in the loan origination and/or closing processes: (i) complies with all applicable federal and/or State laws and regulations and (ii) is valid, enforceable and effective in accordance with the terms therein
- Represents and warrants to, and covenants with, Freddie Mac that each Electronic Initial Loan Document and Electronic Closing Document that the Correspondent and/or Mortgage Broker creates and uses in the loan origination and/or closing processes: (i) complies with all applicable federal and/or State laws and regulations and (ii) is valid, enforceable and effective in accordance with the terms therein
- Requires its Correspondents and/or Mortgage Brokers to transfer such Electronic Initial Loan Documents and Electronic Closing Documents to the Seller and the Seller must receive and store all such Electronic Initial Loan Documents and Electronic Closing Documents in accordance with the requirements of the Guide and, if Servicing is transferred, the Seller must transfer such Electronic Initial Loan Documents and Electronic Closing Documents to the new Servicer

## **1401.13: Electronic real estate purchase and sale agreements (03/02/16)**

### **(a) Local customary real estate broker contracts**

A local customary real estate broker purchase and sale agreement (“Contract”), used in the ordinary course of the residential real estate business in a State (excluding contracts for the purchase and sale of residential REO and short sales) delivered to the Seller as a paper copy of a Record or as an Electronic Record, which has been signed by the buyer and/or the seller of real estate using a copy or representation of their respective written signature or an Electronic Signature, which is attached thereto or logically associated therewith, is acceptable in lieu of obtaining an original paper Contract or copy of an original paper Contract signed with a pen and ink signature, provided that:

- The Electronic Contract process is managed by a licensed real estate broker
- The Electronic Contract otherwise complies with all of Freddie Mac’s requirements
- The Electronic Contract is true, complete, accurate and duly signed by the parties

- Any affidavits or other notarized documents associated with such Electronic Contract must be original paper documents signed with pen and ink signatures and must be notarized and stamped with a traditional notary seal, if applicable

#### **(b) REO Contracts**

An Electronic REO Contract, for the purchase and sale of residential real estate, signed by Freddie Mac (or its designee) as the seller of the REO and/or the buyer of the REO using an Electronic Signature is acceptable in lieu of obtaining an original signed paper Contract or copy of an original paper Contract signed with a pen and ink signature, provided that:

- The Electronic Contract process is managed by a licensed real estate broker
- The Electronic Contract otherwise complies with all of Freddie Mac's requirements
- The Electronic Contract is true, complete, accurate and duly signed by the parties
- Any required affidavits or other notarized documents associated with such Electronic Contract must be original paper documents signed with pen and ink signatures and must be notarized and stamped with a traditional notary seal, if applicable

#### **(c) Short sale Contracts**

Short sale Contracts, for the purchase and sale of residential real estate, signed by the seller and/or the buyer of the real estate using Electronic Signatures is acceptable in lieu of a paper original or copy of a paper original Contract signed with a pen and ink signature, provided that:

- The Electronic Contract process is managed by a licensed real estate broker
- The Electronic Contract otherwise complies with all other Freddie Mac requirements
- The Electronic Contract is true, complete, accurate and duly signed by the parties
- Any required Short sale affidavits or other notarized documents associated with such Short sale Contract, must be original paper documents signed with pen and ink signatures and must be notarized and stamped with a traditional notary seal, if applicable

## **1401.14: Electronic Recording of paper Closing Documents and post-closing documents (08/14/19)**

### **(a) Eligibility of Electronic recording of paper Closing Documents and post-closing documents**



Mortgages that (i) have “paper closing documents”, such as Security Instruments and other paper closing documents and “paper post-closing documents”, such as assignments of Mortgages and modification agreements (collectively, “Original Paper Document(s)” or “OPD(s)”) and (ii) that have been electronically recorded in the applicable local government land records recorder’s offices (“Recorder’s Office(s)”) in accordance with applicable law, are eligible for delivery and Servicing by the Seller/Servicer, provided that:

- Such Mortgages were originated in States that permit Recorder’s Office(s) to
  - ❑ Provide Seller/Servicers with Electronic delivery access to the Recorder’s Office(s) to electronically record OPD(s)
  - ❑ Return to Seller/Servicers, after recording, either Electronic or paper copies of the electronically recorded OPDs, with recording information therein and/or another form of Recorder’s Office(s) Electronic recording confirmation (“Recording Confirmation(s)”), with recording information therein
- The Seller/Servicer agrees that it will promptly obtain, at the Seller/Servicer’s expense, Recorder’s Office(s) certified copies (paper or Electronic) of any electronically recorded OPD(s) whenever:
  - ❑ Necessary for the Servicing of such Mortgages and/or
  - ❑ Required by Freddie Mac, in its sole discretion
- The Seller/Servicer agrees that, as a Transferor Servicer, it will inform any prospective Transferee Servicer that certain Mortgages have OPD(s) that are Mortgage file documents that:
  - ❑ Are stored electronically in the Seller/Servicer’s eStorage System (as defined in Section 1402.2) and
  - ❑ Would be electronically transferred to the Transferee Servicer’s eStorage System, if applicable, as part of any Transfer of Servicing, subject to the requirements in Section 7101.8(a)(i) under which the Transferor Servicer may be required to convert the documents and records to the form of storage utilized by the Transferee Servicer or generate paper copies of all documents and records for the Transferee Servicer
- The promissory notes and any related modification agreements for all such Mortgages are original paper instruments that have been duly executed by Borrowers in pen and ink, with the related promissory notes duly endorsed in blank by the Seller/Servicer and the promissory notes and any related modification agreements delivered to the Document Custodian or Designated Custodian (“Custodian”), as applicable
- The title insurers that issued title insurance policies for such Mortgages have not made any exceptions in the final title insurance policies with respect to the fact that the Security

Instrument and/or any other OPD(s) were electronically delivered to and electronically recorded by the Recorder's Office(s)

- The Seller/Servicer represents and warrants to, and covenants with, Freddie Mac that:
  - The Electronic recording and Electronic storage of Electronic copies of the OPD(s) will not in any way adversely affect the validity, enforceability or effectiveness of the OPD(s)
  - The Electronic copies of the electronically recorded OPD(s) comply with all applicable laws, including, without limitation, E-SIGN and/or the UETA
  - All OPD(s) that have been electronically recorded have:
    - Created valid First Liens on the applicable Mortgaged Premises
    - Been copied as Electronic Records and the Seller/Servicer has securely stored, protected and maintained such Electronic Records, with recording information therein, in the Seller/Servicer's eStorage System, and
    - Been delivered to the Custodian, as OPDs together with paper copies of electronically recorded OPD(s) with recording information therein, as applicable
- The Seller/Servicer acknowledges and agrees that this Section 1401.14 applies to:
  - Mortgages sold to Freddie Mac in which there are paper closing documents and/or paper post-closing documents that have been electronically recorded and
  - Mortgages serviced for Freddie Mac in which there are paper closing documents and/or paper post-closing documents that have been electronically recorded

**(b) Delivery and storage requirements**

The Seller/Servicer must securely store and protect all Electronic copies of electronically recorded OPD(s) with recording information therein or Recording Confirmation(s) with recording information therein in the Seller/Servicer's eStorage System and maintain the validity, effectiveness and enforceability of such Electronic Mortgage file documents for the life of each Mortgage plus seven years.

The Seller/Servicer must comply with the following delivery and storage requirements for electronically recorded OPD(s):

If the Seller/Servicer receives back from the Recorder's Office(s)...	Then the Seller/Servicer must...
1. Paper copies of the electronically recorded	(a) If, under the Guide, the OPD(s) must

<p>OPD(s), with recording information therein</p>	<p>be delivered to the Custodian, deliver such OPD(s) and paper copies of such electronically recorded OPD(s), with recording information therein, to the Custodian, and</p> <p>(b) Store and maintain Electronic copies of the electronically recorded OPD(s), with recording information therein, in the Seller/Servicer's eStorage System for the life of each of the Mortgages plus seven years</p>
<p>2. Paper copies of the Recording Confirmation(s) with recording information therein</p>	<p>(a) If, under the Guide, the OPD(s) must be delivered to the Custodian, deliver such OPD(s) and paper copies of the corresponding Recording Confirmations, with recording information therein, to the Custodian, and</p> <p>(b) Store and maintain Electronic copies of the OPD(s) and the Electronic copies of the corresponding Recording Confirmations, with recording information therein, in the Seller/Servicer's eStorage System for the life of each of the Mortgages plus seven years</p>
<p>3. Electronic copies of the electronically recorded OPD(s), with recording information therein</p>	<p>(a) If, under the Guide, the OPD(s) must be delivered to the Custodian, deliver such OPD(s) and paper copies of such electronically recorded OPD(s), with recording information therein, to the Custodian, and</p> <p>(b) Store and maintain Electronic copies of the electronically recorded OPD(s), with recording information therein, in the Seller/Servicer's eStorage System for the life of each of the Mortgages plus seven years</p>
<p>4. Electronic copies of the Recording Confirmation(s), with recording information therein</p>	<p>(a) If, under the Guide, the OPD(s) must be delivered to the Custodian, deliver such OPD(s) and paper copies of the corresponding Recording</p>

	<p>Confirmations, with recording information therein, to the Custodian, and</p> <p>(b) Store and maintain Electronic copies of the OPD(s) and Electronic copies of the corresponding Recording Confirmations, with recording information therein, in the Seller/Servicer's eStorage System for the life of each of the Mortgages plus seven years</p>
<b>If the OPD(s) include duly-executed...</b>	<b>Then the Seller/Servicer must...</b>
<p>1. Paper assignments of Mortgages that have been electronically recorded</p>	<p>(a) Deliver the original paper assignments of Mortgages and paper copies of such electronically recorded assignments of Mortgages (or a paper copy of the corresponding Recording Confirmation), with the recording information therein, to the Custodian, and</p> <p>(b) Store and maintain Electronic copies of the electronically recorded assignments of Mortgages (or Electronic copies of the assignments of Mortgages and Electronic copies of the corresponding Recording Confirmations), with recording information therein, in the Seller/Servicer's eStorage System for the life of each of the Mortgages plus seven years</p>
<p>2. Paper modification agreement(s) that have been electronically recorded</p>	<p>(a) Deliver the original paper modification agreement(s) and paper copies of such electronically recorded modification agreement(s) (or a paper copy of the corresponding Recording Confirmation), with the recording information therein, to the Custodian, and</p> <p>(b) Store and maintain Electronic copies of the electronically recorded modification agreement(s) (or</p>

	Electronic copies of the modification agreement(s) and Electronic copies of the corresponding Recording Confirmations), with recording information therein, in the Seller/Servicer's eStorage System for the life of each of the Mortgages plus seven years
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## 1401.15: Electronic Recording of Electronic Closing Documents (08/14/19)

### (a) Eligibility of Electronic recording of Electronic closing documents

Mortgages that have (i) “electronically created closing documents,” such as Security Instruments and other electronically created closing document(s) and “electronically created post-closing documents”, such as assignments of Mortgages and **eModification Agreements** (collectively, “Electronically Created Document(s)” or “ECD(s)”), and (ii) have been electronically recorded in the applicable local government land records recorder’s offices (“Recorder’s Office(s)”) in accordance with applicable law, are eligible for delivery and Servicing by the Seller/Servicer, provided that:

- Such Mortgages were originated in States that permit Recorder’s Office(s) to:
  - Provide Seller/Servicers with Electronic delivery access to the Recorder’s Office(s) to electronically record ECD(s), and
  - Return to Seller/Servicers Electronic or paper copies of:
    - The electronically recorded ECDs, with recording information therein, and/or
    - Other form of Recorder's Office(s) Electronic recording confirmations (“Recording Confirmation(s)”) with recording information therein
- The Seller/Servicer represents and warrants to, and covenants with, Freddie Mac that:
  - The Electronic recording and Electronic storage of Electronic copies of the electronically recorded ECD(s) will not in any way adversely affect the validity, enforceability and effectiveness of the ECD(s)
  - Each electronically created Security Instrument and each **eModification Agreement** has been duly electronically recorded and creates a valid, effective and enforceable First Lien on each applicable Mortgaged Premises

- Each eModification Agreement complies with the applicable requirements of Chapters 1402, 8406 and 9206
- All other ECD(s) have been duly electronically recorded, as required, and are valid, effective and enforceable
- That all ECD(s) that are Mortgage file documents are securely stored, protected and maintained with recording information therein in the Seller/Servicer's eStorage System (as defined in Section 1402.2)
- ECD(s) that are custodial file documents have been copied on paper and the paper copies with recording information therein have been delivered to the Document Custodian or Designated Custodian ("Custodian"), as applicable, and
- The Electronic copies of the electronically recorded ECD(s) comply with all applicable laws including, but not limited to, E-SIGN and/or UETA
- The Seller/Servicer will promptly obtain, at the Seller/Servicer's expense, Recorder's Office(s) certified copies (paper or Electronic) of Security Instruments and other electronically recorded ECD(s) whenever:
  - Necessary for the Servicing of such Mortgages and/or
  - Required by Freddie Mac, in its sole discretion
- The Seller/Servicer agrees that, as Transferor Servicer, it will inform any prospective Transferee Servicer that certain Mortgages have ECD(s) that are Mortgage file documents that:
  - Are stored electronically in the Seller/Servicer's eStorage System and
  - Would be electronically transferred to the Transferee Servicer's eStorage System, if applicable, as part of any Transfer of Servicing, subject to the requirements in Section 7101.8(a)(i) under which the Transferor Servicer may be required to convert the documents and records to the form of storage utilized by the Transferee Servicer or generate paper copies of all documents and records for the Transferee Servicer
- The promissory notes for all such Mortgages are original paper instruments that have been signed by Borrowers in pen and ink, duly endorsed in blank by the Seller/Servicer and delivered to the Custodian, as applicable
- The title insurers that issued title insurance policies for such Mortgages have not made any exceptions in the final title insurance policies with respect to fact that the Electronic

Security Instruments or other ECD(s) have been electronically delivered to and electronically recorded by the Recorder's Office(s)

- The Seller/Servicer acknowledges and agrees that this Section 1401.15 applies to Mortgages
  - ❑ Sold to Freddie Mac in which there are electronically created closing documents and/or post-closing documents that have been electronically recorded and
  - ❑ Serviced for Freddie Mac in which there are electronically created closing documents and/or post-closing documents that have been electronically recorded

**(b) Storage and delivery requirements**

The Seller/Servicer must securely store and protect all ECD(s) and Electronic copies of electronically recorded ECD(s) with the recording information therein or Recording Confirmation(s) with the recording information therein in the Seller/Servicer's eStorage System and maintain the validity, effectiveness and enforceability of such Electronic Mortgage file documents for the life of each such Mortgage plus seven years.

The Seller/Servicer must comply with the following delivery and storage requirements for electronically recorded ECD(s):

<b>If the Seller/Servicer receives back from the Recorder's Office(s)...</b>	<b>Then the Seller/Servicer...</b>
1. Paper copies of the electronically recorded ECD(s) with recording information therein.	(a) Deliver paper copies of the electronically recorded ECD(s), with recording information therein, to the Custodian, and  (b) Store and maintain Electronic copies of the electronically recorded ECD(s), with recording information therein, in the Seller/Servicer's eStorage System for the life of each of the Mortgages plus seven years
2. Electronic copies of the electronically recorded ECD(s) with recording information therein	(a) Deliver paper copies of the electronically recorded ECD(s), with recording information therein, to the Custodian, and  (b) Store and maintain Electronic copies of the electronically recorded ECD(s), with recording information therein, in the Seller/Servicer's eStorage System

	for the life of each of the Mortgages plus seven years
3. Paper copies of the Recording Confirmations, with recording information therein.	<p>(a) Deliver paper copies of the ECD(s) and paper copies of the corresponding Recording Confirmations, with recording information therein, to the Custodian, and</p> <p>(b) Store and maintain Electronic copies of the ECD(s) and Electronic copies of the corresponding Recording Confirmations, with recording information therein, in the Seller/Servicer's eStorage System for the life of each of the Mortgages plus seven years</p>
4. Electronic copies of the Recording Confirmation(s), with recording information therein.	<p>(a) Deliver paper copies of the ECD(s) and the paper copies of the corresponding Recording Confirmation(s), with recording information therein, to the Custodian, and</p> <p>(b) Store and maintain Electronic copies of the ECD(s) and Electronic copies of the corresponding Recording Confirmation(s), with recording information therein, in the Seller/Servicer's eStorage System for the life of each of the Mortgages plus seven years</p>



If the ECD(s) include...	Then the Seller/Servicer must...
<p>1. Electronic assignments of Mortgages that were electronically created, executed, notarized and witnessed (as required)</p>	<p>(a) Deliver paper copies of the electronically recorded assignments of Mortgages (or a paper copy of the assignments of Mortgages and related Recording Confirmations), with the recording information therein, to the Custodian, and</p> <p>(b) Store and maintain Electronic copies of the electronically recorded assignments of Mortgages (or an Electronic copy of the assignments of Mortgage and related Recording Confirmations), with recording information therein, in the Seller/Servicer's eStorage System for the life of each of the Mortgages plus seven years</p>
<p>2. eModification Agreements that were electronically created, executed, notarized and witnessed (as required) and electronically recorded as permitted under, and in accordance with the applicable requirements of, Chapters 1402, 8406 and 9206</p>	<p>(a) Deliver paper copies of the electronically recorded modification agreement(s) (or a paper copy of the eModification Agreement(s) and related Recording Confirmations), with the recording information therein, to the Custodian, and</p> <p>(b) Store and maintain Electronic copies of the electronically recorded modification agreement(s) (or an Electronic copy of the eModification Agreement(s) and related Recording Confirmations), with recording information therein, in Seller/Servicer's eStorage System for the life of each of the Mortgages plus seven years</p>
<p>3. eModification Agreement(s) that were electronically created, executed, notarized and witnessed (as required), and not electronically recorded as permitted under, and in accordance with the applicable requirements of, Chapters 1402, 8406 and 9206</p>	<p>(a) Deliver paper copies of the eModification Agreement(s) to the Custodian</p> <p>(b) Store Electronic copies of the eModification Agreement(s) in the Seller/Servicer's eStorage System for the life of each such Mortgage plus seven years</p>

## **1401.16: Electronically Notarized Electronic Closing Documents (06/12/19)**

Mortgages in which Electronic Notarization was used in connection with the Electronic Security Instrument or other Electronic Closing Documents, are eligible for purchase by Freddie Mac, provided that:

- The notary public is licensed and domiciled in the State in which the Mortgaged Premises is located and the Electronic Notarization law was enacted
- The title insurer must not make any exceptions in the final title insurance policy, regarding the fact that the Electronic Security Instrument (or any other Electronic Closing Document(s)) was electronically created, executed, witnessed, and if applicable, notarized and recorded
- The Seller represents and warrants to, and covenants with, Freddie Mac that each: (i) Electronic Security Instrument that has been electronically signed, notarized and recorded is a valid, effective and enforceable first lien; and (ii) any other Electronic Closing Document(s) that has been electronically signed, notarized and recorded is a valid, effective and enforceable closing document
- The Seller represents and warrants to, and covenants with, Freddie Mac that each Electronic Security Instrument and any other Electronic Closing Document(s) that has been electronically signed, notarized and electronically recorded complies with the UETA and/or E-SIGN, as applicable

Note: Remote Online Electronic Notarization is not permitted for Texas Equity Section 50(a)(6) Mortgages.

## **1401.17: Electronic Transactions conducted between Servicer and Borrower (08/14/19)**

In lieu of using paper documents, such as Form 710, Mortgage Assistance Application, explanation letters, modification agreements, solicitation letters, evaluation notices and other forms and documents in connection with consideration for a reinstatement, relief or workout option as required in Chapters 9102, 9201, 9203, 9204 and 9206 (documents referred to as “loss mitigation documents”), the Servicer may either:

- Mail, fax or electronically transmit copies of the loss mitigation documents (excluding letters a Borrower must provide) to a Borrower or permit a Borrower to copy, print or download a copy of the loss mitigation documents via a secure Servicer-provided Internet web site and permit the Borrower to complete, sign and fax copies (or e-mail copies) of the signed loss

mitigation documents to the Servicer (Note: Under some State laws, an individual may not be required to transmit his/her Social Security number over an unsecured Electronic channel), or

- Give the Borrower a secure means of access through which a Borrower may prepare and electronically sign loss mitigation documents (including letters a Borrower must provide) and submit them to Servicer.

In the event the Servicer permits Borrowers to provide any of the loss mitigation documents as Electronic Records, the Servicer:

- May create an Electronic substitute for Form 710 and any other required forms, provided that the information requested is the same information requested on Form 710 and the other required forms
- Must comply with all applicable requirements in the Guide and other Purchase Documents including, but not limited to, [Chapters 1401 and 1402 and Section 9206.19](#)
- Must consult with its legal counsel to determine that the Servicer's use of fax and/or other Electronic copies of loss mitigation documents, complies with the requirements of the federal Electronic Signatures in Global and National Commerce Act (E-SIGN) and/or the Uniform Electronic Transaction Act (UETA), as enacted in the jurisdiction in which the property securing each Mortgage is located, as applicable, and all other applicable laws
- Must use security measures, processes and procedures that protect the confidentiality and privacy of the Borrowers' personal and financial information in accordance with all applicable laws, including, without limitation, the Gramm-Leach-Bliley Act and its implementing regulations
- Must securely store and maintain all such Electronic Records for the same period of time as required by the Guide and other applicable Purchase Documents for paper forms and other loss mitigation documents
- Represents and warrants to Freddie Mac that the loss mitigation documents prepared, signed and submitted by a Borrower electronically are authentic and enforceable against the Borrower
- Must provide Borrowers with fax numbers, e-mail addresses, web site addresses and/or other Electronic transmission destinations specifically dedicated to the secure receipt and, if applicable, storage of such Electronic Records

The Servicer acknowledges and agrees that Freddie Mac's above consent to the Servicer's conducting Electronic Transactions with Borrowers is limited to Electronic Transactions and communications between the Servicer and Borrowers in connection with the preparation, execution and submission of loss mitigation documents. The Servicer must continue to provide loss mitigation documents and information to Freddie Mac in the manner required by the Guide and other Purchase Documents. The Servicer may not permit Borrowers to submit any loss

mitigation documents directly to Freddie Mac electronically without Freddie Mac's express written or Electronic consent.

Servicers must obtain a Borrower's express consent in accordance with E-SIGN before permitting a Borrower to use Electronic Records and Electronic Signatures in connection with the execution and/or delivery of any loss mitigation documents, communications or other servicing documents. In addition, Servicers must continue to provide and accept all loss mitigation documents on paper for Borrowers who choose not to use Electronic Records and Electronic Signatures. Under no circumstances may a Borrower be required to use Electronic Records and Electronic Signatures.

In addition, the Servicer acknowledges and agrees that the provisions of section 101 of E-SIGN (which permits the use of Electronic Signatures and Electronic Records) do not apply to any notice of default, acceleration, repossession, foreclosure, or eviction, or the right to cure, under a credit agreement secured by, or a rental agreement for, a primary residence of an individual. Accordingly, all such notices must be in writing and delivered in accordance with otherwise applicable State and/or federal law to Borrowers and all individuals on the title to the Mortgaged Premises.

## **1401.18: Representations, warranties and covenants for Eligible Electronic Transactions engaged in or conducted by the Seller/Servicer with Freddie Mac (03/02/16)**

The Seller/Servicer represents and warrants to, and covenants with, Freddie Mac, that:

- The Seller/Servicer's Systems are compatible with Freddie Mac's Systems and the Seller/Servicer is able to receive, view, retrieve, print, send and store Electronic Records in connection with conducting Eligible Electronic Transactions with Freddie Mac
- The Seller/Servicer's Systems permit the Seller/Servicer to deliver Electronic Records, with or without Electronic Signatures, to Freddie Mac
- Copies of paper Records and Electronic Records, delivered to Freddie Mac have been duly authorized by the Seller/Servicer and are true, complete and correct
- Records delivered to Freddie Mac which have a copy or representation of the Seller/Servicer's representative's written signature or Electronic Signature affixed thereto, attached thereto or logically associated therewith, shall be conclusive verification that the Seller/Servicer: (i) duly authorized the completion, execution and delivery of such Records to Freddie Mac; and (ii) intended to be bound and is bound by the terms and conditions in such Records

- The Seller/Servicer waives any and all defenses, claims, counterclaims and/or assertions that Records delivered to Freddie Mac with the Seller/Servicer's representative's written signature or Electronic Signature affixed thereto, attached thereto or logically associated therewith, was not authorized by the Seller/Servicer
- The Seller/Servicer shall also be bound to such terms and conditions in such Records if Seller/Servicer: (i) performs any of the duties or undertakes any of the obligations set forth in such Records; or (ii) uses any of the services, rights, privileges or benefits made available to the Seller/Servicer in such Records
- If the Seller/Servicer is required or permitted by Freddie Mac to conduct Eligible Electronic Transactions, the Seller/Servicer shall not alter any language, the organization of information or the display of information in any Freddie Mac forms, documents, exhibits, uniform instruments or any other paper Records or Electronic Records used in connection with any such Eligible Electronic Transactions without Freddie Mac's express written consent

## **1401.19: Representations, warranties and covenants for Eligible Electronic Transactions engaged in or conducted by the Seller/Servicer's TPPs (03/02/16)**

The Seller/Servicer represents and warrants to, and covenants with, Freddie Mac that:

- Each TPP's Systems are compatible with the Seller/Servicer's Systems
- Each TPP's Systems are able to readily print, store, send, receive, store and retrieve Electronic Records or Electronic Signatures that may be sent to the Seller/Servicer or received from the Seller/Servicer in connection with conducting Eligible Electronic Transactions
- Records or Electronic Records delivered to the Seller/Servicer by any TPP that contain a copy or representation of the TPP's representative's written signature or Electronic Signature affixed thereto, attached thereto or logically associated therewith, is valid, enforceable, effective and has been duly authorized by the TPP
- Electronic Records delivered to the Seller/Servicer by the Seller/Servicer's TPPs (with or without the Electronic Signatures) are true, correct and complete Electronic Records and the TPPs are bound by the terms and conditions in such Electronic Records
- The Seller/Servicer waives any and all defenses, claims, counterclaims and/or assertions that any Electronic Records delivered to the Seller/Servicer by the TPPs (with or without Electronic Signatures) were not authorized by the TPPs

## 1401.20: Indemnification (03/02/16)

With respect to all Electronic Transactions engaged in or conducted by the Seller/Serviceicer with Freddie Mac or all Electronic Transactions conducted by the TPPs with the Seller/Serviceicer, the Seller/Serviceicer agrees to indemnify, defend and hold Freddie Mac and Freddie Mac's technology provider(s) harmless from and against any and all losses, costs, claims, actions, damages including, but not limited to, indirect, incidental, special or consequential damages, whether foreseeable or not, liabilities, judgments, legal fees, counterclaims or defenses that Freddie Mac or Freddie Mac's technology provider(s) become subject to or incur as a result of any challenge, dispute or lawsuit relating to:

- The loss, theft, unauthorized or improper disclosure or use of Confidential Means of Access to Freddie Mac's Systems caused by the errors, omissions or negligence of the Seller/Serviceicer or its TPPs
- The destruction, corruption, malfunction or appropriation of, or damage or change to any part of Freddie Mac's Systems, Electronic Records, Electronic Signatures or data (e.g., financial information, proprietary information, confidential information or personal private information) stored in Freddie Mac's Systems, caused by the Seller/Serviceicer's or the Seller/Serviceicer's TPPs' errors, omissions or negligence
- The Seller/Serviceicer's or the Seller/Serviceicer's TPPs' failure to adopt, maintain and administer minimum security standards to safeguard and protect Freddie Mac's Systems from unauthorized persons, malicious software or other harmful computer information, commands, codes or programs
- The Seller/Serviceicer's or the Seller/Serviceicer's TPPs' claim or defense that certain Electronic Transactions conducted by the Seller/Serviceicer or the Seller/Serviceicer's TPP were not authorized by the Seller/Serviceicer, the Seller/Serviceicer's TPPs or any other party, or that certain Records or Electronic Records (with or without Electronic Signatures) delivered to Freddie Mac were not authorized by the Seller/Serviceicer or the Seller/Serviceicer's TPPs or any other party
- The Seller/Serviceicer's or any of the Seller/Serviceicer's TPPs' signature, Electronic Signature, Record or Electronic Record is (or are) Electronic
- The Seller/Serviceicer's repudiation of:
  - The Seller/Serviceicer's signature or Electronic Signature affixed to, attached to or logically associated with a Record or Electronic Record (or copy thereof) delivered to Freddie Mac, or
  - A copy or representation of the Seller/Serviceicer's representative's signature or Electronic Signature affixed to, attached to or logically associated with a Record or Electronic Record that has been sent to Freddie Mac by the Seller/Serviceicer using a fax machine,

functionality, and any additional terms and conditions contained within Loan Selling Advisor, will apply to the sale of Mortgages for cash.

### **(b) Guarantor and MultiLender Swap contracts**

If the Seller is eligible to sell Mortgage Products under the Guarantor or MultiLender Swap programs, the Seller may sell those Mortgage Products to Freddie Mac as set forth in Section 6201.1 under the Guarantor program and, subject to the terms of the Purchase Documents, the MultiLender Swap program in exchange for:

- UMBS™
- MBS
- Supers™
- WAC ARM PCs

## **1501.5: Credit toward a Commitment Amount or any dollar amount stated in a Master Agreement (07/12/17)**

The aggregate UPB of Mortgages purchased pursuant to Purchase Contracts taken out under the Guarantor or MultiLender Swap programs will be credited to the Commitment Amount and, if applicable, to any amount stated in the Seller's Master Agreement. Such Purchase Contracts will be so credited until the earliest occurrence of one of the following:

- Freddie Mac has purchased Mortgages with an aggregate UPB equal to:
  - The Commitment Amount, including the allowable purchase tolerance; or
  - Any dollar amount stated in the Seller's Master Agreement, or
- The Pricing Identifier Expiration Date

Unless the Pricing Identifier Terms provide otherwise, cash purchases are eligible to fulfill the Commitment Amount. At the Seller's request, the aggregate UPB of Mortgages specified in any Cash Purchase Contract may be credited to the Seller's outstanding Commitment Amounts. For any Seller that concurrently has two or more Pricing Identifiers outstanding, the allocation of cash contracts will be made to the Pricing Identifier specified when entering into the cash contract.

## **1501.6: Contract tolerances, pairoffs (07/12/17)**

Purchase tolerances for Commitment Amounts are stated in the Pricing Identifier Terms.

In the event the Seller delivers Mortgages with an aggregate UPB greater than the Commitment Amount plus the purchase tolerance set forth in the Pricing Identifier Terms, Freddie Mac reserves the right to charge a fee if it agrees to accept the delivery.

A Cash Purchase Contract is subject to:

- The purchase tolerances applicable to Cash Purchase Contracts for fixed-rate Mortgages and ARMs and
- Payoff fees as set forth in Section 6401.1

The Seller may pair off a mandatory Commitment Amount in accordance with the procedures set forth in Section 6401.1. Any payoff fees assessed for failure to fulfill a mandatory Commitment Amount shall be in addition to the payoff fees assessed for failure to satisfy the mandatory delivery requirements for fixed-rate Mortgages or for ARMs delivered under Cash Purchase Contracts.

## **1501.7: Remittance cycles (05/01/19)**

Effective May 1, 2019, this section is deleted.

## **1501.8: Revocation of Master Agreement and/or other Pricing Identifier Terms (07/12/17)**

The terms, provisions and any waivers of Guide requirements set forth in the Master Agreement and/or other Pricing Identifier Terms are expressly conditional upon:

- Compliance by the Seller with the terms and conditions set forth in the Master Agreement and/or other Pricing Identifier Terms, the Guide and the other Purchase Documents, and
- The truth and accuracy of the representations and warranties made by the Seller under the Purchase Documents

In the event of a breach by the Seller of any of the Purchase Document terms and conditions or in the event any representation or warranty proves to have been untrue at the time made, Freddie Mac may immediately revoke the Master Agreement and/or other Pricing Identifier Terms in whole or in part for future deliveries.



# Chapter 2101: Seller/Servicer Institutional Eligibility

## 2101.1: Eligibility criteria (06/12/19)

An institution must be approved by Freddie Mac as a Seller/Servicer before it can sell Mortgages to and/or service Mortgages for Freddie Mac. Once approved, the Seller/Servicer must comply with all the applicable requirements in the Purchase Documents, including the requirements in this chapter.

A Seller/Servicer must be separately and specifically approved before it can sell eMortgages to and/or service eMortgages for Freddie Mac (see Sections 1402.3 and 1402.9).

The Seller/Servicer warrants that at all times it shall:

- Be a viable organization and, as applicable, able effectively to:
  - Originate or otherwise acquire Mortgages acceptable for sale to Freddie Mac and/or
  - Service Mortgages in a manner acceptable to Freddie Mac
- Maintain an Acceptable Net Worth (see Section 2101.2)
- Comply with any additional requirements, as deemed appropriate by Freddie Mac in its sole discretion. Freddie Mac will provide Seller/Servicer with notice of any additional requirements
- Provide audited or Reviewed Financial Statements, as may be required by Freddie Mac, at the time of approval and otherwise as may be required by Freddie Mac, including audited or Reviewed Financial Statements for the Seller/Servicer's parent, subsidiaries, and affiliates
- Maintain fidelity and errors and omissions insurance coverages as set forth in Sections 2101.6 through 2101.9
- Maintain a quality control program that is acceptable to Freddie Mac (see Chapter 3402), and
- Be able to demonstrate to Freddie Mac's satisfaction, that it has sufficient capitalization, profitability, liquidity and funding sources to support its ongoing operations and its commitments to Freddie Mac
- Comply with the information security and business continuity planning requirements in Chapter 1302

Freddie Mac's determinations regarding Seller/Servicer's compliance with the warranties listed above shall be conclusive and in Freddie Mac's sole discretion.

## **2101.2: Acceptable Net Worth and other financial requirements (03/02/16)**

### **(a) Defined terms**

Seller/Servicers should be familiar with the following terms used in this section as they relate to financial requirements:

- **Agency Mortgage Servicing:** The aggregate UPB of all Mortgages secured by 1- to 4-unit residential properties serviced for Freddie Mac, Fannie Mae and Ginnie Mae (a quarterly Chief Financial Officer certification of this information will be required). The UPB of any Mortgages for which a Servicer is engaged by another entity to service those Mortgages as a subservicer will be excluded.
- **Tangible Net Worth:** Total equity less receivables due from related entities, less goodwill and other intangible assets, less carrying value of pledged assets net of associated liabilities
- **Liquidity:** Cash and cash equivalents (unrestricted), certain investment grade securities that are available for sale or held for trade (including single-family mortgage-backed securities backed solely by Agency Mortgage Servicing, obligations of Government Sponsored Enterprises, and Treasury obligations), unused/available portion of committed Servicing advance lines (a quarterly Chief Financial Officer certification of this information will be required)

### **(b) Seller/Servicers that are depository institutions**

Seller/Servicers that are depository institutions must at all times maintain an Acceptable Net Worth of \$2,500,000 plus a dollar amount equivalent to 25 basis points of the Seller/Servicer's UPB of all Mortgages secured by 1- to 4-unit residential properties that it services directly, regardless of whether the Mortgages are owned by the Servicer or by a third-party investor. Freddie Mac will exclude from the Acceptable Net Worth calculation the UPB of any Mortgages for which a Servicer is engaged by another entity to service those Mortgages as a subservicer. Seller/Servicers that are depository institutions must maintain compliance with their applicable capital and liquidity requirements imposed by their regulators.

### **(c) Seller/Servicers that are not depository institutions**

Seller/Servicers that are not depository institutions must at all times maintain the Acceptable Net Worth requirements applicable to depository institutions above, and must also maintain a:

- Tangible Net Worth/total assets ratio greater than or equal to 6%, and
- Liquidity equal to or exceeding 3.5 basis points times Agency Mortgage Servicing plus 200 basis points times the sum of nonperforming (90 or more days delinquent) Agency Mortgage Servicing that exceed 6% of Agency Mortgage Servicing

**(d) Additional requirements**

Notwithstanding the above, Freddie Mac may, as it deems appropriate and in its sole discretion:

- Modify a Seller/Servicer's Acceptable Net Worth requirement
- Impose limitations, restrictions or qualifications on the sale of Mortgages to, or the Servicing of Mortgages for Freddie Mac by any Seller/Servicer, and
- Impose additional financial requirements on any Seller/Servicer, including, but not limited to, requirements relating to liquidity and profitability, regardless of the Seller/Servicer's Acceptable Net Worth

Freddie Mac will provide the Seller/Servicer with notice of any modification to the Seller/Servicer's Acceptable Net Worth or other financial requirements, any additional requirements, and any limitations, restrictions or qualifications on the sale of Mortgages or Servicing of Mortgages.

## **2101.3: Activity thresholds and no-activity fee (03/02/16)**

Beginning January 1, 2014, a Seller/Servicer that does not meet certain activity thresholds will be assessed a no-activity fee in the amount of \$7,500.

To avoid being assessed the no-activity fee, Seller/Servicers must meet at least one of the following activity thresholds:

- Sell to Freddie Mac during the immediately preceding 36 months, or
- Service, or be a Servicing Agent for, a Mortgage portfolio for Freddie Mac as of December 31 of the immediately preceding calendar year

New Seller/Servicers are exempt from the fee until they have been approved by Freddie Mac for three years.

The no-activity fee will also be assessed for each subsequent calendar year in which the Seller/Servicer does not meet the activity threshold but remains an approved Freddie Mac Seller/Servicer. The fee will be assessed and paid in accordance with the requirements of Chapter 6303.

## **2101.4: Financial reporting (03/02/16)**

The Seller/Servicer must at all times comply with the following reporting requirements:

- Each Seller/Servicer must submit annual audited financial statements to Freddie Mac, except that:
  - A federally insured depository institution need not submit such statements, and
  - A Seller/Servicer that is approved only to sell Mortgages to Freddie Mac may submit Reviewed Financial Statements
- Each Seller/Servicer that is a subsidiary of another institution and that is required to submit audited financial statements (as noted above) may submit audited financial statements prepared at the Seller/Servicer level or at its parent level, with a consolidating worksheet
- An annual audited report on internal controls is required only if audited financial statements are required by Freddie Mac. This internal control report should be a separate report stating whether the independent public accountant (IPA) noted any material weaknesses during the audit of the financial statements. The report should be prepared in accordance with Interpretation 1 of Statement and Auditing Standards (SAS) No. 60, "Communication of Internal Control Structure Related Matters Noted in an Audit," titled, "Reporting on the Existence of Material Weaknesses" (AICPA, Professional Standards, vol. I, AU sec. 9325).

If audited financial statements and internal control reports are required by Freddie Mac, the audited financial statements and internal control reports must be prepared by an IPA who is a licensed certified public accountant (CPA) or a public accountant licensed on or before December 31, 1970, who complies with the applicable provisions of the public accountancy law and rules of the jurisdiction(s) where the audit is conducted and the jurisdiction(s) in which the IPA is licensed.

Freddie Mac reserves the right to require audited financial statements, audited reports on internal controls, additional financial statements and other information relevant to the Seller/Servicer's eligibility, including audited or Reviewed Financial Statements for the Seller/Servicer's parent, subsidiaries and affiliates, at any time and regardless of the Seller/Servicer's annual eligibility reporting requirements.

## **2101.5: Mortgage bankers financial reporting (03/02/16)**

Each Seller/Servicer that is a mortgage banker must submit a complete and accurate Form 1055, Mortgage Bankers' Financial Reporting Form, on a quarterly basis. For reporting purposes, mortgage bankers are firms, other than federally insured depositories, that originate Mortgages for sale in the secondary market and/or service Mortgages. This definition includes Sellers/Servicers that are mortgage banker subsidiaries of federally insured depositories.

Form 1055 must be submitted in accordance with the following requirements:

- For reporting periods ending March 31, June 30 or September 30, Form 1055 must be filed no later than 30 days after the end of the reporting period. For reporting periods ending on December 31, the Form 1055 must be filed no later than 60 days after the end of the reporting period. Mortgage bankers with fiscal years that do not end on December 31 should refer to the instructions that accompany the Form 1055 on the web site noted below before completing the report
- Form 1055 must be completed and submitted on-line at <http://www.mbfrf.org>. You may print the Form 1055 from the web site

Failure to submit a complete and accurate Form 1055 within the prescribed time frame may result in suspension or disqualification of the Seller/Servicer, at Freddie Mac's sole discretion.

## **2101.6: Seller/Servicer insurance requirements (03/02/16)**

### **(a) Coverage levels**

#### **(i) Limits of insurance**

The Seller/Servicer must maintain in effect, at all times and at its expense, a fidelity bond and a mortgagee's errors and omissions (E&O) insurance policy.

If the Seller/Servicer uses its parent's bond or policy, as permitted in Section 2101.6, the minimum limit of insurance must be based on the consolidated base amount for the parent and for all institutions related to the parent that are covered by the parent's bond or policy, as applicable.

Freddie Mac will accept bonds or policies that provide for an aggregate limit of insurance for a bond's or policy's term provided that the aggregate at least equals the minimum limit per loss or occurrence calculated in accordance with this Section 2101.6.

For fidelity bond and E&O insurance, the higher minimum Freddie Mac Multifamily coverage limit applies if:

- The Seller/Servicer is also a Freddie Mac Multifamily Seller/Servicer
- The required fidelity or mortgagee’s E&O coverage is provided under the same insurance contract that covers both Home Mortgages and Multifamily Mortgages and
- The Freddie Mac *Multifamily Seller/Servicer Guide* requires a higher limit of fidelity or mortgagee’s E&O coverage

**(A) Limits of fidelity bond**

The minimum acceptable limits per fidelity loss or occurrence are as follows:

Base*	Minimum required insurance limit
\$100 million or less	\$300,000
\$500 million or less	\$300,000 +0.15% of base over \$100 million
\$1 billion or less	\$300,000 +0.15% of \$400 million (i.e., \$600,000) +0.125% of base over \$500 million
Over \$1 billion	\$300,000 +0.15% of \$400 million (i.e., \$600,000) +0.125% of \$500 million (i.e., \$625,000) +0.1% of base over \$1 billion

\* Base = The highest of total annual Home Mortgage and Multifamily Mortgage origination, sale or servicing volume including Home Mortgages and Multifamily Mortgages held in portfolio and those sold to or serviced for others.

**(B) Limits of E&O insurance**

Mortgagee’s E&O coverage must be maintained at a minimum limit equal to the higher of (i) \$300,000 or (ii) 20% of the fidelity coverage required in the table above. If the base consists of Home Mortgages only, the limit of mortgagee’s E&O insurance may be capped at \$10 million.

For mortgagee’s E&O insurance, Freddie Mac will accept policies providing coverage per Mortgage if the insurance limit per Mortgage is no less than the UPB of

the largest Mortgage originated and/or sold by the Seller or serviced by the Servicer, whichever is highest.

For mortgagee’s E&O insurance, Freddie Mac will accept a policy that provides lower limits of insurance for losses other than those caused by lack or insufficiency of property insurance on Mortgaged Premises, if any such lower limit of insurance is the maximum liability that the insurer will assume for similar losses by institutions similar to the Seller/Servicer.

Examples of calculations of the required minimum insurance limits are as follows:

<b>Base</b>	<b>Calculation</b>	<b>Minimum required insurance limit for fidelity bond</b>
\$90 million	not applicable	\$300,000*
\$400 million	\$300,000 +0.15% of \$300 million \$750,000	\$750,000*
\$750 million	\$300,000 +0.15% of \$400 million +0.125% of \$250 million \$1,212,500	\$1,212,500*
\$1.5 billion	\$300,000 +0.15% of \$400 million +0.125% of \$500 million +0.1% of \$500 million \$2,025,000	\$2,025,000**

\* \$300,000 in mortgagee’s E&O coverage (the higher of \$300,000 or 20% of the required fidelity coverage)

\*\* \$405,000 in mortgagee’s E&O coverage (the higher of \$300,000 or 20% of the required fidelity coverage)

**(ii) Deductibles**

The maximum deductible allowed for any one fidelity loss is the higher of:

- 5% of the minimum limit of fidelity insurance required by Freddie Mac, or
- \$100,000

The maximum deductible allowed for any one mortgagee’s E&O loss is the higher of:

- 5% of the minimum limit of mortgagee's E&O insurance required by Freddie Mac, or
- \$100,000

The deductible may not be calculated based on the actual limit of insurance in force. For example, Freddie Mac requires a Servicer to maintain at least \$5 million in fidelity insurance. The Servicer actually maintains \$7 million in fidelity insurance. The maximum deductible allowed is 5% of \$5 million or \$250,000.

**(b) Acceptable insurer**

Freddie Mac will accept coverage underwritten by an insurer that is rated A- (A-minus) or better by the A.M. Best Company.

**(c) Parent institution's coverage**

When the Seller/Servicer is a subsidiary of an institution with fidelity and/or mortgagee's E&O insurance that meets Freddie Mac's requirements, Freddie Mac will accept the insurance of the Seller/Servicer's parent as adequate for the Seller/Servicer if:

- The Seller/Servicer is named as joint insured, and
- Coverage under the parent's policy or policies of insurance does not restrict or otherwise limit the Seller/Servicer's ability to comply with all of Freddie Mac's insurance requirements

**(d) Other obligations of the Seller/Servicer**

The Seller/Servicer must maintain at its offices a complete and accurate copy of its fidelity bonds and mortgagee's E&O policies for the current year and the past five years. Copies of these bonds and policies shall be provided to Freddie Mac upon request.

The Seller/Servicer authorizes Freddie Mac to obtain copies of the bonds and policies and all related information from the Seller/Servicer's insurer and/or agent or representative of the insurer.

Freddie Mac's requirements for fidelity and mortgagee's E&O insurance do not diminish, restrict or otherwise limit the Seller/Servicer's responsibilities and obligations stated in the Purchase Documents.

The Seller/Servicer must familiarize itself with the terms of the fidelity and mortgagee's E&O coverages and take all actions necessary to preserve the coverage and maximum benefits of such insurance for the Seller/Servicer and Freddie Mac, as applicable.



## 2101.7: Fidelity insurance coverage (04/13/16)

### (a) Documentation

Fidelity insurance coverage may be documented on a bond form acceptable to Freddie Mac or on the standard bond form currently mandated by or acceptable to the government agency that has regulatory or supervisory authority over the Seller/Servicer. If the Seller/Servicer is not regulated or supervised, Freddie Mac will accept coverage documented on the bond form commonly issued to institutions similar to the Seller/Servicer. The coverage may be provided in policy forms with names that include, but are not limited to, Fidelity Bond, Mortgage Bankers Bond, Financial Institution Bond, Financial Institution Crime Policy or Bankers Blanket Bond. Whichever policy form is relied upon to document the coverage required by Freddie Mac, the Seller/Servicer warrants that the terms of such coverage meet all of the requirements in Section 2101.7(b).

### (b) Scope

Fidelity insurance coverage must protect the Seller/Servicer against loss resulting from dishonesty, theft and/or fraud committed by officers and/or employees of the Seller/Servicer as well as by persons duly authorized to act on the Seller/Servicer's behalf in the origination and/or sale of Mortgages and/or Servicing of Mortgages or REO, including, but not limited to, the following:

- Employees of outside firms while providing legal services to the Seller/Servicer or performing as data processors of checks or other accounting records for the Seller/Servicer — unless such firms have provided to the Seller/Servicer satisfactory evidence of fidelity insurance at least equal to that required of the Seller/Servicer by Freddie Mac
- Persons assigned to the Seller/Servicer through an intervening employer or agency to perform the usual duties of an employee of the Seller/Servicer on a contingent or temporary basis, and
- Interns

For this section, REO includes the following:

- REO held for investment
- REO acquired in the settlement of Mortgages (e.g., foreclosed Mortgages)

Fidelity insurance must also:

- Protect Freddie Mac, as an investor, against losses that Freddie Mac incurs in connection with dishonesty, theft and/or fraud committed by any partner, sole proprietor or major shareholder of the Seller/Servicer

- Not be limited solely to dishonesty, theft and/or fraud committed for improper personal gain
- Provide that the insurer will name Freddie Mac, as an investor, as sole loss payee on payment drafts the insurer issues for losses that Freddie Mac incurs in connection with acts covered by the insurance, and
- Give Freddie Mac, as an investor, the right to file a claim directly with the insurer for losses that Freddie Mac incurs in connection with acts covered by insurance, irrespective of whether the Seller/Servicer tenders a claim under the bond in connection with the events that give rise to the claim filed by Freddie Mac

## **2101.8: Mortgagee's errors and omissions (E&O) insurance coverage (04/13/16)**

### **(a) Documentation**

Mortgagee's errors and omissions (E&O) insurance coverage must be documented on policy forms commonly issued to institutions similar to the Seller/Servicer. The coverage may be provided in policy forms with names that include, but are not limited to, Mortgage Bankers Bond, Mortgage Errors & Omissions, Mortgage Impairment, Mortgage Holders Liability, Professional Liability or Mortgage Protection. Whichever policy form is relied upon to document the coverage required by Freddie Mac, the Seller/Servicer warrants that the terms of such coverage meet all of the requirements in Section 2101.8(b).

### **(b) Scope**

The coverage must protect the Seller/Servicer against loss resulting from negligence, errors or omissions committed by the persons required to be covered by the Seller/Servicer's fidelity insurance, under Section 2101.7(b), while performing their duties with respect to Mortgages originated and/or sold by the Seller and/or Mortgages or REO serviced by the Servicer. Such duties include, but are not limited to, the following:

- Determining whether the Mortgaged Premises are located in Special Flood Hazard Areas (SFHA) as defined by the Director of the Federal Emergency Management Agency (FEMA)
- Ensuring that the Mortgaged Premises are insured in accordance with Chapter 8202
- Maintaining, where applicable, FHA insurance, VA guaranty or mortgage insurance on the Mortgages
- Complying with applicable reporting requirements of the FHA, VA or MI, and

- Ensuring the payment of real estate taxes and any other mandatory assessments on the Mortgaged Premises or REO

For this section, REO includes the following:

- REO held for investment
- REO acquired in the settlement of Mortgages (e.g., foreclosed Mortgages)

Mortgagee's E&O insurance coverage must also:

- Provide that the insurer will name Freddie Mac, as an investor, as sole loss payee on payment drafts the insurer issues for losses that Freddie Mac incurs in connection with acts covered by the insurance, and
- Give Freddie Mac, as an investor, the right to file a claim directly with the insurer for losses that Freddie Mac incurs in connection with acts covered by the insurance, irrespective of whether the Seller/Servicer tenders a claim under the policy in connection with the events that give rise to the claim filed by Freddie Mac

## **2101.9: Seller/Servicer insurance reporting requirements (03/02/16)**

### **(a) Certificate of insurance**

Within 30 days of obtaining or renewing fidelity and/or mortgagee's errors and omissions (E&O) insurance, the Seller/Servicer must submit to Freddie Mac (**see Directory 1**) a certificate of insurance and related documentation showing the following information:

- Name and address of insurer and insurance broker
- Bond or policy number
- The Seller/Servicer as named insured or joint named insured
- Type of insurance and coverage; limit of liability on a per loss, occurrence or mortgage basis (specify) and/or any applicable aggregate limit of coverage; and effective dates of coverage
- Deductible amounts
- Any endorsement or optional coverage modifying the original bond or policy if the endorsement or optional coverage reinforces compliance with Freddie Mac's

requirements or effectively reduces the coverage required by Freddie Mac. Reference to a form number is not acceptable. A copy of the endorsement or optional coverage is required if the endorsement or optional coverage cannot be summarized substantively on the certificate.

- The insurer's agreement to notify Freddie Mac (**see Directory 1**) at least 30 calendar days before the insurer, on its own initiative, cancels or non-renews the Seller/Servicer's coverage for any reason
- The insurer's agreement to notify Freddie Mac (**see Directory 1**) within 10 Business Days after the insurer, on its own initiative, reduces or restrictively modifies the Seller/Servicer's coverage for any reason or, at the Seller/Servicer's request, cancels or non-renews the Seller/Servicer's coverage
- The insurer's agreement to notify Freddie Mac (**see Directory 1**) within 10 Business Days after the insurer's payment to the Seller/Servicer of a claim that (i) applies to a coverage written with an aggregate limit of insurance and (ii) depletes such aggregate limit of insurance by more than 50%

#### **(b) Annual certification**

The Seller/Servicer must certify compliance with Freddie Mac's requirements for fidelity and mortgagee's E&O insurance on Form 16SF, Annual Eligibility Certification Report, submitted in accordance with Sections 2101.10 and 2101.11.

#### **(c) Notice of loss or change in coverage**

The Seller/Servicer must report to Freddie Mac (**see Directory 1**) the following events within 10 Business Days of their occurrence using Form 1107SF, Seller/Servicer Change Notification Form, submitted in accordance with provisions of Section 2101.12:

- The determination that any single act of embezzlement, theft of funds or fraud or mortgagee's E&O loss has caused loss exceeding \$100,000, whether or not Freddie Mac's interests are affected or a claim is filed with the insurer, or
- The receipt of a notice from the insurer that the insurer has taken or intends to take action to cancel, reduce, not renew or restrictively modify the Seller/Servicer's fidelity and/or mortgagee's E&O insurance for any reason. The Seller/Servicer must include a copy of the insurer's notice and detail the reasons for the insurer's action or intended action if not stated in the insurer's notice. The Seller/Servicer must also report its effort to obtain replacement coverage or otherwise satisfy Freddie Mac's insurance requirements.

## 2101.10: Annual eligibility certification (03/02/16)

Freddie Mac makes Form 16SF, Annual Eligibility Certification Report, available to each Seller/Servicer on or about the end of the Seller/Servicer's fiscal year. The Form 16SF requires certain information about the Seller/Servicer and its operations and the Seller/Servicer's certification that it continues to meet Freddie Mac's eligibility requirements and comply with the provisions and requirements of the Guide and the Seller/Servicer's other Purchase Documents. If the Seller/Servicer does not meet or comply with one or more requirements, it must identify each such failure on Form 16SF together with such information concerning remediation of such failure as Freddie Mac may request.

See Section 2101.11 for information and requirements regarding submission of Form 16SF.

## 2101.11: Annual reporting requirements (03/02/16)

The following must be completed as of the Seller/Servicer's fiscal year-end and submitted to Freddie Mac (see **Directory 1**) within 90 days after the end of that fiscal year:

- Form 16SF, Annual Eligibility Certification Report (see Section 2101.10)
- Audited or reviewed financial statements, as required by Section 2101.4, and
- Any other documentation requested by Freddie Mac

The Form 16SF must be submitted using Electronic Records and Electronic Signatures, as such terms are defined in Chapter 1401, via the Internet web application at the following web site address: <http://www.freddiemac.com/singlefamily/doingbusiness/acctmaintain.html>.

Any audited financial statements and auditor's reports required (see Section 2101.4) must be submitted electronically as an attachment to the Form 16SF or via e-mail to [institutional\\_eligibility@freddiemac.com](mailto:institutional_eligibility@freddiemac.com).

The Seller/Servicer is responsible for truthfulness, completeness and accuracy of the information in the electronically executed and submitted Form 16SF (including any required or supplemental information submitted with the Form 16SF) to the same degree as if the Seller/Servicer's duly authorized representative made the submission to Freddie Mac in paper and signed in ink.

A Seller/Servicer that is suspended from selling or Servicing Mortgages for, or is not approved to sell to or service Mortgages for, Freddie Mac is not required to submit Form 16SF unless directed to do so by Freddie Mac. Failure of any other Seller/Servicer to submit Form 16SF as set forth in this Section 2101.11 may result in suspension or disqualification of that Seller/Servicer.

## 2101.12: Reporting of changes in Seller/Servicer's organization or status (02/06/19)

A Seller/Servicer must complete and submit the applicable sections of Form 1107SF, Seller/Servicer Change Notification Form, to Freddie Mac (see **Directory 1**) at least 14 Business Days before any of the following events:

1. A major change in its ownership or organization, including, but not limited to, a:
  - (a) Merger
  - (b) Consolidation (including a regulatory agency-assisted transaction)
  - (c) Transfer of stock that results in any person or entity directly or indirectly owning a percentage of stock that results in a change of control
  - (d) Charter change (such as a State-chartered bank becoming federally chartered)
  - (e) Conversion (such as a thrift institution converting from mutual to stock form)
  - (f) Change in the Seller/Servicer's senior management
  - (g) Transfer of all of the Seller/Servicer's assets or assets of a mortgage-related function, without the transfer of accompanying liabilities, to a Freddie Mac-approved Seller/Servicer
2. A name change
3. A change concerning:
  - (a) Affiliate relationships
  - (b) External auditors
  - (c) Fiscal year-end
  - (d) Servicing relationships

A Seller/Servicer must complete and submit the applicable sections of Form 1107SF to Freddie Mac (see **Directory 1**) within seven Business Days after it:

1. Is terminated by a mortgage insurance company, secondary marketing agency, other investor or warehouse lender

2. Voluntarily files a petition under federal bankruptcy or State insolvency laws, or answers an involuntary proceeding admitting insolvency or inability to pay debts
3. Fails to obtain a vacation or stay of involuntary proceedings brought for its reorganization, dissolution or liquidation
4. Is adjudged bankrupt or insolvent
5. Has a trustee, conservator or receiver is appointed for the Seller/Serviceicer or its property
6. Makes an assignment for the benefit of its creditors
7. Is put on probation or its activities are restricted in any manner by any agency of the federal or State government
8. Becomes subject to an active or threatened (overtly and in writing) class action legal proceeding or a regulatory or supervisory action, proceeding or investigation including, without limitation, any judgment, order, finding or settlement agreement that could adversely affect the Seller/Serviceicer's ability to comply with the terms and conditions of the Purchase Documents or otherwise potentially adversely impact Freddie Mac
9. Notifies the Warehouse Lender, or is notified by the Warehouse Lender (whichever occurs first) of the Seller/Serviceicer's violation of any of the financial covenants (including, but not limited to, covenants covering working capital, debt/equity, servicing UPB or net worth) of any warehousing lending agreement(s) and any major events related to the warehouse facilities, such as a new agreement, cancellation or termination of an agreement, any substantive modification to an agreement or default under an agreement or notice of default given by either party to an agreement

On a case-by-case basis, Freddie Mac may require the Seller/Serviceicer to provide additional information concerning its change in ownership or status. Freddie Mac reserves the right to evaluate information related to the changed Seller/Serviceicer and to take any action it deems necessary.

In the event the Seller/Serviceicer is required to complete and submit applicable sections of Form 1107SF, the Seller/Serviceicer should also review its: (i) Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, or (ii) Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable, to determine if a new Certificate of Incumbency (and board of directors resolution or other governing body resolution) should be submitted with new or modified wire transfer instructions, Automated Clearing House (ACH) instructions, or other payment instructions. Refer to Section 2201.1 for Certificate of Incumbency delivery instructions.

For example, the Seller/Serviceicer may need to submit one or more of the following with the new Certificate of Incumbency documentation:

- Form 483, Wire Transfer Authorization,
- Form 1132, Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH)
- Form 1132A, Authorization for Automatic Transfer of Funds from Principal and Interest Custodial Account through the Automated Clearing House (ACH)
- Exhibit 98, Expense Reimbursement/Incentive Payment Authorization for ACH Credits

Refer to Section 2201.2 for delivery instructions for Form 483, Section 6303.2 for delivery instructions for Form 1132, Section 8303.3 for delivery instructions for Form 1132A and Section 2405.1 for delivery instructions for Exhibit 98.

The Seller/Servicer must submit the Form 1107SF, signed by its duly authorized representative, including any other required or supplemental documents, by one of the following methods:

- **Paper original.** The Seller/Servicer may complete a paper Form 1107SF, sign it in ink and deliver it to Freddie Mac (see **Directory 1**).
- **Electronic Record**, as defined in Chapter 1401. The Seller/Servicer may go to: <http://www.freddiemac.com/singlefamily/doingbusiness/acctmaintain.html> and locate the Form 1107SF, complete, electronically sign and submit the form.
- **Facsimile (fax) copy.** The Seller/Servicer may complete the paper Form 1107SF, sign it in ink and submit it to Freddie Mac via fax at the designated fax number (see **Directory 1**).
- **E-mail copy.** The Seller/Servicer may complete a paper Form 1107SF, sign it in ink, scan it into a standard document format (PDF, TIF, JPEG, etc.), attach it to an e-mail and send the e-mail and attached copy of the Form 1107SF to the designated Freddie Mac e-mail address (see **Directory 1**).

Any other required or supplemental information that the Seller/Servicer must or wishes to submit with the Form 1107SF must be delivered using one of the four methods set forth above. In addition, whether submitting the Form 1107 SF as an original signed paper Record or as an electronically signed Electronic Record, the Seller/Servicer is representing and warranting to Freddie Mac that the information in the Form 1107SF and in any required or supplemental documents is true, complete and correct.

## **2101.13: Transfer of assets to an entity that is not a Freddie Mac-approved Seller/Servicer (03/02/16)**

Failure to comply with all of the requirements of this Section 2101.13 within the prescribed time frame may result in suspension or disqualification of the Seller/Servicer.



A Seller/Servicer must complete and submit Form 1107SF, Seller/Servicer Change Notification Form, Section A, and all attachments, to Freddie Mac (**see Directory 1**) in the manner described in Section 2101.12 no less than 75 Business Days prior to the proposed transfer of:

- All of its assets without the transfer of accompanying liabilities, to an entity that is not a Freddie Mac-approved Seller/Servicer, or
- The assets of a Mortgage-related function (for example, originations or Servicing), without the transfer of accompanying liabilities, to an entity that is not a Freddie Mac-approved Seller/Servicer

In such situations, Freddie Mac does not consider that the Seller/Servicer has transferred its Freddie Mac approval and Seller/Servicer number to the transferee.

Freddie Mac may require the Seller/Servicer to provide additional information concerning the proposed transfer of assets.

The proposed transferee must obtain Freddie Mac's approval as a Seller/Servicer prior to the effective date of the asset transfer. To obtain such approval, the proposed transferee must submit an application to become an approved Seller/Servicer concurrent with the Seller/Servicer's submission of Form 1107SF. If the proposed transferee fails to apply for and receive approval as a Freddie Mac Seller/Servicer, it will be precluded from selling Mortgages to, or Servicing Mortgages for, Freddie Mac. Application packages containing the forms needed to process applicants for approval as a Seller/Servicer may be obtained by contacting Freddie Mac (**see Directory 1**) or by visiting: <http://www.freddiemac.com/singlefamily/doingbusiness/>.

## **2101.14: Seller/Servicer changes that result in Transfer of Servicing (03/02/16)**

A change in a Seller/Servicer's organization may also involve a Transfer of Servicing. If the change will result in a Transfer of Servicing as defined in the Glossary, the Seller/Servicer must comply with the notification requirements in Sections 2102.12 and 2101.13, and all requirements for Subsequent Transfers of Servicing in Chapter 7101, including the requirement that the request for approval of the transfer be submitted to Freddie Mac at least 45 Business Days prior to the requested transfer date.

If a proposed transfer of assets includes a Transfer of Servicing, the request for approval of the proposed Transfer of Servicing should be submitted along with the application to become a Seller/Servicer, but no later than 45 Business Days prior to the effective date of the transfer.

If a Transfer of Servicing will result from an organizational or status change, the required request for approval of Transfer of Servicing must be submitted 45 Business Days prior to the effective date of the proposed transfer even though the notification of the organizational change is not required until after the change has occurred.



# Chapter 2201: Additional Documentation Requirements

## 2201.1: Seller/Servicer Certificate of Incumbency requirements (10/02/19)

Each Seller, Servicer and Seller/Servicer (hereafter in this section, each a “Seller/Servicer”) must provide Freddie Mac with a certificate of incumbency (“Certificate of Incumbency” or “COI”) as follows: (i) Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, or (ii) Form 989SF, Certificate of Incumbency for Limited Partnerships, together with a resolution (“Resolution”) of the Seller/Servicer’s board of directors, board of members, sole member, general partner or other governing body (“Governing Body”) that empowers and authorizes certain employees to, individually and singularly, provide Freddie Mac with instructions (or modified instructions) to transfer funds or securities by wire transfer, Automated Clearing House (ACH) or other funds transfer system expressly approved and designated by Freddie Mac in connection with the sale of Mortgages to and/or Servicing of Mortgages for Freddie Mac (such instructions or modified instructions, “Wire Transfer Instructions”).

A certified copy of the Seller/Servicer’s Resolution, in the form provided electronically to the Seller/Servicer by Freddie Mac unless applicable law requires otherwise, must be attached to the executed COI as Exhibit A. For each duly authorized employee (“Authorized Employee”), the COI must contain either such Authorized Employee’s original pen and ink signature or an Electronic copy or representation of the original pen and ink signature.

The COI, Resolution, and any other required documents or forms must be delivered to Freddie Mac either as: (i) paper Records, as defined in Section 1401.2, signed by the Seller/Servicer’s Secretary, Assistant Secretary or in-house counsel (a “Signatory”) using a pen and ink, or (ii) Electronic Records, as defined in Section 1401.2, using a Portable Document Format (PDF) with a copy or representation of the pen and ink signature of the Seller/Servicer’s Signatory attached thereto or logically associated therewith as an Electronic Signature, as defined in Section 1401.2. The Seller/Servicer agrees that delivery of these documents as Electronic Records to Freddie Mac, with the Electronic Signature of the Seller/Servicer’s Signatory attached thereto or logically associated therewith is as valid, effective and enforceable as the Seller/Servicer’s delivery of an original paper Record of such documents signed using a pen and ink. Freddie Mac and the Seller/Servicer agree that delivery of Electronic Records with Electronic Signatures is an Eligible Electronic Transaction, as defined in Section 1401.2 and governed by Chapter 1401. Any such Electronic Record must be a PDF attached to an e-mail and delivered to Freddie Mac at: **counterparty\_authorization@freddiemac.com**.

By executing the COI and delivering it and the Resolution to Freddie Mac, the Seller/Servicer represents and warrants to, and covenants with, Freddie Mac that:

- Each person listed under paragraph numbered 2 of the COI is the Seller/Servicer’s employee who has been (and continues to be) duly authorized by the Seller/Servicer’s

Governing Body as an Authorized Employee, who is individually and singularly empowered to provide Freddie Mac with Wire Transfer Instructions

- Each Authorized Employee (a) holds the position or title as an employee of the Seller/Servicer that is set forth directly across from the employee's name and (b) is duly authorized individually and singularly to:
  - Execute any and all paper Records or Electronic Records, instruments, documents or forms that are necessary or proper or required by Freddie Mac to effectuate the authority set forth in paragraph numbered 1 of the COI, by having the Authorized Employee either sign paper Records with a pen and ink or electronically sign Electronic Records by attaching or logically associating a copy or representation of the Authorized Employee's pen and ink signature as the Authorized Employee's Electronic Signature and
  - Deliver the duly executed paper Record or Electronic Record
- The specimen signature set forth directly across from each Authorized Employee's name and position or title is the true and genuine original pen and ink signature or Electronic Signature of each such Authorized Employee, and Freddie Mac may conclusively rely on the accuracy, genuineness, good faith, validity, effectiveness and enforceability of any paper Record or Electronic Record provided to Freddie Mac bearing an Authorized Employee's signature
- Each Authorized Employee is duly authorized to engage in and conduct Electronic Transactions, as defined in Chapter 1401, to provide Freddie Mac with Wire Transfer Instructions, and the Seller/Servicer consents to such Electronic Transactions
- Each COI is a Purchase Document and all capitalized terms used in such forms that are not defined therein, shall have the meanings ascribed to such terms in the Guide
- The information set forth in any COI delivered to Freddie Mac is true and correct and Freddie Mac may conclusively rely upon the information in the COI and any addendum, Resolution, paper Record or Electronic Record attached to (or associated with) the COI that is delivered to Freddie Mac, until the Seller/Servicer delivers a new COI to Freddie Mac that is reviewed and accepted by Freddie Mac

Freddie Mac reserves the right to verify or authenticate any Seller/Servicer request for a change, and the Seller/Servicer may not consider Freddie Mac's failure to do so an act of negligence.

In an urgent situation, the Seller/Servicer may request Freddie Mac to remove the name of an employee who is listed as an Authorized Employee from the Seller/Servicer's COI by sending an e-mail or facsimile transmission with a copy of (i) a cover letter signed by a Signatory directing Freddie Mac to remove an Authorized Employee's name and position or title from the list of Authorized Employees, and (ii) a copy of the Seller/Servicer's most recent COI provided to Freddie Mac with the Authorized Employee's name struck through (lined-out) (see **Directory 8**). The Seller/Servicer should promptly deliver a new COI together with any new Wire Transfer Instructions, if necessary. Freddie Mac will make every effort to act promptly on such urgent requests to remove the name and position or title of such Authorized Employee, but cannot guarantee that it will be able to prevent wire transfers of funds or securities made in accordance

with Wire Transfer Instructions previously provided to Freddie Mac by such Authorized Employee.

Any Wire Transfer Instructions provided by an Authorized Employee on the Seller/Service's behalf remain in effect and are valid until modified by such Authorized Employee or another Authorized Employee. The Seller/Service is solely responsible for any and all Wire Transfer Instructions. If the Seller/Service has requested that Freddie Mac remove an Authorized Employee from its COI, the Seller/Service should review all existing Wire Transfer Instructions to determine if any other changes are necessary.

If a Seller/Service has requested that Freddie Mac remove the sole Authorized Employee assigned to the Loan Selling Advisor® user role of Setup Manager from the Seller/Service's COI, the Seller/Service must concurrently submit a new Form 900, Loan Selling Advisor<sup>SM</sup> Authorized User Identification and Certification Form, that assigns the role of Setup Manager to another Authorized Employee on the Seller/Service's COI. In addition, if the Seller/Service has requested that Freddie Mac remove from the Seller/Service's COI the Authorized Employee(s) who executed the most recently delivered Form 483, Wire Transfer Instructions, Form 987E, Wire Transfer Authorization for a Cash Warehouse Delivery, Form 1132, Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH), Form 1132A, Authorization for Automatic Transfer of Funds from Principal and Interest Custodial Account through the Automated Clearing House (ACH), or Exhibit 98, Expense Reimbursement/Incentive Payment Authorization for ACH Credits, the Seller/Service must submit new Forms 483, 987E, 1132, 1132A and/or Exhibit 98, as applicable, signed by an Authorized Employee on the Seller COI.

Refer to Section 2201.2 for delivery instructions for Form 483, Section 6305.3 for delivery instructions for Form 987E, Section 8303.3 for delivery instructions for Form 1132A and Section 2405.1 for delivery instructions for Exhibit 98.

A new Seller/Service will not be given access to Loan Selling Advisor until Freddie Mac has accepted the Seller/Service's COI and all other required forms and documents. A Service will not receive expense reimbursements and incentive payments via ACH credit entries into their commercial accounts until Freddie Mac has accepted the Service's COI and all other required forms and documents, including Exhibit 98.

Each Seller/Service must renew its COI every two years and its Resolution every four years, and determine if such renewal requires new or modified Wire Transfer Instructions. Freddie Mac will notify the Seller/Service of the renewal approximately 120 days before the renewal due date.

If a Seller/Service fails to deliver an acceptable COI by the due date specified by Freddie Mac, Freddie Mac has the right, in its sole discretion, to do the following until a renewal COI has been accepted by Freddie Mac and any other Freddie Mac requirements have been met:

- Disable the Seller/Service's access to Loan Selling Advisor and/or cancel or postpone any pending Settlement Date or Funding Date
- For a Service, cancel or postpone receipt of expense reimbursements and incentive payments via ACH credit entries

The Seller/Servicer shall indemnify and hold Freddie Mac, its directors, officers, employees, successors, assigns and fiscal and transfer agents harmless from and against the consequences of any such cancellation or postponement by Freddie Mac, as set forth in Section 6301.8.

## **2201.2: Establishing and maintaining wire transfer instructions for cash proceeds (02/06/19)**

In order to make timely and accurate wire transfers of cash proceeds for the purchase of Mortgages, Freddie Mac maintains a centralized database containing individual wire instructions as provided by the Seller on Form 483, Wire Transfer Authorization. This file is maintained and controlled in the Freddie Mac office in McLean, Virginia.

Freddie Mac will not wire transfer any cash proceeds for the purchase of Mortgages unless and until the Seller has submitted to Freddie Mac a Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, or Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable, that lists “Authorized Employees” who are authorized and empowered to provide Freddie Mac with instructions (or modified instructions) to transfer funds (cash or securities) by wire transfer on the Seller’s behalf in connection with the sale of Mortgages to Freddie Mac. See Section 2201.1 for additional information regarding certificate of incumbency (“Certificate of Incumbency” or “COI”) requirements.

Freddie Mac accepts wire transfer instructions only if submitted to Freddie Mac on Form 483 signed by an authorized officer of the Seller who is designated as an Authorized Employee (as defined in Section 2201.1) on the Seller’s COI. The officer’s signature on Form 483 must be acknowledged by a notary public. (Wire transfer instructions will not be accepted by telephone.)

Any questions concerning Certificate(s) of Incumbency or wire transfer instructions may be directed to Freddie Mac (**see Directory 8**).

Form 483 is the Seller’s legal authorization to allow Freddie Mac to wire transfer funds to a designated bank. Settlements cannot be made if wire transfer instructions are not on file with Freddie Mac. The Seller must ensure that the wire transfer instructions on file at the time of Mortgage delivery are complete and correct. Once instructions are on file, all future settlements will be transferred according to the same instructions, unless the instructions are changed in accordance with the Guide. The Seller can change the wire transfer instructions only by submitting a new, executed and authorized Form 483 to Freddie Mac. At least five Business Days are required by Freddie Mac to process a change. Wire transfer instructions given in connection with the payment of Purchase Proceeds to a Warehouse Lender for Pledged Mortgages must comply with Chapter 6305.

To use multiple wire transfer instructions, the Seller must complete and execute a new Form 483 for each set of wire transfer instructions. In each instance, the Form 483, executed by an

Authorized Employee on the Seller's most recently accepted COI, must be submitted to Freddie Mac at the address on the form.

The Seller agrees to indemnify, defend and hold Freddie Mac, its successors, assigns and transfer agents harmless from and against any and all losses, claims, demands, actions, suits, damages, costs and expenses (including reasonable attorney fees) of every nature and character that may arise or be made against or be incurred by Freddie Mac as a result of any of the following:

- The Seller's failure to provide a COI that lists Authorized Employees authorized and empowered to provide Freddie Mac with instructions (or modified instructions) to transfer funds (cash or securities) by wire transfer on the Seller's behalf in connection with the sale of Mortgages to Freddie Mac
- The Seller's failure to provide Freddie Mac with a resolution of the board of directors or other governing body resolution that authorizes and empowers the employees identified by the Seller as Authorized Employees in the COI
- Freddie Mac's transfer of any cash proceeds in connection with the sale of Mortgages to Freddie Mac in accordance with the Purchase Documents and Seller's wire transfer instructions on Form 483 and the Seller's listing and designation of Authorized Employees on the Seller's COI
- The Seller's failure to provide complete, accurate and authorized wire transfer instructions
- The Seller's failure to promptly notify Freddie Mac of any necessary or desired changes to the authorized wire transfer instructions
- Security interests, claims or encumbrances of any third party, including a Warehouse Lender, if any

The Seller will deliver or transmit a completed Form 483 to Freddie Mac as:

- A paper Form 483 signed in pen and ink by the Seller's Authorized Employee, by regular mail or overnight delivery service to the address on the form, or
- An Electronic Record (as defined in Section 1401.2) as a Portable Document Format (PDF) copy of Form 483 that has been completed and contains the copy or representation of the signature of the Seller's Authorized Employees, attached to an e-mail and delivered to Freddie Mac at **counterparty\_authorization@freddiemac.com**

By delivering or transmitting to Freddie Mac a properly completed Electronic Form 483 with a copy or representation of the Seller's Authorized Employee's handwritten signature as an Electronic Signature (as defined in Section 1401.2) attached to, logically associated with or contained on such Electronic Form 483, the Seller:

- Consents to conduct Electronic Transactions (as defined in Section 1401.2) with Freddie Mac using fax copies of Records, Electronic Records and/or Electronic Signatures in connection with the delivery of an Electronic Form 483
- Adopts as its Electronic Signature the Electronic Signature of its Authorized Employee as it appears on the Electronic Form 483
- Agrees that its Authorized Employee intended to sign the Form 483 with the authority and intent to bind the Seller to the terms and conditions contained therein



# Chapter 2202: Document Custodian and Document Custody

## 2202.1: Document Custodian (01/01/19)

For each Seller/Servicer number, the Seller/Servicer must contract with at least one Document Custodian, which may be a Designated Custodian or another approved Document Custodian chosen by the Seller/Servicer, on the Tri-Party Agreement, in accordance with the requirements of Sections 2202.2 and 2202.3.

Seller/Servicers may enter into Tri-Party Agreements with up to five Document Custodians per Seller/Servicer number. Compensation for each Document Custodian's services is the sole responsibility of the Seller/Servicer.

## 2202.2: Document Custodian eligibility (10/02/19)

### (a) General requirements

The Seller/Servicer must choose a Document Custodian that will:

- Enter into a Tri-Party Agreement with the Seller/Servicer and Freddie Mac (see Section 2202.3)
- Meet and maintain all applicable eligibility requirements of this section
- Comply with:
  - All Guide requirements pertaining to Notes and assignments held for Freddie Mac including, but not limited to, Sections 4101.9 and 7101.9 and other requirements for Notes, assignments and related documents. If the requirements are amended in the Guide, then the Tri-Party Agreement will be deemed amended as necessary to conform with such amended requirements.
  - All terms of the Tri-Party Agreement
  - Any other requirements which Freddie Mac may specify to ensure the safety and security or enforceability of the Notes and assignments held by the Document Custodian
  - Such standards, including custodial performance, and such fiduciary responsibilities as may be prescribed by Freddie Mac, in its discretion, from time-to-time

- Notify Freddie Mac and the Seller/Servicer if, at any time, it fails to meet any applicable eligibility requirement

Freddie Mac is not approving new Document Custodians until further notice. The eligibility requirements stated in this chapter and elsewhere in the Guide are requirements for continuing eligibility as a Freddie Mac Document Custodian.

**(b) Basic eligibility requirements**

An eligible Document Custodian must:

1. Be :
  - A financial institution that is supervised and regulated by the Federal Deposit Insurance Corporation (FDIC), Board of Governors of the Federal Reserve System, or the Office of the Comptroller of the Currency (OCC)
  - A subsidiary of a supervised and regulated financial institution listed above, authorized to perform trust services under applicable law, or
  - A Federal Home Loan Bank chartered pursuant to the Federal Home Loan Bank Act
2. Not be in receivership, conservatorship or liquidation, and may not be a subsidiary of a, federally-regulated parent that is in receivership, conservatorship or liquidation
3. Have an investment-grade rating by a nationally recognized statistical rating organization or have an Acceptable Net Worth of at least \$500,000,000 if it is one of the following:
  - An entity applying to be a Document Custodian, and
  - A Document Custodian with existing custodial relationship(s) or entering into new custodial relationships with Freddie Mac Seller/Servicers
4. Be equipped with secure, fire-resistant storage facilities with adequate controls on access to ensure the safety and security of the Notes and assignments in its custody. The vault must provide a minimum of two hours fire protection; however, if a Document Custodian's regulator requires a higher standard of fire protection, then that higher standard shall apply.
5. Maintain the Notes and assignments in such a manner as to ensure security and confidentiality and to prohibit unauthorized access to or use of information contained in the Notes and assignments
6. Use employees who are knowledgeable in the handling of Notes and assignments and of the functions and duties of a Document Custodian as required by Freddie Mac, including

access to and use of Loan Selling Advisor<sup>SM</sup>. (See Section 2403.11 for information on obtaining Loan Selling Advisor access and user roles.)

7. Access the electronic version of the Guide through the link on <https://sf.freddiemac.com/tools-learning/sellerservicer-guide/overview> or arrange for a current subscription to the electronic Guide via AllRegs<sup>®</sup>
8. Maintain the following insurance coverages, at a minimum:
  - Financial institution bond, or equivalent insurance, covering any loss resulting from:
    - Employee dishonesty
    - Physical damage or destruction to, or loss of, any Notes and assignments while such documents are located on the Document Custodian's premises
    - Physical damage or destruction to, or loss of, any Notes and assignments while such documents are in transit between the Document Custodian's premises and any destination, regardless of the means by which they are transported, if the Document Custodian has contractually agreed with the Seller/Servicer to assume liability for Notes and assignments while in transit. (See Section 2202.5(c) for Seller/Servicer insurance requirements if the parties have not so agreed).
  - Errors and omissions insurance covering claims resulting from the Document Custodian's breach of duty, neglect, errors or omissions, misstatements, misleading statements or other wrongful acts committed in the conduct of its services

For the purpose of these insurance coverages, the Notes are to be defined as "Negotiable Instruments" per Section 3-104 of the Uniform Commercial Code (UCC).

Freddie Mac's insurance requirements as stated above do not diminish, restrict or otherwise limit the Document Custodian's responsibilities and obligations as stated in any Tri-Party Agreement.

The required insurance coverages must:

- Be underwritten by an insurer that has an A- (A minus) or better rating according to the A.M. Best Company
- Be maintained in amounts that are deemed adequate for the number of Notes held in custody and appropriate based on prudent business practice
- Each have a deductible amount of no more than the greater of 5% of the Document Custodian's generally accepted accounting principles (GAAP) net worth or \$100,000, but in no case be more than \$10,000,000

If a Document Custodian is covered under its parent's insurance program rather than maintaining its own insurance:

- The acceptable deductible amount for each insurance coverage may not exceed the greater of 5% of the parent's GAAP net worth or \$100,000, but in no case be more than \$10,000,000
- The Document Custodian must be a named insured
- The parent's insurance policy(ies) must meet the insurance requirements for Document Custodians as stated in this section

In the event of cancellation or non-renewal of any of the required insurance coverages, the Document Custodian or its insurer, insurance broker or agent must provide the Seller/Servicer and Freddie Mac's Counterparty Credit Risk Management Department (**see Directory 1**) 30 days advance written notice thereof.

9. Have and maintain a document tracking and reporting system that, at minimum:
- Provides, in an electronic format acceptable to Freddie Mac, an accounting of all Notes held for Freddie Mac identified by Freddie Mac loan number and the six-digit Seller/Servicer number
  - Monitors the receipt of Notes and assignments, including related **or trailing** documentation (for example, modifying instruments or powers of attorney)
  - Monitors the release of Notes and assignments
  - Tracks the physical location of Notes and related documents
  - Cross references the Freddie Mac loan number for each Mortgage with the loan number assigned by the Seller/Servicer
  - Accurately accounts for documents transferred or released

The Document Custodian must provide screen prints of its document tracking system to Freddie Mac with its request for initial approval, annually as part of its eligibility certification, and upon Freddie Mac's request.

10. Have and maintain a disaster recovery plan that documents, at a minimum:
- The process by which the physical recovery/restoration of documents will occur
  - The recovery of tracking system data, including any electronically maintained information

- The relocation/restoration of the facilities to ensure continuing ability to perform required custodial functions
  - Provisions for the testing and maintenance of the plan
  - A provision to notify Freddie Mac (**see Directory 9**) of a disaster within 24 hours of the disaster according to the requirement in Section 8107.2(a)
11. Have and implement written procedures that ensure compliance with Freddie Mac requirements and prudent practices in performing the duties of a Document Custodian with respect to the Notes and associated documents, including, at minimum:
- Certification and maintenance
  - Release and transfer
  - Access
  - Tracking and reporting

**(c) Eligibility requirements for the Seller/Servicer acting as its own Document Custodian**

Subject to Freddie Mac's approval and in Freddie Mac's sole discretion, the Seller/Servicer may act as its own Document Custodian if it satisfies all requirements in Sections 2202.2(a) and 2202.2(b) and if the Notes and assignments for Mortgages serviced for Freddie Mac in its custody are entrusted to a department that:

- Is established and operated under trust powers granted by the Seller/Servicer's primary regulator
- Has custodial officers who are duly authorized to act on behalf of the Document Custodian in its trust capacity and empowered to enter into a **Tri-Party Agreement** with the Seller/Servicer and Freddie Mac
- Is subject to periodic review, examination and inspection by the regulator granting trust powers
- Is independently and separately managed from any functional area that performs Mortgage origination, selling or servicing
- Maintains separate records, files and operations
- Uses personnel not engaged in the functions of Mortgage origination, selling or Servicing to perform the custodial function

**(d) Eligibility requirements for a third-party Document Custodian that is not an affiliate of the Seller/Servicer**

An institution that is not an affiliate of the Seller/Servicer may act as a Document Custodian if:

- It **meets** all requirements in Sections 2202.2(a) and 2202.2(b)
- Within the institution, the document custodial function:
  - Is independently and separately managed from any functional area that performs Mortgage origination, selling or Servicing
  - Maintains separate records, files and operations
  - Is performed by personnel not engaged in the functions of Mortgage origination, selling or Servicing

**(e) Eligibility requirements for a third-party Document Custodian that is an affiliate of the Seller/Servicer**

Subject to Freddie Mac's approval and in Freddie Mac's sole discretion, a third-party that is an affiliate of the Seller/Servicer may act as a Document Custodian if:

- It meets all the requirements in Sections 2202.2(a) and 2202.2(b)
- It is independently and separately managed from the Seller/Servicer. The third-party Document Custodian may occupy the same premises as the Seller/Servicer, as long as the Seller/Servicer is not involved in the management or operations of the third-party custodian.
- Within the institution, the document custodial function:
  - Is independently and separately managed from any functional area that performs Mortgage origination, selling or Servicing
  - Maintains separate records, files and operations
  - Is performed by personnel not engaged in the functions of Mortgage origination, selling or Servicing

**(f) Additional eligibility requirements for a Document Custodian that is an affiliate of a Warehouse Lender**

Freddie Mac recognizes that there may be instances where, for operational efficiency, the document custodial function shares personnel with the institution's warehouse lending

function. This sharing of personnel will be allowed only when the document custodial function has:

- A separate tracking and reporting system that provides a clear distinction between Freddie Mac's assets and the collateral held for the Warehouse Lender
- Separate record keeping from other functional areas, including warehouse lending
- Operating controls that provide a clear distinction between:
  - Activities that an employee performs for the benefit of the Warehouse Lender and activities performed for Freddie Mac
  - Management decisions that apply to collateral held as security for the warehouse line and those that apply to Notes that are held in trust for the sole benefit of Freddie Mac

## **2202.3: Contracting with a Document Custodian (10/02/19)**

### **(a) Contracting with a Document Custodian other than a Designated Custodian**

Before delivering any Notes and assignments to a Document Custodian other than a Designated Custodian, a paper version of Form 1035, Document Custodial Agreement: Single-Family Mortgages, executed by the Seller/Servicer and the Document Custodian must be delivered to and approved by Freddie Mac (**see Directory 1**). Form 1035 is the Tri-Party Agreement among Freddie Mac, a Document Custodian and a Seller/Servicer governing the verification and custody of all Notes and assignments for Mortgages delivered for sale to or serviced for Freddie Mac by a Seller/Servicer. Additional application requirements to become a Freddie Mac approved Document Custodian may be obtained from Freddie Mac (**see Directory 1**).

After reviewing the Document Custodian application and any other required documentation, if Freddie Mac determines that the applicant meets the eligibility requirements, Freddie Mac will assign a Document Custodian number to the Document Custodian. **When a Seller/Servicer, an approved Document Custodian, and Freddie Mac agree to form a relationship, the parties will execute the Form 1035, and Freddie Mac will assign an identification number to that Tri-Party Agreement and provide the Seller/Servicer and the Document Custodian each with a copy of the fully executed Form 1035. Freddie Mac will maintain the original fully executed Form 1035.**

The Document Custodian will be assigned only one Document Custodian number for all Seller/Servicer relationships approved at that location. It must, however, complete a separate application, including a Form 1035 executed by the Seller/Servicer and the Document Custodian, for each Seller/Servicer that wishes to use its custodial services. A Document

Custodian with an assigned Document Custodian number must insert the number in the appropriate space on the Form 1035.

Seller/Servicers may not make a delivery pursuant to Section 6301.8 until Freddie Mac has executed the Form 1035 and provided written confirmation of the approval and its effective date.

In executing Form 1035, Freddie Mac is relying on the representations and warranties of the Seller/Servicer and the Document Custodian that the Document Custodian satisfies the eligibility requirements in Section 2202.2. Freddie Mac and/or its auditors may perform, with or without prior notice, an on-site audit of all records and documents held by the Document Custodian that relate to the Notes and assignments held for Freddie Mac. Freddie Mac also reserves the right to perform an on-site audit at any time to evaluate the Document Custodian's compliance with Freddie Mac requirements and to assess its internal controls. Freddie Mac's execution of Form 1035 will not be deemed to be an approval of the Document Custodian or a waiver of any rights to enforce the eligibility conditions.

#### **(b) Contracting with a Designated Custodian**

Servicers may use a Freddie Mac Designated Custodian to hold the Notes for Mortgages they service for Freddie Mac. Sellers electing to sell Mortgages to Freddie Mac through Cash-Released XChange<sup>SM</sup>, and Servicers approved to participate in that process, must use The Bank of New York Mellon Trust Company, N.A. ("BNYM") as Designated Custodian for Mortgages purchased under that process. See Section 2202.3(c).

In order to establish a custodial relationship with a Designated Custodian, the Seller/Servicer must complete:

- The appropriate Tri-Party Agreement (i.e., Form 1035DC or Form 1035WF), as well as
- Other forms required by and available from the Designated Custodian (**see Directory 4**)

Note that Form 1035DC and Form 1035WF are specific to each Designated Custodian and differ from Form 1035.

Freddie Mac has assigned each Designated Custodian a Document Custodian number that the Designated Custodian will insert in the appropriate space on the application package and the Form 1035DC or Form 1035WF, as applicable. Freddie Mac will review each application and, if approved, will notify the Seller/Servicer of the effective date of its agreement with the Designated Custodian.

Questions specific to the Designated Custodians and Form 1035DC or Form 1035WF should be directed to Freddie Mac (**see Directory 1**).

Questions regarding BNYMs Designated Custodian Registration Forms or Wells Fargo's customer forms should be directed to the appropriate entity (**see Directory 4**).



### (c) Special requirements – Mortgages sold through Cash-Released XChange

Sellers selling Mortgages to Freddie Mac through Cash-Released XChange, and Servicers approved to participate in that process, must use BNYM as Designated Custodian for Mortgages purchased under that process (**see Directory 4**). Such Servicers will be responsible for associated Designated Custodian-assessed custodial fees including, but not limited to, fees for Note certification, safekeeping and release.

When there is a Transfer of Servicing of Mortgages sold through Cash-Released XChange, the Transferee Servicer must establish a relationship with BNYM as the Designated Custodian, and is responsible for all associated custodial fees unless the Transfer of Servicing results in a transfer of custody.

### (d) Terminating the document custodial relationship

Any party may terminate a Tri-Party Agreement as set forth in Section 2202.6. The Document Custodian must transfer all Notes and assignments for Mortgages held pursuant to the agreement being terminated to a Transferee Document Custodian as described in Sections 2202.6 and 7101.9. The Document Custodian may not refuse, or fail to fulfill, its custodial responsibilities or obligations under the Tri-Party Agreement being terminated until all Notes and assignments have been received by the Transferee Document Custodian.

## 2202.4: Document Custodian duties to Freddie Mac (02/14/18)

Document Custodian covenants to Freddie Mac that it will:

1. Maintain physical custody of all Mortgage documents delivered to it, such as original paper Notes, addendums, riders, assignments, powers of attorney and modification agreements, including any paper copies of such documents provided to the Document Custodian, in trust for the benefit of Freddie Mac. For example:
  - For an original executed paper document (other than a Note) that has been electronically recorded, the Seller/Servicer must deliver the original executed paper document and a paper copy of such electronically recorded document (showing its recordation information), and the Document Custodian will maintain such original executed paper document and such paper copy of the electronically recorded original paper document
  - For an electronically created document (other than a Note) that has been electronically recorded, the Seller/Servicer must deliver a paper copy of such electronically recorded document (containing its recordation information), and the Document Custodian will maintain such paper copy of the electronically recorded Electronic (as defined in Section 1401.2) document; and

- For an electronically created document (other than a Note) that is not required by State law to be recorded, the Seller/Servicer must deliver a paper copy of the unrecorded electronically created document, certified by the Seller/Servicer as a true and correct copy, and the Document Custodian will maintain such certified paper copy of the document

Note: Seller/Servicer delivery requirements pertaining to Electronic recording of closing and post-closing documents are found in Sections 1401.14 and 1401.15.

2. Make available for review by Freddie Mac or its designee, at any time during normal business hours, with or without prior notice, Notes and assignments and the facilities in which they are stored, maintenance and release procedures, and control and tracking systems, and other evidence of compliance with eligibility requirements as requested
3. Make the custodial staff available for interview by Freddie Mac or its designee at any time during normal business hours, with or without prior notice, for an assessment of the staff's familiarity with and adherence to Freddie Mac's custodial requirements and the Document Custodian's internal controls
4. Indemnify Freddie Mac for such losses as may occur as a result of any negligence by the Document Custodian in the performance of its duties under the Guide and the [Tri-Party Agreement](#) pertaining to Freddie Mac Notes and assignments in the custody of the Document Custodian
5. Maintain physical custody of the Note and assignments, in trust, for the benefit of the Seller/Servicer in circumstances when the Document Custodian receives a completed and signed Form 1036 from the Seller/Servicer requesting constructive possession
6. Provide, in an electronic format acceptable to Freddie Mac, an accounting of all Notes and assignments, as described in Section 2202.2(b)(9), that the Document Custodian has in its physical custody: (i) in trust for the benefit of Freddie Mac or (ii) in trust for the benefit of the Seller/Servicer when the Seller/Servicer has constructive possession of the Notes
7. Consent and agree to conduct Electronic Transactions, as defined in Chapter 1401, with the Seller/Servicer and Freddie Mac in connection with its functions, duties and obligations under this section and Form 1035
8. Adopt, as its signature and its Electronic Signature, as defined in Chapter 1401, its Freddie Mac Document Custodian number and comply with the applicable requirements of Chapter 1401 as if each reference to the word "Seller/Servicer" were a reference to the words "Document Custodian" and/or "Designated Custodian," as applicable

Freddie Mac may, at any time, and in its sole discretion, require a Document Custodian to segregate the Notes and assignments that it maintains, in trust, for the benefit of Freddie Mac from those it maintains for other investors.

The Document Custodian may not enter into any understanding, agreement, or relationship with any party by which any such party would obtain, retain or claim any interest (including an ownership or security interest) in the Notes and any assignments or the underlying Mortgages, unless otherwise specifically and expressly approved by Freddie Mac in writing.

If the Document Custodian's facilities are affected by a disaster, the Document Custodian must promptly notify Freddie Mac (**see Directory 9**), but such notification shall occur no later than 24 hours after the discovery of such disaster, time being of the essence.

## **2202.5: Seller/Servicer and the Document Custodian (02/14/18)**

### **(a) Responsibility for documents and Document Custodian compliance**

The Seller/Servicer agrees to indemnify Freddie Mac and hold Freddie Mac harmless for any loss, damage or expense (including court costs and reasonable attorney fees) that Freddie Mac may incur as a result of the Seller/Servicer's Document Custodian holding Notes and any other documents.

Except with respect to the Designated Custodians, the Seller/Servicer is responsible for verifying that its Document Custodian complies with all applicable Freddie Mac requirements regarding Note custody. Freddie Mac's Document Custody Procedures Handbook is located and available to Seller/Servicers and Document Custodians on the Internet at AllRegs.com, or at <http://www.freddiemac.com/cim/handbook.html>. Seller/Servicers and Document Custodians will find this handbook to be a useful resource in fulfilling these requirements.

### **(b) Monitoring the eligibility status of the Document Custodian**

The Seller/Servicer is responsible for monitoring its Document Custodian for compliance with Freddie Mac's Document Custodian eligibility requirements, and must ensure that the Document Custodian complies with all eligibility requirements at all times, with the exception of (i) the Designated Custodians and (ii) certification and verification services performed outside of the United States by Document Custodians. Freddie Mac will monitor the Designated Custodians and any activities of Document Custodians that Freddie Mac has contractually authorized to be conducted overseas.

If, at any time, the Document Custodian (including a Designated Custodian) fails to comply with any eligibility requirement or violates a provision of the Guide or Tri-Party Agreement, the Seller/Servicer must contact Freddie Mac (**see Directory 1**) in writing within one day of the Seller/Servicer learning of the noncompliance. Freddie Mac, at its discretion, may allow the Seller/Servicer a period of time to work with its Document Custodian to ensure that the Document Custodian takes all necessary steps to meet the requirements. However, Freddie Mac reserves the right to immediately terminate a Tri-Party Agreement. Further, Freddie Mac

may direct the Seller/Servicer to transfer the Notes to a Designated Custodian or a new Document Custodian pursuant to Sections 2202.1 through 2202.3, and transfer all Notes and assignments for Mortgages serviced for Freddie Mac from the old Document Custodian to the new Document Custodian, pursuant to Section 2202.6(a).

**(c) Transit insurance requirements**

If the Seller/Servicer has not contractually agreed with the Document Custodian to have the Document Custodian assume liability for Notes and assignments while in transit, the Seller/Servicer must obtain insurance covering physical damage or destruction to, or loss of, any Notes and assignments while such documents are in transit between the Document Custodian's vault and anywhere, regardless of the means by which they are transported. For the purpose of this insurance, Mortgage Notes are to be referred to as "Negotiable Instruments" as that term is defined in Section 3-104 of the model Uniform Commercial Code (UCC), promulgated by the National Conference of Commissioners on Uniform State Laws, and enacted in the applicable State.

At a minimum, the required insurance coverage must:

- Be underwritten by an insurer that has an A- (A minus) or better rating according to the A.M. Best Company
- Be maintained in amounts that are deemed adequate for the number of Notes and assignments held in custody and that are deemed appropriate based on prudent business practice
- Each have a deductible amount no more than the greater of 5% of the Seller/Servicer's GAAP net worth or \$100,000, but in no case greater than \$10,000,000
- Not exclude from coverage Negotiable Instruments that are, under Article 3 of the Uniform Commercial Code, bearer paper (e.g., Notes with blank endorsements) with an endorsement that does not identify a payee

In the event that a Seller/Servicer is covered under its parent's insurance program rather than by its own insurance:

- The acceptable deductible amount for each insurance coverage may be no more than the greater of 5% of the parent's GAAP net worth or \$100,000, but in no case greater than \$10,000,000
- The Seller/Servicer must be a named insured
- The parent's insurance policy(ies) must meet requirements as stated in this subsection

In the event of cancellation or non-renewal of any of the required insurance coverages, the Seller/Servicer or the Seller/Servicer's insurer, insurance broker or agent must provide Freddie Mac (see **Directory 1**) a minimum of 30 days advance written notice thereof.

Freddie Mac's insurance requirements as stated in this subsection do not diminish, restrict or otherwise limit the Seller/Servicer's responsibilities and obligations as stated in the [Tri-Party Agreement](#) or otherwise in the Purchase Documents.

## **2202.6: Terminating Tri-Party Agreements and transfers of custody (10/02/19)**

### **(a) Transfers initiated by Freddie Mac**

Upon 30 days written notice to the Seller/Servicer and the Document Custodian and at its sole discretion, Freddie Mac may terminate a [Tri-Party Agreement](#) without cause and require the transfer of all Notes and assignments held by the Document Custodian to another Document Custodian or to a Designated Custodian (see **Directory 4**).

Freddie Mac may immediately terminate a Tri-Party Agreement upon written notice to a Seller/Servicer and the Document Custodian and require the transfer of all Notes and assignments to another Document Custodian or as directed by Freddie Mac upon the occurrence of any of the following:

- Disqualification or suspension of the Seller/Servicer pursuant to Section 2201.2
- Failure of the Document Custodian to meet [Freddie Mac's](#) eligibility requirements (See Section 2202.2)
- Freddie Mac's determination that the [Document Custodian's](#) performance has been unsatisfactory
- Any other circumstance with respect to the Document Custodian, the Notes or assignments that might adversely affect the Notes or assignments or Freddie Mac's interests

### **(b) Transfers initiated by Seller/Servicers**

To change Document Custodians for a group of [Mortgages](#) or to terminate a Tri-Party Agreement, the Seller/Servicer must have a new Tri-Party Agreement in place with another Document Custodian (See Sections 2202.2 and 2202.3). The [Document Custodian must transfer custody of](#) all Notes and assignments held pursuant to the [Tri-Party Agreement being terminated](#) to the [Transferee](#) Document Custodian within 30 days after Freddie Mac's written approval of the [transfer of custody](#) or by such other date requested by the Seller/Servicer and

approved by Freddie Mac; however, Freddie Mac may require the Notes and assignments to be transferred immediately.

**(c) Transfers initiated by Document Custodians**

A Document Custodian may terminate a Tri-Party Agreement upon 30 days prior written notice to the Seller/Servicer and to Freddie Mac (see **Directory 1**). The Document Custodian must transfer custody of all Notes and assignments held pursuant to the Tri-Party Agreement being terminated to a new Document Custodian no later than 30 days after Freddie Mac's written approval of transfer of custody or by such other date approved by Freddie Mac; however, Freddie Mac may require the Notes and assignments to be transferred immediately.

**(d) Additional responsibilities**

A Document Custodian may not refuse or fail to fulfill its custodial obligations under a Tri-Party Agreement or for any Mortgage in a transfer of custody until the Notes and assignments have been transferred to the Transferee Document Custodian.

The Transferee Document Custodian must deliver Form 1034T, Subsequent Transfer Document Custodial Certification Schedule, executed by the Seller/Servicer and the Transferee Document Custodian to Freddie Mac (see **Directory 9**) no later than 180 days after the termination date of the Tri-Party Agreement or approved Date of Transfer. By submitting Form 1034T to Freddie Mac, the Seller/Servicer and the Transferee Document Custodian represent and warrant to Freddie Mac that the information in the Form 1034T is correct and complete and that each of them shall be bound by the certifications contained in Form 1034T.

## **2202.6: Terminating Tri-Party Agreements and transfers of custody (Future effective date 01/02/20)**

**(a) Transfers initiated by Freddie Mac**

Upon 30 days written notice to the Seller/Servicer and the Document Custodian and at its sole discretion, Freddie Mac may terminate a Tri-Party Agreement without cause and require the transfer of all Notes and assignments held by the Document Custodian to another Document Custodian or to a Designated Custodian (see **Directory 4**).

Freddie Mac may immediately terminate a Tri-Party Agreement upon written notice to a Seller/Servicer and the Document Custodian and require the transfer of all Notes and assignments to another Document Custodian or as directed by Freddie Mac upon the occurrence of any of the following:

- Disqualification or suspension of the Seller/Servicer pursuant to Section 2201.2

- Failure of the Document Custodian to meet Freddie Mac’s eligibility requirements (See Section 2202.2)
- Freddie Mac’s determination that the Document Custodian’s performance has been unsatisfactory
- Any other circumstance with respect to the Document Custodian, the Notes or assignments that might adversely affect the Notes or assignments or Freddie Mac’s interests

**(b) Transfers initiated by Seller/Servicers**

To change Document Custodians for a group of Mortgages or to terminate a Tri-Party Agreement, the Seller/Servicer must have a new Tri-Party Agreement in place with another Document Custodian (See Sections 2202.2 and 2202.3). The Document Custodian must transfer custody of all Notes and assignments held pursuant to the Tri-Party Agreement being terminated to the Transferee Document Custodian within 30 days after Freddie Mac’s written approval of the transfer of custody or by such other date requested by the Seller/Servicer and approved by Freddie Mac; however, Freddie Mac may require the Notes and assignments to be transferred immediately.

**(c) Transfers initiated by Document Custodians**

A Document Custodian may terminate a Tri-Party Agreement upon 90 days prior written notice to the Seller/Servicer and to Freddie Mac (**see Directory 1**). The Document Custodian must transfer custody of all Notes and assignments held pursuant to the Tri-Party Agreement being terminated to a new Document Custodian no later than 30 days after Freddie Mac’s written approval of transfer of custody or by such other date approved by Freddie Mac; however, Freddie Mac may require the Notes and assignments to be transferred immediately.

**(d) Additional responsibilities**

A Document Custodian may not refuse or fail to fulfill its custodial obligations under a Tri-Party Agreement or for any Mortgage in a transfer of custody until the Notes and assignments have been transferred to the Transferee Document Custodian.

The Transferee Document Custodian must deliver Form 1034T, Subsequent Transfer Document Custodial Certification Schedule, executed by the Seller/Servicer and the Transferee Document Custodian to Freddie Mac (**see Directory 9**) no later than 180 days after the termination date of the Tri-Party Agreement or approved Date of Transfer. By submitting Form 1034T to Freddie Mac, the Seller/Servicer and the Transferee Document Custodian represent and warrant to Freddie Mac that the information in the Form 1034T is correct and complete and that each of them shall be bound by the certifications contained in Form 1034T.



# Chapter 2203: MERS® Membership

## 2203.1: MERS® membership (03/02/16)

### (a) MERS® membership

A Seller/Servicer must comply with the requirements of the MERS Governing Documents if the Seller/Servicer is a MERS Member and sells to and/or services on behalf of Freddie Mac, as applicable, Mortgages registered on the MERS System. If any requirements of the MERS Governing Documents conflict with the requirements of the Guide, the Seller/Servicer must comply with the requirements of the Guide.

### (b) Termination of MERS membership

If a Seller/Servicer's membership in MERS is terminated for any reason, the Seller/Servicer must promptly notify Freddie Mac at [mers@freddiemac.com](mailto:mers@freddiemac.com), subject line: MERS Membership Termination. For each Mortgage registered on the MERS System that will be sold to or is being serviced for Freddie Mac, the Seller/Servicer must, upon such termination, and as applicable, either (i) prepare an assignment of the Mortgage from MERS to itself, have the assignment executed, and, where required by law, record the executed assignment in the applicable public land records, or (ii) where there is a transfer of such Servicing to a Transferee Servicer, follow the Concurrent Transfer of Servicing obligations under Section 6301.6(d) depending on whether or not the Transferee Servicer is a MERS Member.



# **Chapter 2301: Disqualification or Suspension of a Seller/Servicer**

## **2301.1: Disqualification or suspension of Seller's eligibility to sell (03/02/16)**

Freddie Mac, in its discretion, may disqualify or suspend a Seller from eligibility to sell Mortgages to Freddie Mac. The Seller will be ineligible to obtain new purchase commitments during a period of disqualification or suspension. During the period of Seller disqualification or suspension, Freddie Mac may, at its discretion, determine whether outstanding commitments held by the Seller must be honored or the outstanding balance of the commitment fulfilled by using the payoff procedure (see Section 6401.1). Freddie Mac will determine the length of any suspension period and may prescribe the terms and conditions for reinstatement. The notice of disqualification or suspension and the opportunity of a Seller to respond to and appeal the action are governed by the procedures in Sections 2301.3 through 2301.6.

For information regarding outstanding purchase commitments when Freddie Mac terminates Servicing with or without cause, see Section 3603.5.

## **2301.2: Disqualification or suspension of the Seller or the Servicer (03/02/16)**

### **(a) Disqualification or suspension with cause**

Without limiting Freddie Mac's right to take whatever other action it deems appropriate to protect its interests and enforce its rights (including disqualification or suspension for reasons not listed below), Freddie Mac may disqualify or suspend a Seller or a Servicer for any of the following reasons:

1. Impending or actual insolvency of the Seller or the Servicer, its parent, or an affiliate or subsidiary of the Seller or the Servicer
2. The filing of a voluntary petition by the Seller or the Servicer, its parent, or an affiliate or subsidiary of the Seller or the Servicer under federal bankruptcy or State insolvency laws
3. The filing of an answer by the Seller or the Servicer, its parent, or an affiliate or subsidiary of the Seller or the Servicer, in an involuntary proceeding admitting insolvency or inability to pay debts
4. The adjudication of the Seller or Servicer, its parent, or an affiliate or subsidiary of the Seller or the Servicer, as bankrupt

5. The appointment of a trustee or receiver for the Seller or the Servicer or its property, or for its parent, an affiliate or subsidiary of the Seller or the Servicer or for the property of such entities
6. The execution by the Seller or the Servicer, its parent, or an affiliate or subsidiary of the Seller or the Servicer, of an assignment for the benefit of creditors
7. The failure of the Seller or the Servicer, its parent, or an affiliate or subsidiary of the Seller or the Servicer, to obtain a vacation or stay of involuntary proceedings brought for its reorganization, dissolution or liquidation
8. The Seller's or the Servicer's failure to maintain qualified loan origination or Servicing staff and/or adequate facilities to assure (i) the investment quality of the Mortgages sold to Freddie Mac or (ii) the adequacy of the Servicing of Mortgages purchased by Freddie Mac
9. Any weakness or notable change in the financial or organizational status or management of the Seller or the Servicer, its parent, or an affiliate or subsidiary of the Seller or the Servicer, including any adverse change in profitability or liquidity, that, in the opinion of Freddie Mac, could adversely affect Freddie Mac
10. The failure of the Seller or the Servicer to meet any requirement as may be prescribed by Freddie Mac for eligibility as a Seller or a Servicer, including, but not limited to, a Seller or Servicer's failure to maintain an Acceptable Net Worth and/or failure to meet any other financial requirements related to the Seller or Servicer's eligibility required by Freddie Mac (see Section 2101.2)
11. The placement of the Seller or the Servicer, its parent, or an affiliate or subsidiary of the Seller or the Servicer, on probation or restriction of its activities, or the activities of its parent, or an affiliate or subsidiary of the Seller or the Servicer, in any manner by a federal or State government agency
12. Any judgment, order, finding or regulatory action to which the Seller or Servicer (or its management), its parent, or an affiliate or subsidiary of the Seller or the Servicer, is subject that would adversely affect the Seller's or Servicer's ability to comply with the terms and conditions of the Purchase Documents
13. Freddie Mac's determination that the Seller's or Servicer's warranty obligations are disproportionate to its capital and/or assets
14. The Seller's failure to deliver any documents under a Freddie Mac mandatory delivery purchase program
15. The Seller's or the Servicer's failure to observe or comply with any term or provision of the Purchase Documents

16. The Seller's or the Servicer's misstatement, misrepresentation or omission of any material fact on any application, certification or other document submitted, or in any oral representation made, to Freddie Mac
17. The Seller's or the Servicer's assigning or attempting to assign its interests, rights or obligations under the Purchase Documents without Freddie Mac's written consent
18. The Servicer's failure or inability to account properly for the disposition of all monies required to be safeguarded in Custodial Accounts or buydown accounts
19. Seller's or Servicer's default or failure to perform under any contract with Freddie Mac including, but not limited to, contracts not directly related to the sale or Servicing of Mortgages and contracts relating to Mortgages purchased or serviced other than pursuant to this Guide
20. The Seller's or Servicer's having a 30-, 60- or 90+-day Delinquency rate or an REO rate more than 50% higher than the average 30-, 60- or 90+-day Delinquency rate or REO rate for any or all Mortgages owned or guaranteed by Freddie Mac nationally or in the same geographical area (which may include Standard Metropolitan Statistical Area, county, or State) in which the Mortgaged Premises that secure the Mortgages either sold by the Seller or serviced by the Servicer are located and with similar Mortgage and Borrower characteristics, such as origination year, loan-to-value ratio, and documentation type (e.g., full documentation, reduced documentation)
21. The Seller/Servicer's failure to submit a complete and accurate Form 16SF, Annual Eligibility Certification Report, within the time frame prescribed by Section 2101.11
22. The failure of the Seller/Servicer that is a mortgage banker to submit a complete and accurate Form 1055, Mortgage Bankers' Financial Reporting Form, within the time frame prescribed by Section 2101.5
23. The Seller/Servicer's failure to comply with the provisions of Section 3101.1 regarding the Freddie Mac Exclusionary List
24. Placement on the Exclusionary List of the Seller or Servicer, its parent, or an affiliate or subsidiary of the Seller or Servicer
25. The Seller/Servicer's failure to submit a complete and accurate Form 1107SF, Seller/Servicer Change Notification Form, within the time frame required in Section 2101.12 or 2101.13
26. Freddie Mac's determination that the Servicer's overall performance is unacceptable pursuant to Section 3501.2. Freddie Mac considers the Servicer Success Scorecard results (see Section 3501.2), together with other factors, including, but not limited to, Servicer Success File Reviews, trends in performance, adequacy of staffing, audit results, and/or

compliance with all requirements of the Purchase Documents in evaluating whether the Servicer's overall performance is unacceptable.

27. The failure of the Seller to deliver a minimum volume of Mortgages (measured by dollar amount or number of Mortgages) within the time frame specified by Freddie Mac
28. The Seller/Servicer's failure to maintain the confidentiality of the Exclusionary List or information contained on the Exclusionary List
29. The Seller/Servicer's failure to fulfill any obligation to Freddie Mac when due including, but not limited to, the failure to repurchase a Mortgage, pay fees or other monies, and remit custodial or buydown funds
30. The Seller/Servicer's failure to provide audited or Reviewed Financial Statements for its parent, subsidiaries and affiliates upon Freddie Mac request

When the Seller is also a Servicer, suspension or disqualification as a Seller is sufficient cause for suspension or disqualification as a Servicer or termination of all or a portion of Servicing with cause. Whether or not Freddie Mac terminates Servicing by the Servicer, any of the above events is cause for revocation of the power of attorney granted to the Servicer in accordance with Section 8101.2. When the Servicer is also a Seller, suspension or disqualification as a Servicer or termination of all or a portion of Servicing with cause under Chapter 3603 is sufficient cause for suspension or disqualification as a Seller.

**(b) Disqualification or suspension without cause**

Freddie Mac may disqualify or suspend a Seller or a Servicer without cause. Disqualification or suspension of a Seller or a Servicer without cause will be effective immediately upon notice of the disqualification or suspension, unless the notice specifies a later date. During the period of Seller disqualification or suspension, Freddie Mac may, at its discretion, determine whether outstanding commitments held by the Seller must be honored or the outstanding balance of the commitment fulfilled by using the payoff procedure (see Section 6401.1). A Seller will not be entitled to a termination fee or any other compensation from Freddie Mac for any reason or cause relating to any consequential, incidental or indirect damages arising out of, or in connection with, its disqualification or suspension without cause.

Notwithstanding Sections 2301.3 through 2301.6, Freddie Mac's decision to suspend or disqualify a Seller without cause or to terminate Servicing without cause is conclusive.

## **2301.3: Notice of intent to disqualify or suspend the Seller or the Servicer (03/02/16)**

Freddie Mac will not provide the Seller or the Servicer with prior written notice of an intent to disqualify or suspend the Seller or the Servicer, unless Freddie Mac determines, in its discretion, that the giving of prior notice will in no way adversely affect Freddie Mac's interests. In such cases, 30 days' prior written notice will be given. Certain violations of this Guide (such as the commission of fraudulent acts or the failure to deliver under a mandatory delivery purchase program) are viewed with particular seriousness by Freddie Mac. In such cases, Freddie Mac will tend to act without prior written notice to disqualify or suspend the Seller. If prior written notice is not provided, disqualification or suspension will become effective upon oral notice from Freddie Mac to the Seller. Written confirmation of that oral notice will follow.

Any prior written notice or written confirmation of oral notice will contain a brief statement of the basis for the disqualification or suspension and may advise the Seller or the Servicer of its right to obtain a review of Freddie Mac's action or proposed action if permitted in accordance with the procedures in Section 2301.5.

Before giving notice of disqualification or suspension, Freddie Mac may, in its discretion, notify a Seller or a Servicer that it has violated, is violating or may be about to violate provisions of this Guide or other Purchase Documents, and that unless corrective action is taken within a specified time period, disqualification or suspension may result. Freddie Mac may give the notification as part of an audit report or as a result of any other review or investigation of the Seller or the Servicer by Freddie Mac. Any such notification may be issued by means determined by Freddie Mac including, but not limited to, electronic mail to the Seller's or Servicer's e-mail address provided to Freddie Mac by the Seller or Servicer in accordance with Freddie Mac's requirements.

## **2301.4: Request for voluntary termination of status as a Freddie Mac Seller or Servicer (03/02/16)**

A Seller/Servicer may ask for a voluntary termination of its status as a Freddie Mac-approved Seller and/or Servicer by submitting a request to Freddie Mac. The request may be submitted in writing or may be submitted or transmitted in the form of a Record or Electronic Record, as those terms are defined in Section 1401.2, by the Seller/Servicer's authorized employee or representative. If the request is in electronic form, it must be signed using the Seller/Servicer's Electronic Signature and will be subject to Chapter 1401. The request will be deemed to have been duly given to and received by Freddie Mac on the date such request is:

- Received in writing by Freddie Mac (**see Directory 1**) via first class mail, or
- Received in electronic form (e-mail) as an Electronic Record by Freddie Mac's computer information processing system via the Internet, at its Internet e-mail address (**see Directory 1**)

- Received as a Record or Electronic Record in electronic form (facsimile) by Freddie Mac's electronic facsimile machine or system at Freddie Mac (**see Directory 1**)

Other addresses may be substituted for the above upon notice of the substitution.

The Seller/Servicer may also request the termination of its status as a Freddie Mac approved Seller and/or Servicer by completing the appropriate section of the Form 1107SF, Seller/Servicer Change Notification Form, and submitting the form to Freddie Mac.

The Seller/Servicer's voluntary termination shall not be effective until an authorized representative of Freddie Mac has approved the request in writing or in a Record or Electronic Record. Freddie Mac may condition its approval of a voluntary termination on requirements such as full satisfaction of the Seller or Servicer's outstanding obligations due Freddie Mac, the transfer of any portfolio, and/or compensation to Freddie Mac for a negatively-valued portfolio. In the event of a portfolio transfer, the Servicer is responsible for all transfer-related expenses, and remains responsible and liable to Freddie Mac for all representations and warranties arising prior to the transfer.

## **2301.5: Appeal (03/02/16)**

The provisions of this section and Section 2301.6 do not apply to Sellers and Servicers approved by Freddie Mac on or after October 3, 2012 to sell and/or service Mortgages. Those Sellers and Servicers do not have a right to appeal Freddie Mac's notice of determination to disqualify or suspend.

A Seller or Servicer approved to sell and/or service Mortgages for Freddie Mac prior to October 3, 2012 may write to Freddie Mac (**see Directory 1**) to appeal a determination to disqualify or suspend with cause pursuant to Section 2301.2(a).

The appeal must be postmarked or hand delivered no later than 15 days:

- From the date the Seller or the Servicer received written notice of Freddie Mac's intention to suspend or disqualify, or
- If prior written notice was not provided by Freddie Mac, from the date the Seller or Servicer received written confirmation of Freddie Mac's oral notice to suspend or disqualify

If an appeal is not filed within the 15-day period, the Seller or Servicer will be deemed to have waived its right to appeal.

Any appeal must provide Freddie Mac with information and documentation that clearly supports the Seller's or Servicer's request for reconsideration of Freddie Mac's disqualification or suspension determination.

## **2301.6: Final decision (03/02/16)**

Freddie Mac's Vice President — Counterparty Credit Risk Management, or that person's designee, will review the appeal of the Seller/Servicer if eligible to file an appeal under Section 2301.5 before rendering a final decision.

The Vice President — Counterparty Credit Risk Management, or that person's designee, will then render a final decision in writing to the Seller/Servicer either affirming, reversing or modifying Freddie Mac's prior determination to disqualify or suspend.

# Chapter 2401: Master Systems License

## 2401.1: Master Systems License (09/10/18)

### (a) Scope and applicability

Immediately upon a User's first access to a System on or after the Effective Date, the Seller/Servicer shall be bound by the terms and conditions of this Section 2401.1 (i.e., the "Master Systems License") and, to the extent applicable, any System-Specific License. Except with respect to Section 2401.1(f) and the Seller/Servicer's use of Freddie Mac Access Manager, neither this Master Systems License nor any System-Specific License shall apply to any Excluded Servicing Tool, which shall continue to be governed by its separate license, user agreement or similar document.

### (b) Definitions

The definitions below apply solely for purposes of this Master Systems License and each System-Specific License. Capitalized terms used but not defined in this Master Systems License have the meaning set forth in the Glossary or as otherwise specified in the Guide.

- "Access Manager" has the meaning set forth in Section 2401.1(f)(i)
- "Administrator" has the meaning set forth in Section 2401.1(f)(i)
- "Aggregate Data" has the meaning set forth in Section 2401.1(g)(vi)
- "Authentication Credentials" has the meaning set forth in Section 2401.1(f)(i)
- "Authorized User" means any employee or contract worker of the Seller/Servicer or of a Related Third Party who is authorized by the Seller/Servicer or such Related Third Party to access and use the Licensed Materials in connection with his or her responsibilities to the Seller/Servicer and/or the Related Third Party. Authorized Users are sometimes referred to in Purchase Documents as "Permitted Users"
- "Distributed Code" means any application or operating system software provided or made available by Freddie Mac (or third parties on behalf of Freddie Mac) to the Seller/Servicer for implementation at a Seller/Servicer location in connection with the Purpose
- "Documentation" means user guides, job aids, training materials, any written instructions (including such instructions as they relate to administering Authentication Credentials and any other Confidential Means of Access), and any



other documentation relating to a System that Freddie Mac provides or makes available to the Seller/Servicer, as amended from time to time

- “Effective Date” shall be the date, set forth in the Guide Bulletin pursuant to which the Master Systems License and each System-Specific License is published, on or after which a User’s access to a System will bind the Seller/Servicer or Related Third Party, as applicable, to the Master Systems License and each System-Specific License
- “Enhancements” has the meaning set forth in Section 2401.1(g)(iii)
- “Excluded Servicing Tool” means a Servicing Tool that is governed by a separate license, user agreement or similar document (whether in the Guide or elsewhere) other than a System-Specific License
- “Form” has the meaning set forth in Section 2401.1(f)(i)
- “License” has the meaning set forth in Section 2401.1(k)(iii)
- “Licensed Materials” means, individually and collectively, the Systems, Output and Documentation
- “Master Systems License” has the meaning set forth in the first paragraph of this Section 2401.1
- “Output” means any reports, findings, feedback certificates, messages (including those in such reports, findings or certificates), data, information or other content generated by a System that is provided or made available to the Seller/Servicer
- “Purpose” has the meaning set forth in Section 2401.1(c)(i)
- “Related Third Party” means a third party (such as a mortgage broker, correspondent lender, loan origination system vendor, contract underwriter, appraisal management company, settlement agent, Selling Agent, Document Custodian, Warehouse Lender or Outsourced Vendor) that the Seller/Servicer engages to provide it with technology, origination, underwriting, processing, technical, interim financing, closing and other services and support that are generally designed to advance the Purpose
- “Specifications” has the meaning set forth in Section 2402.1(b)
- “Support Services” means services provided by Freddie Mac or its contractors to support the operation and maintenance of a System
- “System” means, individually and collectively, a Freddie Mac-owned, -leased, -licensed or -controlled technology platform whether or not identified in a System-

Specific License including, without limitation, Distributed Code, Specifications, any related computer, other hardware or electronic device, application or operating system software, web site, private data or other communication network, interface and/or connectivity which, in each instance, Freddie Mac provides or makes available to the Seller/Serviceicer in connection with the Purpose; provided, however, that the term “System” as used in this Master Systems License and any System-Specific License shall not include any Excluded Servicing Tool or the Uniform Collateral Data Portal; and provided further that the term “System” shall include Access Manager. The term “System,” as used within this Master Systems License and any System-Specific License, is to be construed as within the meaning of the term “Systems” as this latter term is defined in Chapter 1401.

- “System Data” has the meaning set forth in Section 2401.1(g)(v)
- “System-Specific License” means each license set forth in Chapter 2402
- “Third Parties” has the meaning set forth in Section 2401.1(i)(iv)(A)
- “User” means any individual who gains access to the Licensed Materials directly or indirectly through the Seller/Serviceicer or a Related Third Party, and includes Authorized Users
- “User IDs” has the meaning set forth in Section 2401.1(f)(i)

**(c) Royalty free use license**

- (i) Freddie Mac grants to the Seller/Serviceicer a limited, revocable, non-exclusive, non-transferable license to access and use the Licensed Materials through its Authorized Users during the term of this Master Systems License and any System-Specific License; provided, however, that such access and use shall be solely for the Seller/Serviceicer’s internal business purposes in connection with its origination and/or Servicing of Mortgages, as applicable (collectively, the “Purpose”).
- (ii) Upon the prior written consent of Freddie Mac obtained in accordance with Section 1101.2(d), the Seller/Serviceicer may allow Related Third Parties to access and use the Licensed Materials solely to the extent necessary to discharge their respective responsibilities to the Seller/Serviceicer in connection with the Purpose, except to the extent prohibited by or, if permitted, subject to any requirements set forth in, any applicable Purchase Document; provided, however, the Seller/Serviceicer shall obligate each such Related Third Party in writing to comply with the terms of this Master Systems License and each applicable System-Specific License, as set forth in Section 2401.1(e)(iv).

- (iii) Except as otherwise indicated by Freddie Mac in any relevant Documentation or Purchase Document, Freddie Mac does not currently assess a fee in connection with the Seller/Servicer's use of any System, but expressly reserves the right to do so in the future. The Seller/Servicer acknowledges that it may incur (and will be responsible for) costs from third parties such as credit reporting agencies, other vendors and other Related Third Parties in connection with its use of certain Systems.

**(d) Licensed Materials; use and other limitations**

- (i) Use of the Licensed Materials is subject to, and the Seller/Servicer shall comply at all times with, (A) the terms of this Master Systems License and any applicable System-Specific License, (B) the Documentation, and (C) all other applicable requirements of the Purchase Documents (including, but not limited to, requirements relating to confidentiality such as those set forth in Section 1201.8). The Seller/Servicer's use of each System constitutes an Eligible Electronic Transaction, as such term is defined in Section 1401.2, using Freddie Mac Systems within the meaning of the Guide, including, without limitation, Chapter 1401.
- (ii) Under no circumstances shall the Seller/Servicer (A) provide access to or otherwise make the Freddie Mac Exclusionary List available to a Related Third Party or any other party except as permitted under and in accordance with Section 1201.8(c), or (B) enable or permit any person or entity on the Freddie Mac Exclusionary List to access or use the Licensed Materials, whether directly or indirectly through the Seller/Servicer or any Related Third Party.
- (iii) The Seller/Servicer is and shall remain fully responsible and liable for use of the Licensed Materials by each Related Third Party and any User, and shall have controls in place to ensure that each Related Third Party and Authorized Users comply with the terms of this Master Systems License and any System-Specific License in their use of the Licensed Materials.
- (iv) Freddie Mac reserves the right, at any time and in its sole discretion, to modify, enhance, retire or otherwise cease providing the Licensed Materials or the Support Services. To the extent possible, Freddie Mac will endeavor to provide reasonable notice of any such action, unless it is legally required to cease providing the Licensed Materials immediately. Regardless of such action by Freddie Mac, the Seller/Servicer agrees that it will remain in full compliance with all applicable law in connection with its origination and Servicing of Mortgages.
- (v) The Seller/Servicer shall (A) not make any copies of the Distributed Code, other than for the limited purpose of creating a single archival or backup copy, (B) use only the most recent version of the Distributed Code provided or made available by Freddie Mac, and (C) follow Freddie Mac's instructions concerning the

cessation of use of the Distributed Code (including any old or retired versions thereof).

- (vi) The Seller/Servicer shall (A) not make any representation, statement or suggestion to a third party regarding any capability of any Licensed Materials that purport to be, or might reasonably be construed to be, made on behalf of Freddie Mac, (B) not issue any press release regarding its use of the Licensed Materials, or otherwise use Freddie Mac's name or marks in any marketing or promotional materials without the prior written consent of a duly authorized officer of Freddie Mac, and (C) permit Freddie Mac, from time to time upon reasonable notice, to audit facilities and systems used in conjunction with the Licensed Materials to confirm compliance with the requirements of this Master Systems License and any System-Specific License.

**(e) System access; interface development and maintenance; Related Third Parties**

- (i) The Seller/Servicer may access a System by means of a (A) web server hosted by or on behalf of Freddie Mac, (B) system-to-system interface between the System and the Seller/Servicer's platform which is developed and maintained by the Seller/Servicer and approved in writing by Freddie Mac, and/or (C) System interface with a Related Third Party-provided loan origination or other loan manufacturing tool or Servicing Tool.
- (ii) With respect to its System access under Section 2401.1(e)(i)(B), Freddie Mac may provide the Specifications to the Seller/Servicer pursuant to Section 2402.1 so as to facilitate the Seller/Servicer's design, development and maintenance of the system-to-system interface with such System. With respect to its System access under Section 2401.1(e)(i)(C), Freddie Mac may have conducted limited testing on Related Third Party interfaces with loan origination or other loan manufacturing tools or Servicing Tools, and those interfaces which have been deemed to be compatible with identified Systems are listed on Freddie Mac's web site.
- (iii) Notwithstanding any Freddie Mac-conducted testing or web site identification, and, without limiting the application of any other provision of this Master Systems License or a System-Specific License, Freddie Mac assumes no responsibility for, and shall bear no liability whatsoever arising out of or related to any interface identified in Sections 2401.1(e)(i)(B) or 2401.1(e)(i)(C), despite the fact that such an interface provides access to a System, or that Freddie Mac may have conducted limited testing or provided Support Services or other assistance with respect to the same.
- (iv) As permitted under Section 2401.1(c)(ii), the Seller/Servicer may engage Related Third Parties to assist it in its furtherance of the Purpose. Freddie Mac does not endorse any Related Third Party or sanction any engagement by the Seller/Servicer of any Related Third Party. The Seller/Servicer shall maintain a

separate, independent contract with each Related Third Party concerning the Seller/Servicer's use of such party's platform, product or service. As part of such contract, the Seller/Servicer may appoint a Related Third Party to act as the Seller/Servicer's agent for purposes of gaining access to a System, including entering data into the System, ordering and receiving consumer credit data through the System, and obtaining Output, in each instance on behalf of its principal, the Seller/Servicer. The Seller/Servicer shall be responsible for and bear all liability arising out of or related to any act or omission of its Related Third Parties, including any act or omission that causes a Seller/Servicer to violate any applicable law and/or any provision of the Guide or other Purchase Document, and under no circumstances shall Freddie Mac assume any responsibility or bear any liability whatsoever arising out of or related to any act or omission of a Related Third Party, notwithstanding that Freddie Mac may have facilitated the relationship between the Seller/Servicer and such Related Third Party.

- (v) The Seller/Servicer shall include in its separate, independent contracts with Related Third Parties provisions that bind each Related Third Party to the terms and conditions of this Master Systems License and each System-Specific License, including, without limitation, Sections 2401.1(d), 2401.1(f), 2401.1(h)(ii), 2401.1(h)(iii) and 2401.1(h)(iv). The Seller/Servicer shall (A) specifically designate Freddie Mac as an express, intended third-party beneficiary of each contract referenced in this Section 2401.1(e)(v) solely for the purpose of enforcing Freddie Mac's rights under such contract, and (B) monitor the performance of its Related Third Parties so as to ensure the compliance of each with this Master Systems License and each System-Specific License.
- (vi) Freddie Mac may also maintain separate, independent contracts with Related Third Parties regarding their respective provision of platforms and services to other entities, including the Seller/Servicer. Freddie Mac may from time to time and in its sole discretion terminate any such contract, which termination could result in the need for the Seller/Servicer to obtain an alternate platform, product and/or service from an alternative provider. Freddie Mac will attempt to notify the Seller/Servicer of such termination, but shall have no liability arising out of or in connection with any such termination, whether or not prior notice is provided to the Seller/Servicer.

**(f) Authorized User registration; access management and security; requirements for Excluded Servicing Tools**

- (i) To facilitate its provision of System access to a Related Third Party for use on its behalf as provided hereunder, the Seller/Servicer may share Authorized Users' identification codes ("User IDs") and passwords, PIN or other access codes (together with User IDs, the "Authentication Credentials") with such Related Third Party. In addition, Freddie Mac may provide or make available to the Seller/Servicer: (i) an electronic or paper registration form for the provisioning of Authorized Users for a System ("Form") and/or (ii) Access Manager, an

automated access and credential management application designed to facilitate the Seller/Service's management of its Authorized Users, which may also include one or more Forms (collectively, "Access Manager"). The Seller/Service shall, and, if applicable, shall cause each Related Third Party to, specifically identify each Authorized User for the System in Access Manager. Access Manager may require the designation of one or more Authorized Users to perform administrative functions for the particular System (each, an "Administrator") such as:

- (A) Identifying other Authorized Users to whom Freddie Mac may grant System(s) access
  - (B) Receiving the Authentication Credentials from Freddie Mac, and
  - (C) Adding or deleting Authorized Users and modifying or submitting new User IDs and completing additional Forms in accordance with the Documentation.
- (ii) Without limiting the application of any information security or other similar requirement of a Purchase Document including, without limitation, any contained in Chapter 1302, the Seller/Service shall safeguard and protect all information it provides to Access Manager, as well as all Authentication Credentials and other Confidential Means of Access (as that term is defined in Section 1401.2), and shall adopt security measures to prevent the loss, theft, unauthorized access, disclosure, compromise or use of any of the foregoing. Such measures shall include the maintenance of up-to-date virus detection software to protect against malware and other malicious software. As soon as practicable, and, in any event, no later than within one Business Day of an Administrator's name change, or an employee's or contractor's termination, the Seller/Service shall either (i) utilize Access Manager to register the Administrator name change, or remove or otherwise delete such employee or contract worker as an Authorized User, or (ii) notify Freddie Mac of such name change or termination so that Freddie Mac may register the name change or revoke the employee's or contractor's access to each System.
- (iii) The Seller/Service shall notify Freddie Mac as soon as practicable and, in any event, no later than within one Business Day in the event:
- (A) Of any actual or suspected loss, theft or unauthorized access, disclosure, compromise or use of any System, Authentication Credential, or any other Confidential Means of Access
  - (B) The Seller/Service has reason to believe that an Administrator's access to a System, including Access Manager, is no longer secure for any reason
  - (C) An unauthorized User has gained access to a System
  - (D) An Authorized User has gained access to a System that he or she is not authorized to access or use, or

- (E) An Authorized User has used a System for purposes other than the Purpose
- (iv) From time to time an Administrator may be required by Access Manager to engage in campaigns to recertify the authorizations and roles of Authorized Users. The Administrator shall comply with all reasonable instructions, including any provided through Access Manager, for any such campaign.
  - (v) Without limiting the application of any other provision of this Section 2401.1(f) or a Purchase Document, the Seller/Service Provider agrees to implement and maintain industry best practices with respect to the security of, and access to, each System, including the imposition and enforcement of requirements against sharing of Authentication Credentials between and among Users, and accepts all risks and liability resulting from any failure to adopt and maintain such industry best practices.
  - (vi) The Seller/Service Provider shall manage each of its Authorized Users' access to those Excluded Servicing Tools that Freddie Mac designates from time to time in accordance with the Authorized User registration, access management, and security requirements set forth in this Section 2401.1(f), except that the Seller/Service Provider may not permit a Related Third Party to access an Excluded Servicing Tool unless otherwise permitted by Freddie Mac in writing (e.g., under another section of the Guide, other Purchase Document, applicable user agreement, system license or related system documentation). Until Freddie Mac designates an Excluded Servicing Tool as subject to this Section 2401.1(f), including through the issuance of a Form identifying such Excluded Servicing Tool, the Seller/Service Provider must continue to follow the user access and security requirements applicable to such Excluded Servicing Tool.

**(g) Ownership of the Licensed Materials; rights in data**

- (i) The Licensed Materials are the sole and exclusive property of Freddie Mac (or, as applicable, its third-party licensors). The Seller/Service Provider acknowledges that it has no ownership or other rights or interests in the Licensed Materials, except to the extent of the rights expressly granted in this Master Systems License and any System-Specific License, and covenants that it will treat all nonpublic information and data concerning the Licensed Materials and any Support Services as strictly confidential in accordance with Section 1201.8.
- (ii) The Seller/Service Provider will not modify, enhance, disassemble or reverse engineer any Licensed Materials in any manner or for any reason. All rights in and to copyrights, trade secrets, patents, trademarks and other rights in and to the Licensed Materials shall be the property of and remain with Freddie Mac (or, as applicable, its third-party licensors).
- (iii) The Seller/Service Provider agrees that Freddie Mac shall be the sole and exclusive owner of any actual or proposed changes, modifications, upgrades or enhancements in functionality, design or otherwise, to the Licensed Materials and any successor

products or systems (collectively, the “Enhancements”), and the Seller/Servicer hereby assigns, and agrees to assign, to Freddie Mac all rights in the Enhancements, without any recourse to the Seller/Servicer. The Seller/Servicer understands and acknowledges that Freddie Mac shall not be under any obligation to consider or implement any Enhancements it may suggest or recommend to Freddie Mac.

- (iv) The Seller/Servicer shall reproduce without modification on any copy of the Output, Specifications or Documentation all copyright, confidentiality and other proprietary notices included on the original version or otherwise provided or made available by the System or Freddie Mac.
- (v) The Seller/Servicer acknowledges and agrees that Freddie Mac may use, modify, reproduce and retain all data (A) submitted by a User to any System, (B) generated in the utilization of a System that pertains to the functionality or performance of the System, and/or (C) necessary or useful in assisting Freddie Mac in the provision of Support Services (all such data collectively referenced in this Section 2401.1(g)(v)(A)-(C) as the “System Data”) for all purposes related to such System, the underlying software and models, and any actual or potential Mortgage to which such data relate, including, without limitation, for analytic, statistical, quality control and similar purposes.
- (vi) Freddie Mac may provide statistical, comparative and summary information derived from the System Data (i.e., the “Aggregate Data”) to Freddie Mac’s customers and other third parties; provided, however, that except to the extent permitted or required by applicable law, Aggregate Data shall be anonymized, and shall not specifically identify or be linked to any consumer.
- (vii) Notwithstanding the foregoing, Freddie Mac will not disclose System Data or Aggregate Data in a manner that either associates the Seller/Servicer with a particular Mortgage file, or enables the recipient of any such data to determine that the Seller/Servicer submitted such Mortgage file to the System, in either case unless (A) required by applicable law, a subpoena or a court order, or (B) consented to by the Seller/Servicer.
- (viii) Notwithstanding anything to the contrary contained in this Master Systems License or any System-Specific License, Freddie Mac may provide System Data and Aggregate Data to the FHFA, any agency of the federal government or any State government, or as otherwise permitted by the Purchase Documents.
- (ix) As set forth in Section 1201.9, and notwithstanding anything to the contrary contained in this Master Systems License or any System-Specific License, all System Data, Aggregate Data and other data and information associated with a Mortgage that is purchased or guaranteed by Freddie Mac shall be the sole and exclusive property of Freddie Mac, which it may use for any purpose including, but not limited to, such purposes set forth in this Section 2401.1(g).



## **(h) Representations and warranties; indemnification**

- (i)** The Seller/Servicer acknowledges and agrees that:
  - (A)** All of the representations and warranties it is deemed to make under applicable Purchase Documents with respect to loan documentation, data and other information it provides to Freddie Mac shall apply to any such materials it or any User provides to Freddie Mac through any System, as well as to the Seller/Servicer's use of the Licensed Materials, and
  - (B)** Freddie Mac will have all rights and remedies available to it under the Purchase Documents with respect to a breach by the Seller/Servicer of any such representation or warranty or any Seller/Servicer misrepresentation.
- (ii)** In addition to the provisions of Section 2401.1(h)(i) or any other provision of a Purchase Document pertaining to its compliance with laws including, without limitation, Section 1301.2 and Chapter 4202, the Seller/Servicer represents, warrants and agrees that it has obtained or, if applicable, will obtain, legal counsel and has developed policies, systems and procedures to ensure that its use of the Licensed Materials is, and, at all times relevant to this Master Systems License and any System-Specific License, shall remain, in full compliance with:
  - (A)** All federal, State and local laws, rules and regulations applicable to its activities in connection with which any Licensed Materials are used, including, without limitation, the Real Estate Settlement Procedures Act, the Truth-in-Lending Act, the Fair Credit Reporting Act, the Equal Credit Opportunity Act and the Home Mortgage Disclosure Act, and each of their implementing regulations and commentary, as applicable, and
  - (B)** All applicable laws, rules, regulations and conventions relating to data privacy, international communications and the importation and exportation of software and data.
- (iii)** The Seller/Servicer bears sole responsibility for complying with all laws, rules, regulations and conventions referenced in the preceding Section 2401.1(h)(ii), and shall not rely on the Licensed Materials in connection with its compliance efforts. The Seller/Servicer acknowledges and agrees that **(A)** the Licensed Materials do not analyze compliance with laws, regulations, or ordinances, or with any requirements that may be imposed by any regulator, and **(B)** the Seller/Servicer's compliance obligations shall in no event be imposed upon, assumed or shared by Freddie Mac as a result of the Seller/Servicer's (or any Related Third Party's) use of the Licensed Materials.
- (iv)** In addition to the provisions of Section 2401.1(h)(i), the Seller/Servicer further represents, warrants and agrees that:

- (A) Each Administrator is an officer of the Seller/Serviceicer or is otherwise specifically authorized by the Seller/Serviceicer to perform such administrative functions,
- (B) Each User is duly authorized to act on behalf of, and has full authority to legally bind the Seller/Serviceicer by such User's acts and omissions,
- (C) Freddie Mac is entitled to rely on the truth, accuracy and completeness of all data and information submitted by each Administrator and any other User to each System, including any data and information submitted through a Form, and
- (D) No computer virus, including any malware, time bomb or any code designed to cause the System to malfunction or self-destruct or allow unauthorized access or cause harm to the System shall be introduced into the System by or through the Seller/Serviceicer.
- (v) In addition to its obligations under the provisions of any Purchase Document, including Chapter 1401, the Seller/Serviceicer shall indemnify Freddie Mac and its directors, officers, employees, agents, successors and assigns and hold each harmless from and against any and all liabilities, losses, claims, damages, costs and expenses, including reasonable attorneys' fees, arising directly or indirectly out of or relating to any (i) User's use of the Licensed Materials, and/or (ii) breach of a Seller/Serviceicer representation, warranty, covenant and/or obligation under this Master Systems License or any System-Specific License, whether such breach arises out of its own action or inaction or the action or inaction of a Related Third Party, any User, or of any Seller/Serviceicer or Related Third Party director, officer, employee, subcontractor, partner, principal, agent, successor or assign. Freddie Mac shall provide the Seller/Serviceicer with notice of any such claim after it comes to Freddie Mac's attention.

**(i) Limited warranty; liability limitation**

- (i) Freddie Mac represents and warrants that it has the right to grant the Seller/Serviceicer the rights specified in this Master Systems License and any System-Specific License
- (ii) EXCEPT AS EXPRESSLY PROVIDED IN SECTION 2401.1(i)(i), THE LICENSED MATERIALS AND THE SUPPORT SERVICES ARE PROVIDED ON AN "AS IS" AND "AS AVAILABLE" BASIS, AND ALL USES OF THE FOREGOING ARE AT THE SELLER/SERVICER'S, A RELATED THIRD PARTY'S AND EACH USER'S SOLE RISK. FREDDIE MAC MAKES NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO ANY DATA OR OTHER INFORMATION OBTAINED, PROVIDED OR TRANSMITTED THROUGH ANY SYSTEM, INCLUDING, WITHOUT LIMITATION, ANY DATA OR OTHER INFORMATION CONTAINED IN A CONSUMER REPORT. EXCEPT TO THE EXTENT EXPRESSLY PROVIDED IN SECTION 2401.1(i)(i), ALL

WARRANTIES (BOTH EXPRESS AND IMPLIED) CONCERNING THE LICENSED MATERIALS AND THE SUPPORT SERVICES ARE HEREBY EXPRESSLY DISCLAIMED, INCLUDING ANY WARRANTIES OF MERCHANTABILITY, ACCURACY AND/OR FITNESS FOR A PARTICULAR PURPOSE.

- (iii)** ONE OR MORE SYSTEMS MAY INCLUDE COLOR DESIGNATIONS IN THEIR RESPECTIVE OUTPUT, SOME OF WHICH MAY BE EMBEDDED IN ICONS. ANY SUCH COLOR DESIGNATION (INCLUDING ANY ICON IN WHICH SUCH A DESIGNATION IS EMBEDDED) IS INTENDED SOLELY AS A VISUAL GUIDE FOR INDICATING THE NEED (IF ANY) FOR AN AUTHORIZED USER TO REVIEW DATA FILES FOR ERRORS OR INCONSISTENCIES, AS SET FORTH IN THE LICENSED MATERIALS. SUCH DESIGNATIONS AND ICONS ARE NOT PROVIDED FOR ANY OTHER REASON, NOR SHOULD THEY BE USED OR RELIED UPON EXCEPT FOR PURPOSES OF TRIGGERING DATA FILE REVIEWS AS SET FORTH IN THE LICENSED MATERIALS. NO OUTPUT (INCLUDING ANY DESIGNATION OR ICON) GENERATED BY A SYSTEM SHALL BE INTERPRETED OR CONSTRUED AS GIVING RISE TO ANY AGREEMENT OR OBLIGATION ON THE PART OF FREDDIE MAC TO PURCHASE ANY MORTGAGE ASSOCIATED WITH THE OUTPUT.
- (iv)** NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS MASTER SYSTEMS LICENSE OR IN ANY SYSTEM-SPECIFIC LICENSE:

  - (A)** FREDDIE MAC WILL HAVE NO LIABILITY TO (i) THE SELLER/SERVICER, OR (ii) ANY RELATED THIRD PARTY, ANY USER OR ANY OTHER INDIVIDUAL OR ENTITY (COLLECTIVELY, “THIRD PARTIES”) FOR INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES OF ANY TYPE WHATSOEVER, INCLUDING, WITHOUT LIMITATION, LOST PROFITS, ARISING OUT OF OR RELATING IN ANY MANNER WHATSOEVER TO THE LICENSED MATERIALS, THE SUPPORT SERVICES, OR ANY USE THEREOF, WHETHER UNDER A CONTRACT, TORT OR ANY OTHER THEORY OF LIABILITY, EVEN IF FREDDIE MAC, SELLER/SERVICER OR ANY THIRD PARTY IS AWARE OF THE POSSIBILITY OF SUCH DAMAGES.
  - (B)** FREDDIE MAC WILL HAVE NO LIABILITY TO ANY THIRD PARTY FOR ANY CLAIMS ARISING OUT OF OR RELATING TO THE LICENSED MATERIALS, THE SUPPORT SERVICES, OR ANY USE OF OR INABILITY TO USE THE LICENSED MATERIALS OR SUPPORT SERVICES.

(C) WITHOUT LIMITING THE PROVISIONS OF SECTIONS 2401.1(i)(iv)(A) AND (B), FREDDIE MAC'S SOLE LIABILITY ARISING OUT OF OR RELATING TO THE LICENSED MATERIALS OR THE SUPPORT SERVICES FROM ANY SOURCE AND UNDER ANY THEORY OF LIABILITY WHATSOEVER, INCLUDING, WITHOUT LIMITATION, LIABILITY ARISING OUT OF CONTRACT, NEGLIGENCE OR STRICT LIABILITY, OR IN TORT OR WARRANTY, WILL CONSIST OF ACTUAL MONETARY DAMAGES UP TO, BUT NOT TO EXCEED, AN AGGREGATE OF FIVE THOUSAND DOLLARS (\$5,000).

(v) FREDDIE MAC AND THE SELLER/SERVICER EXPRESSLY ACKNOWLEDGE AND AGREE THAT THE LIMITATIONS AND EXCLUSIONS CONTAINED HEREIN (A) REPRESENT THE PARTIES' AGREEMENT AS TO THE ALLOCATION OF RISK BETWEEN THEM (INCLUDING, WITHOUT LIMITATION, THE POSSIBILITY THAT A REMEDY MAY FAIL ITS ESSENTIAL PURPOSE AND CAUSE CONSEQUENTIAL LOSS), WITHOUT WHICH THE PARTIES WOULD NOT HAVE BEEN WILLING TO ENTER INTO THIS MASTER SYSTEMS LICENSE OR ANY SYSTEM-SPECIFIC LICENSE INCORPORATED HEREIN, AND (B) FORM AN ESSENTIAL BASIS OF THE BARGAIN BETWEEN THE PARTIES.

**(j) Term and Termination**

- (i) The term of this Master Systems License shall commence upon a User's first access to any System on or after the Effective Date, and, except as set forth in this Section 2401.1(j), shall continue in full force and effect until terminated by the Seller/Serviceer upon thirty (30) days' prior written notice to Freddie Mac, or by Freddie Mac upon ten (10) days' prior written notice to the Seller/Serviceer.
- (ii) Without limiting Freddie Mac's rights to terminate any User's access to a System as provided for in this Master Systems License, Freddie Mac may terminate this Master Systems License and/or any System-Specific License and/or Seller/Serviceer's rights to access and use any specific System pursuant to this Master Systems License, effective immediately, upon notice to the Seller/Serviceer in the event of any default by the Seller/Serviceer under this Master Systems License, or any default by the Seller/Serviceer under the terms of any Purchase Document or other agreement between Freddie Mac and the Seller/Serviceer, including any System-Specific License.
- (iii) The Seller/Serviceer's rights under this Master Systems License will automatically terminate if and when the Seller/Serviceer ceases to be an approved Freddie Mac Seller/Serviceer. Freddie Mac may terminate an Authorized User's rights to use any System if an Authorized User or Related Third Party identified in the Freddie Mac Exclusionary List (or any of its employees, contractors, directors or officers

identified in the Freddie Mac Exclusionary List) participates either in the origination or sale of a Mortgage to Freddie Mac or in the underlying real estate transaction.

- (iv) All System-Specific Licenses and the rights of all Authorized Users to use each System will terminate as of the effective date of termination of this Master Systems License. Freddie Mac may terminate, in its sole discretion and without notice, what it believes to be unauthorized access to any System by any User.
- (v) Upon termination of the Seller/Servicer's right to use a System, the Seller/Servicer will have no further right to access such System or any associated Documentation, Output or Support Services, except that the Seller/Servicer may retain and continue to use a copy of any Output associated with the System to the extent required by (A) the Purchase Documents, (B) the Seller/Servicer's normal internal quality control processes or document retention protocols, or (C) applicable law, in each case subject to the provisions of this Master Systems License and any applicable System-Specific License. Upon termination, the Seller/Servicer will promptly, and in no event later than thirty (30) days after the effective date of such termination, return to Freddie Mac (or, if requested by Freddie Mac, destroy and have an officer of the Seller/Servicer certify in writing that it has destroyed) all copies of Distributed Code and Documentation.
- (vi) Any provisions of this Master Systems License and any System-Specific License that contemplate their continuing effectiveness following termination of this Master Systems License and any System-Specific License including, but not limited to, Sections 2401.1(d), 2401.1(g), 2401.1(h), 2401.1(i), 2401.1(j)(vi) and 2401.1(k) hereof shall survive any termination of this Master Systems License and such System-Specific License.

**(k) Miscellaneous**

- (i) The Seller/Servicer shall not assign any of its rights or obligations under this Master Systems License or any System-Specific License in any manner whatsoever without Freddie Mac's prior written consent.
- (ii) All notices required or permitted hereunder, including, but not limited to, notice of an amendment to the terms of this Master Systems License or any System Specific License, shall be in accordance with Section 1101.2(d) or Section 1302.2(b), as applicable, and may be provided via the applicable System.
- (iii) The failure of either party to exercise in any respect any right or remedy provided for in this Master Systems License shall not be deemed a waiver of such right or remedy. No waiver at any time of any provision of this Master Systems License or any System-Specific License (any such license, a "License") will be deemed a waiver of any other provision of that License or any other License, or a waiver of that or any other provision of this License or any other License at any other time.

- (iv) The Seller/Service Provider recognizes that it is responsible for (A) obtaining and maintaining connectivity to each System, and (B) developing and maintaining its own record-keeping processes and systems for Output, in each instance at its own expense in accordance with the Documentation.
- (v) This Master Systems License and each System-Specific License will be construed, and the rights and obligations of the parties hereunder determined, in accordance with the laws of the Commonwealth of Virginia, without regard to provisions concerning conflicts of law. Any dispute arising out of or in connection with this Master Systems License and any System-Specific License shall be settled in a proceeding brought in the United States District Court for the Eastern District of Virginia, and the Seller/Service Provider irrevocably submits to the jurisdiction and venue of that Court. Subject to the provisions of Section 2401.1(i) above, the rights and remedies of the parties are cumulative and are in addition to, and not in lieu of, all rights and remedies available at law and in equity.
- (vi) If any provision of this Master Systems License or a System-Specific License is held invalid, illegal or unenforceable, such provision will to that extent be deemed omitted from this Master Systems License or such System-Specific License, and the remaining provisions of the Master Systems License or System-Specific License will continue to be valid and enforceable and will not be affected in any way.
- (vii) This Master Systems License and each System-Specific License is binding upon the parties and (as permitted under Section 2401.1(k)(i)) their respective successors and assigns. In the event of a conflict between a term or condition of this Master Systems License and a term or condition of any System-Specific License, the term or condition of the System-Specific License shall prevail.
- (viii) Freddie Mac may amend this Master Systems License and each System-Specific License by providing notice to the Seller/Service Provider of the terms of such amendment in accordance with Section 2401.1(k)(ii). The Seller/Service Provider's use of any System on and after the effective date of any such amendment shall constitute the Seller/Service Provider's consent to, and agreement with, the terms of the amendment.

## **2401.1: Master Systems License (Future effective date 12/09/19)**

### **(a) Scope and applicability**

Immediately upon a User's first access to a System on or after the Effective Date, the Seller/Service Provider shall be bound by the terms and conditions of this Section 2401.1 (i.e., the "Master Systems License") and, to the extent applicable, any System-Specific

License. Except with respect to Section 2401.1(f) and the Seller/Service's use of Freddie Mac Access Manager, neither this Master Systems License nor any System-Specific License shall apply to any Excluded Servicing Tool, which shall continue to be governed by its separate license, user agreement or similar document.

## **(b) Definitions**

The definitions below apply solely for purposes of this Master Systems License and each System-Specific License. Capitalized terms used but not defined in this Master Systems License have the meaning set forth in the Glossary or as otherwise specified in the Guide.

- “Access Manager” has the meaning set forth in Section 2401.1(f)(i)
- “Administrator” has the meaning set forth in Section 2401.1(f)(i)
- “Aggregate Data” has the meaning set forth in Section 2401.1(g)(vi)
- “Authentication Credentials” has the meaning set forth in Section 2401.1(f)(i)
- “Authorized User” means any employee or contract worker of the Seller/Service or of a Related Third Party who is authorized by the Seller/Service or such Related Third Party to access and use the Licensed Materials in connection with his or her responsibilities to the Seller/Service and/or the Related Third Party. Authorized Users are sometimes referred to in Purchase Documents as “Permitted Users”
- “Distributed Code” means any application or operating system software provided or made available by Freddie Mac (or third parties on behalf of Freddie Mac) to the Seller/Service for implementation at a Seller/Service location in connection with the Purpose
- “Documentation” means user guides, job aids, training materials, any written instructions (including such instructions as they relate to administering Authentication Credentials and any other Confidential Means of Access), and any other documentation relating to a System that Freddie Mac provides or makes available to the Seller/Service, as amended from time to time
- “Effective Date” shall be the date, set forth in the Guide Bulletin pursuant to which the Master Systems License and each System-Specific License is published, on or after which a User’s access to a System will bind the Seller/Service or Related Third Party, as applicable, to the Master Systems License and each System-Specific License
- “Enhancements” has the meaning set forth in Section 2401.1(g)(iii)

- “Excluded Servicing Tool” means a Servicing Tool that is governed by a separate license, user agreement or similar document (whether in the Guide or elsewhere) other than a System-Specific License
- “Form” has the meaning set forth in Section 2401.1(f)(i)
- “License” has the meaning set forth in Section 2401.1(k)(iii)
- “Licensed Materials” means, individually and collectively, the Systems, Output and Documentation
- “Master Systems License” has the meaning set forth in the first paragraph of this Section 2401.1
- “Output” means any reports, findings, feedback certificates, messages (including those in such reports, findings or certificates), data, information or other content generated by a System that is provided or made available to the Seller/Servicer
- “Purpose” has the meaning set forth in Section 2401.1(c)(i)
- “Related Third Party” means a third party (such as a mortgage broker, correspondent lender, loan origination system vendor, contract underwriter, appraisal management company, settlement agent, Selling Agent, **Servicing Agent**, Document Custodian, Warehouse Lender or Outsourced Vendor) that the Seller/Servicer engages to provide it with technology, origination, underwriting, processing, technical, interim financing, closing and other services and support that are generally designed to advance the Purpose
- “Specifications” has the meaning set forth in Section 2402.1(b)
- “Support Services” means services provided by Freddie Mac or its contractors to support the operation and maintenance of a System
- “System” means, individually and collectively, a Freddie Mac-owned, -leased, -licensed or -controlled technology platform whether or not identified in a System-Specific License including, without limitation, Distributed Code, Specifications, any related computer, other hardware or electronic device, application or operating system software, web site, private data or other communication network, interface and/or connectivity which, in each instance, Freddie Mac provides or makes available to the Seller/Servicer in connection with the Purpose; provided, however, that the term “System” as used in this Master Systems License and any System-Specific License shall not include any Excluded Servicing Tool or the Uniform Collateral Data Portal; and provided further that the term “System” shall include Access Manager. The term “System,” as used within this Master Systems License and any System-Specific License, is to be construed as



within the meaning of the term “Systems” as this latter term is defined in Chapter 1401.

- “System Data” has the meaning set forth in Section 2401.1(g)(v)
- “System-Specific License” means each license set forth in Chapter 2402
- “Third Parties” has the meaning set forth in Section 2401.1(i)(iv)(A)
- “User” means any individual who gains access to the Licensed Materials directly or indirectly through the Seller/Service or a Related Third Party, and includes Authorized Users
- “User IDs” has the meaning set forth in Section 2401.1(f)(i)

**(c) Royalty free use license**

- (i) Freddie Mac grants to the Seller/Service a limited, revocable, non-exclusive, non-transferable license to access and use the Licensed Materials through its Authorized Users during the term of this Master Systems License and any System-Specific License; provided, however, that such access and use shall be solely for the Seller/Service’s internal business purposes in connection with its origination and/or Servicing of Mortgages, as applicable (collectively, the “Purpose”).
- (ii) Upon the prior written consent of Freddie Mac obtained in accordance with Section 1101.2(d), the Seller/Service may allow Related Third Parties to access and use the Licensed Materials solely to the extent necessary to discharge their respective responsibilities to the Seller/Service in connection with the Purpose, except to the extent prohibited by or, if permitted, subject to any requirements set forth in, any applicable Purchase Document; provided, however, the Seller/Service shall obligate each such Related Third Party in writing to comply with the terms of this Master Systems License and each applicable System-Specific License, as set forth in Section 2401.1(e)(iv).
- (iii) Except as otherwise indicated by Freddie Mac in any relevant Documentation or Purchase Document, Freddie Mac does not currently assess a fee in connection with the Seller/Service’s use of any System, but expressly reserves the right to do so in the future. The Seller/Service acknowledges that it may incur (and will be responsible for) costs from third parties such as credit reporting agencies, other vendors and other Related Third Parties in connection with its use of certain Systems.

**(d) Licensed Materials; use and other limitations**

- (i) Use of the Licensed Materials is subject to, and the Seller/Service shall comply at all times with, (A) the terms of this Master Systems License and any applicable

- System-Specific License, (B) the Documentation, and (C) all other applicable requirements of the Purchase Documents (including, but not limited to, requirements relating to confidentiality such as those set forth in Section 1201.8). The Seller/Servicer's use of each System constitutes an Eligible Electronic Transaction, as such term is defined in Section 1401.2, using Freddie Mac Systems within the meaning of the Guide, including, without limitation, Chapter 1401.
- (ii) Under no circumstances shall the Seller/Servicer (A) provide access to or otherwise make the Freddie Mac Exclusionary List available to a Related Third Party or any other party except as permitted under and in accordance with Section 1201.8(c), or (B) enable or permit any person or entity on the Freddie Mac Exclusionary List to access or use the Licensed Materials, whether directly or indirectly through the Seller/Servicer or any Related Third Party.
  - (iii) The Seller/Servicer is and shall remain fully responsible and liable for use of the Licensed Materials by each Related Third Party and any User, and shall have controls in place to ensure that each Related Third Party and Authorized Users comply with the terms of this Master Systems License and any System-Specific License in their use of the Licensed Materials.
  - (iv) Freddie Mac reserves the right, at any time and in its sole discretion, to modify, enhance, retire or otherwise cease providing the Licensed Materials or the Support Services. To the extent possible, Freddie Mac will endeavor to provide reasonable notice of any such action, unless it is legally required to cease providing the Licensed Materials immediately. Regardless of such action by Freddie Mac, the Seller/Servicer agrees that it will remain in full compliance with all applicable law in connection with its origination and Servicing of Mortgages.
  - (v) The Seller/Servicer shall (A) not make any copies of the Distributed Code, other than for the limited purpose of creating a single archival or backup copy, (B) use only the most recent version of the Distributed Code provided or made available by Freddie Mac, and (C) follow Freddie Mac's instructions concerning the cessation of use of the Distributed Code (including any old or retired versions thereof).
  - (vi) The Seller/Servicer shall (A) not make any representation, statement or suggestion to a third party regarding any capability of any Licensed Materials that purport to be, or might reasonably be construed to be, made on behalf of Freddie Mac, (B) not issue any press release regarding its use of the Licensed Materials, or otherwise use Freddie Mac's name or marks in any marketing or promotional materials without the prior written consent of a duly authorized officer of Freddie Mac, and (C) permit Freddie Mac, from time to time upon reasonable notice, to audit facilities and systems used in conjunction with the Licensed Materials to confirm compliance with the requirements of this Master Systems License and any System-Specific License.

**(e) System access; interface development and maintenance; Related Third Parties**

- (i)** The Seller/Servicer may access a System by means of a (A) web server hosted by or on behalf of Freddie Mac, (B) system-to-system interface between the System and the Seller/Servicer's platform which is developed and maintained by the Seller/Servicer and approved in writing by Freddie Mac, and/or (C) System interface with a Related Third Party-provided loan origination or other loan manufacturing tool or Servicing Tool.
- (ii)** With respect to its System access under Section 2401.1(e)(i)(B), Freddie Mac may provide the Specifications to the Seller/Servicer pursuant to Section 2402.1 so as to facilitate the Seller/Servicer's design, development and maintenance of the system-to-system interface with such System. With respect to its System access under Section 2401.1(e)(i)(C), Freddie Mac may have conducted limited testing on Related Third Party interfaces with loan origination or other loan manufacturing tools or Servicing Tools, and those interfaces which have been deemed to be compatible with identified Systems are listed on Freddie Mac's web site.
- (iii)** Notwithstanding any Freddie Mac-conducted testing or web site identification, and, without limiting the application of any other provision of this Master Systems License or a System-Specific License, Freddie Mac assumes no responsibility for, and shall bear no liability whatsoever arising out of or related to any interface identified in Sections 2401.1(e)(i)(B) or 2401.1(e)(i)(C), despite the fact that such an interface provides access to a System, or that Freddie Mac may have conducted limited testing or provided Support Services or other assistance with respect to the same.
- (iv)** As permitted under Section 2401.1(c)(ii), the Seller/Servicer may engage Related Third Parties to assist it in its furtherance of the Purpose. Freddie Mac does not endorse any Related Third Party or sanction any engagement by the Seller/Servicer of any Related Third Party. The Seller/Servicer shall maintain a separate, independent contract with each Related Third Party concerning the Seller/Servicer's use of such party's platform, product or service. As part of such contract, the Seller/Servicer may appoint a Related Third Party to act as the Seller/Servicer's agent for purposes of gaining access to a System, including entering data into the System, ordering and receiving consumer credit data through the System, and obtaining Output, in each instance on behalf of its principal, the Seller/Servicer. The Seller/Servicer shall be responsible for and bear all liability arising out of or related to any act or omission of its Related Third Parties, including any act or omission that causes a Seller/Servicer to violate any applicable law and/or any provision of the Guide or other Purchase Document, and under no circumstances shall Freddie Mac assume any responsibility or bear any liability whatsoever arising out of or related to any act or omission of a

Related Third Party, notwithstanding that Freddie Mac may have facilitated the relationship between the Seller/Service and such Related Third Party.

(v) The Seller/Service shall include in its separate, independent contracts with Related Third Parties provisions that bind each Related Third Party to the terms and conditions of this Master Systems License and each System-Specific License, including, without limitation, Sections 2401.1(d), 2401.1(f), 2401.1(h)(ii), 2401.1(h)(iii) and 2401.1(h)(iv). The Seller/Service shall (A) specifically designate Freddie Mac as an express, intended third-party beneficiary of each contract referenced in this Section 2401.1(e)(v) solely for the purpose of enforcing Freddie Mac's rights under such contract, and (B) monitor the performance of its Related Third Parties so as to ensure the compliance of each with this Master Systems License and each System-Specific License.

(vi) Freddie Mac may also maintain separate, independent contracts with Related Third Parties regarding their respective provision of platforms and services to other entities, including the Seller/Service. Freddie Mac may from time to time and in its sole discretion terminate any such contract, which termination could result in the need for the Seller/Service to obtain an alternate platform, product and/or service from an alternative provider. Freddie Mac will attempt to notify the Seller/Service of such termination, but shall have no liability arising out of or in connection with any such termination, whether or not prior notice is provided to the Seller/Service.

**(f) Authorized User registration; access management and security; requirements for Excluded Servicing Tools**

(i) To facilitate its provision of System access to a Related Third Party for use on its behalf as provided hereunder, the Seller/Service may share Authorized Users' identification codes ("User IDs") and passwords, PIN or other access codes (together with User IDs, the "Authentication Credentials") with such Related Third Party. In addition, Freddie Mac may provide or make available to the Seller/Service: (i) an electronic or paper registration form for the provisioning of Authorized Users for a System ("Form") and/or (ii) Access Manager, an automated access and credential management application designed to facilitate the Seller/Service's management of its Authorized Users, which may also include one or more Forms (collectively, "Access Manager"). The Seller/Service shall, and, if applicable, shall cause each Related Third Party to, specifically identify each Authorized User for the System in Access Manager. Access Manager may require the designation of one or more Authorized Users to perform administrative functions for the particular System (each, an "Administrator") such as:

(A) Identifying other Authorized Users to whom Freddie Mac may grant System(s) access

(B) Receiving the Authentication Credentials from Freddie Mac, and

- (C) Adding or deleting Authorized Users and modifying or submitting new User IDs and completing additional Forms in accordance with the Documentation.
- (ii) Without limiting the application of any information security or other similar requirement of a Purchase Document including, without limitation, any contained in Chapter 1302, the Seller/Serviceicer shall safeguard and protect all information it provides to Access Manager, as well as all Authentication Credentials and other Confidential Means of Access (as that term is defined in Section 1401.2), and shall adopt security measures to prevent the loss, theft, unauthorized access, disclosure, compromise or use of any of the foregoing. Such measures shall include the maintenance of up-to-date virus detection software to protect against malware and other malicious software. As soon as practicable, and, in any event, no later than within one Business Day of an Administrator's name change, or an employee's or contractor's termination, the Seller/Serviceicer shall either (i) utilize Access Manager to register the Administrator name change, or remove or otherwise delete such employee or contract worker as an Authorized User, or (ii) notify Freddie Mac of such name change or termination so that Freddie Mac may register the name change or revoke the employee's or contractor's access to each System.
- (iii) The Seller/Serviceicer shall notify Freddie Mac as soon as practicable and, in any event, no later than within one Business Day in the event:

  - (A) Of any actual or suspected loss, theft or unauthorized access, disclosure, compromise or use of any System, Authentication Credential, or any other Confidential Means of Access
  - (B) The Seller/Serviceicer has reason to believe that an Administrator's access to a System, including Access Manager, is no longer secure for any reason
  - (C) An unauthorized User has gained access to a System
  - (D) An Authorized User has gained access to a System that he or she is not authorized to access or use, or
  - (E) An Authorized User has used a System for purposes other than the Purpose
- (iv) From time to time an Administrator may be required by Access Manager to engage in campaigns to recertify the authorizations and roles of Authorized Users. The Administrator shall comply with all reasonable instructions, including any provided through Access Manager, for any such campaign.
- (v) Without limiting the application of any other provision of this Section 2401.1(f) or a Purchase Document, the Seller/Serviceicer agrees to implement and maintain industry best practices with respect to the security of, and access to, each System, including the imposition and enforcement of requirements against sharing of Authentication Credentials between and among Users, and accepts all risks and

liability resulting from any failure to adopt and maintain such industry best practices.

- (vi) The Seller/Servicer shall manage each of its Authorized Users' access to those Excluded Servicing Tools that Freddie Mac designates from time to time in accordance with the Authorized User registration, access management, and security requirements set forth in this Section 2401.1(f), except that the Seller/Servicer may not permit a Related Third Party to access an Excluded Servicing Tool unless otherwise permitted by Freddie Mac in writing (e.g., under another section of the Guide, other Purchase Document, applicable user agreement, system license or related system documentation). Until Freddie Mac designates an Excluded Servicing Tool as subject to this Section 2401.1(f), including through the issuance of a Form identifying such Excluded Servicing Tool, the Seller/Servicer must continue to follow the user access and security requirements applicable to such Excluded Servicing Tool.

**(g) Ownership of the Licensed Materials; rights in data**

- (i) The Licensed Materials are the sole and exclusive property of Freddie Mac (or, as applicable, its third-party licensors). The Seller/Servicer acknowledges that it has no ownership or other rights or interests in the Licensed Materials, except to the extent of the rights expressly granted in this Master Systems License and any System-Specific License, and covenants that it will treat all nonpublic information and data concerning the Licensed Materials and any Support Services as strictly confidential in accordance with Section 1201.8.
- (ii) The Seller/Servicer will not modify, enhance, disassemble or reverse engineer any Licensed Materials in any manner or for any reason. All rights in and to copyrights, trade secrets, patents, trademarks and other rights in and to the Licensed Materials shall be the property of and remain with Freddie Mac (or, as applicable, its third-party licensors).
- (iii) The Seller/Servicer agrees that Freddie Mac shall be the sole and exclusive owner of any actual or proposed changes, modifications, upgrades or enhancements in functionality, design or otherwise, to the Licensed Materials and any successor products or systems (collectively, the "Enhancements"), and the Seller/Servicer hereby assigns, and agrees to assign, to Freddie Mac all rights in the Enhancements, without any recourse to the Seller/Servicer. The Seller/Servicer understands and acknowledges that Freddie Mac shall not be under any obligation to consider or implement any Enhancements it may suggest or recommend to Freddie Mac.
- (iv) The Seller/Servicer shall reproduce without modification on any copy of the Output, Specifications or Documentation all copyright, confidentiality and other proprietary notices included on the original version or otherwise provided or made available by the System or Freddie Mac.

(v) The Seller/Servicer acknowledges and agrees that Freddie Mac may use, modify, reproduce and retain all data (A) submitted by a User to any System, (B) generated in the utilization of a System that pertains to the functionality or performance of the System, and/or (C) necessary or useful in assisting Freddie Mac in the provision of Support Services (all such data collectively referenced in this Section 2401.1(g)(v)(A)-(C) as the “System Data”) for all purposes related to such System, the underlying software and models, and any actual or potential Mortgage to which such data relate, including, without limitation, for analytic, statistical, quality control and similar purposes.

(vi) Freddie Mac may provide statistical, comparative and summary information derived from the System Data (i.e., the “Aggregate Data”) to Freddie Mac’s customers and other third parties; provided, however, that except to the extent permitted or required by applicable law, Aggregate Data shall be anonymized, and shall not specifically identify or be linked to any consumer.

(vii) Notwithstanding the foregoing, Freddie Mac will not disclose System Data or Aggregate Data in a manner that either associates the Seller/Servicer with a particular Mortgage file, or enables the recipient of any such data to determine that the Seller/Servicer submitted such Mortgage file to the System, in either case unless (A) required by applicable law, a subpoena or a court order, or (B) consented to by the Seller/Servicer.

(viii) Notwithstanding anything to the contrary contained in this Master Systems License or any System-Specific License, Freddie Mac may provide System Data and Aggregate Data to the FHFA, any agency of the federal government or any State government, or as otherwise permitted by the Purchase Documents.

(ix) As set forth in Section 1201.9, and notwithstanding anything to the contrary contained in this Master Systems License or any System-Specific License, all System Data, Aggregate Data and other data and information associated with a Mortgage that is purchased or guaranteed by Freddie Mac shall be the sole and exclusive property of Freddie Mac, which it may use for any purpose including, but not limited to, such purposes set forth in this Section 2401.1(g).

#### **(h) Representations and warranties; indemnification**

(i) The Seller/Servicer acknowledges and agrees that:

(A) All of the representations and warranties it is deemed to make under applicable Purchase Documents with respect to loan documentation, data and other information it provides to Freddie Mac shall apply to any such materials it or any User provides to Freddie Mac through any System, as well as to the Seller/Servicer’s use of the Licensed Materials, and

- (B)** Freddie Mac will have all rights and remedies available to it under the Purchase Documents with respect to a breach by the Seller/Servicer of any such representation or warranty or any Seller/Servicer misrepresentation.
- (ii)** In addition to the provisions of Section 2401.1(h)(i) or any other provision of a Purchase Document pertaining to its compliance with laws including, without limitation, Section 1301.2 and Chapter 4202, the Seller/Servicer represents, warrants and agrees that it has obtained or, if applicable, will obtain, legal counsel and has developed policies, systems and procedures to ensure that its use of the Licensed Materials is, and, at all times relevant to this Master Systems License and any System-Specific License, shall remain, in full compliance with:
- (A)** All federal, State and local laws, rules and regulations applicable to its activities in connection with which any Licensed Materials are used, including, without limitation, the Real Estate Settlement Procedures Act, the Truth-in-Lending Act, the Fair Credit Reporting Act, the Equal Credit Opportunity Act and the Home Mortgage Disclosure Act, and each of their implementing regulations and commentary, as applicable, and
- (B)** All applicable laws, rules, regulations and conventions relating to data privacy, international communications and the importation and exportation of software and data.
- (iii)** The Seller/Servicer bears sole responsibility for complying with all laws, rules, regulations and conventions referenced in the preceding Section 2401.1(h)(ii), and shall not rely on the Licensed Materials in connection with its compliance efforts. The Seller/Servicer acknowledges and agrees that **(A)** the Licensed Materials do not analyze compliance with laws, regulations, or ordinances, or with any requirements that may be imposed by any regulator, and **(B)** the Seller/Servicer's compliance obligations shall in no event be imposed upon, assumed or shared by Freddie Mac as a result of the Seller/Servicer's (or any Related Third Party's) use of the Licensed Materials.
- (iv)** In addition to the provisions of Section 2401.1(h)(i), the Seller/Servicer further represents, warrants and agrees that:
- (A)** Each Administrator is an officer of the Seller/Servicer or is otherwise specifically authorized by the Seller/Servicer to perform such administrative functions,
- (B)** Each User is duly authorized to act on behalf of, and has full authority to legally bind the Seller/Servicer by such User's acts and omissions,
- (C)** Freddie Mac is entitled to rely on the truth, accuracy and completeness of all data and information submitted by each Administrator and any other User to each System, including any data and information submitted through a Form, and



- (D) No computer virus, including any malware, time bomb or any code designed to cause the System to malfunction or self-destruct or allow unauthorized access or cause harm to the System shall be introduced into the System by or through the Seller/Service.
- (v) In addition to its obligations under the provisions of any Purchase Document, including Chapter 1401, the Seller/Service shall indemnify Freddie Mac and its directors, officers, employees, agents, successors and assigns and hold each harmless from and against any and all liabilities, losses, claims, damages, costs and expenses, including reasonable attorneys' fees, arising directly or indirectly out of or relating to any (i) User's use of the Licensed Materials, and/or (ii) breach of a Seller/Service representation, warranty, covenant and/or obligation under this Master Systems License or any System-Specific License, whether such breach arises out of its own action or inaction or the action or inaction of a Related Third Party, any User, or of any Seller/Service or Related Third Party director, officer, employee, subcontractor, partner, principal, agent, successor or assign. Freddie Mac shall provide the Seller/Service with notice of any such claim after it comes to Freddie Mac's attention.

**(i) Limited warranty; liability limitation**

- (i) Freddie Mac represents and warrants that it has the right to grant the Seller/Service the rights specified in this Master Systems License and any System-Specific License
- (ii) EXCEPT AS EXPRESSLY PROVIDED IN SECTION 2401.1(i)(i), THE LICENSED MATERIALS AND THE SUPPORT SERVICES ARE PROVIDED ON AN "AS IS" AND "AS AVAILABLE" BASIS, AND ALL USES OF THE FOREGOING ARE AT THE SELLER/SERVICER'S, A RELATED THIRD PARTY'S AND EACH USER'S SOLE RISK. FREDDIE MAC MAKES NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO ANY DATA OR OTHER INFORMATION OBTAINED, PROVIDED OR TRANSMITTED THROUGH ANY SYSTEM, INCLUDING, WITHOUT LIMITATION, ANY DATA OR OTHER INFORMATION CONTAINED IN A CONSUMER REPORT. EXCEPT TO THE EXTENT EXPRESSLY PROVIDED IN SECTION 2401.1(i)(i), ALL WARRANTIES (BOTH EXPRESS AND IMPLIED) CONCERNING THE LICENSED MATERIALS AND THE SUPPORT SERVICES ARE HEREBY EXPRESSLY DISCLAIMED, INCLUDING ANY WARRANTIES OF MERCHANTABILITY, ACCURACY AND/OR FITNESS FOR A PARTICULAR PURPOSE.
- (iii) ONE OR MORE SYSTEMS MAY INCLUDE COLOR DESIGNATIONS IN THEIR RESPECTIVE OUTPUT, SOME OF WHICH MAY BE EMBEDDED IN ICONS. ANY SUCH COLOR DESIGNATION (INCLUDING ANY ICON IN WHICH SUCH A DESIGNATION IS EMBEDDED) IS INTENDED SOLELY AS A VISUAL GUIDE FOR INDICATING THE NEED (IF ANY) FOR AN AUTHORIZED USER TO REVIEW DATA FILES FOR ERRORS OR

INCONSISTENCIES, AS SET FORTH IN THE LICENSED MATERIALS. SUCH DESIGNATIONS AND ICONS ARE NOT PROVIDED FOR ANY OTHER REASON, NOR SHOULD THEY BE USED OR RELIED UPON EXCEPT FOR PURPOSES OF TRIGGERING DATA FILE REVIEWS AS SET FORTH IN THE LICENSED MATERIALS. NO OUTPUT (INCLUDING ANY DESIGNATION OR ICON) GENERATED BY A SYSTEM SHALL BE INTERPRETED OR CONSTRUED AS GIVING RISE TO ANY AGREEMENT OR OBLIGATION ON THE PART OF FREDDIE MAC TO PURCHASE ANY MORTGAGE ASSOCIATED WITH THE OUTPUT.

**(iv)** NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS MASTER SYSTEMS LICENSE OR IN ANY SYSTEM-SPECIFIC LICENSE:

**(A)** FREDDIE MAC WILL HAVE NO LIABILITY TO (i) THE SELLER/SERVICER, OR (ii) ANY RELATED THIRD PARTY, ANY USER OR ANY OTHER INDIVIDUAL OR ENTITY (COLLECTIVELY, "THIRD PARTIES") FOR INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES OF ANY TYPE WHATSOEVER, INCLUDING, WITHOUT LIMITATION, LOST PROFITS, ARISING OUT OF OR RELATING IN ANY MANNER WHATSOEVER TO THE LICENSED MATERIALS, THE SUPPORT SERVICES, OR ANY USE THEREOF, WHETHER UNDER A CONTRACT, TORT OR ANY OTHER THEORY OF LIABILITY, EVEN IF FREDDIE MAC, SELLER/SERVICER OR ANY THIRD PARTY IS AWARE OF THE POSSIBILITY OF SUCH DAMAGES.

**(B)** FREDDIE MAC WILL HAVE NO LIABILITY TO ANY THIRD PARTY FOR ANY CLAIMS ARISING OUT OF OR RELATING TO THE LICENSED MATERIALS, THE SUPPORT SERVICES, OR ANY USE OF OR INABILITY TO USE THE LICENSED MATERIALS OR SUPPORT SERVICES.

**(C)** WITHOUT LIMITING THE PROVISIONS OF SECTIONS 2401.1(i)(iv)(A) AND (B), FREDDIE MAC'S SOLE LIABILITY ARISING OUT OF OR RELATING TO THE LICENSED MATERIALS OR THE SUPPORT SERVICES FROM ANY SOURCE AND UNDER ANY THEORY OF LIABILITY WHATSOEVER, INCLUDING, WITHOUT LIMITATION, LIABILITY ARISING OUT OF CONTRACT, NEGLIGENCE OR STRICT LIABILITY, OR IN TORT OR WARRANTY, WILL CONSIST OF ACTUAL MONETARY DAMAGES UP TO, BUT NOT TO EXCEED, AN AGGREGATE OF FIVE THOUSAND DOLLARS (\$5,000).

**(v)** FREDDIE MAC AND THE SELLER/SERVICER EXPRESSLY ACKNOWLEDGE AND AGREE THAT THE LIMITATIONS AND EXCLUSIONS CONTAINED HEREIN (A) REPRESENT THE PARTIES' AGREEMENT AS TO THE ALLOCATION OF RISK BETWEEN THEM

(INCLUDING, WITHOUT LIMITATION, THE POSSIBILITY THAT A REMEDY MAY FAIL ITS ESSENTIAL PURPOSE AND CAUSE CONSEQUENTIAL LOSS), WITHOUT WHICH THE PARTIES WOULD NOT HAVE BEEN WILLING TO ENTER INTO THIS MASTER SYSTEMS LICENSE OR ANY SYSTEM-SPECIFIC LICENSE INCORPORATED HEREIN, AND (B) FORM AN ESSENTIAL BASIS OF THE BARGAIN BETWEEN THE PARTIES.

**(j) Term and Termination**

- (i)** The term of this Master Systems License shall commence upon a User's first access to any System on or after the Effective Date, and, except as set forth in this Section 2401.1(j), shall continue in full force and effect until terminated by the Seller/Serviceicer upon thirty (30) days' prior written notice to Freddie Mac, or by Freddie Mac upon ten (10) days' prior written notice to the Seller/Serviceicer.
- (ii)** Without limiting Freddie Mac's rights to terminate any User's access to a System as provided for in this Master Systems License, Freddie Mac may terminate this Master Systems License and/or any System-Specific License and/or Seller/Serviceicer's rights to access and use any specific System pursuant to this Master Systems License, effective immediately, upon notice to the Seller/Serviceicer in the event of any default by the Seller/Serviceicer under this Master Systems License, or any default by the Seller/Serviceicer under the terms of any Purchase Document or other agreement between Freddie Mac and the Seller/Serviceicer, including any System-Specific License.
- (iii)** The Seller/Serviceicer's rights under this Master Systems License will automatically terminate if and when the Seller/Serviceicer ceases to be an approved Freddie Mac Seller/Serviceicer. Freddie Mac may terminate an Authorized User's rights to use any System if an Authorized User or Related Third Party identified in the Freddie Mac Exclusionary List (or any of its employees, contractors, directors or officers identified in the Freddie Mac Exclusionary List) participates either in the origination or sale of a Mortgage to Freddie Mac or in the underlying real estate transaction.
- (iv)** All System-Specific Licenses and the rights of all Authorized Users to use each System will terminate as of the effective date of termination of this Master Systems License. Freddie Mac may terminate, in its sole discretion and without notice, what it believes to be unauthorized access to any System by any User.
- (v)** Upon termination of the Seller/Serviceicer's right to use a System, the Seller/Serviceicer will have no further right to access such System or any associated Documentation, Output or Support Services, except that the Seller/Serviceicer may retain and continue to use a copy of any Output associated with the System to the extent required by (A) the Purchase Documents, (B) the Seller/Serviceicer's normal internal quality control processes or document retention protocols, or (C)

applicable law, in each case subject to the provisions of this Master Systems License and any applicable System-Specific License. Upon termination, the Seller/Service Provider will promptly, and in no event later than thirty (30) days after the effective date of such termination, return to Freddie Mac (or, if requested by Freddie Mac, destroy and have an officer of the Seller/Service Provider certify in writing that it has destroyed) all copies of Distributed Code and Documentation.

(vi) Any provisions of this Master Systems License and any System-Specific License that contemplate their continuing effectiveness following termination of this Master Systems License and any System-Specific License including, but not limited to, Sections 2401.1(d), 2401.1(g), 2401.1(h), 2401.1(i), 2401.1(j)(vi) and 2401.1(k) hereof shall survive any termination of this Master Systems License and such System-Specific License.

**(k) Miscellaneous**

- (i) The Seller/Service Provider shall not assign any of its rights or obligations under this Master Systems License or any System-Specific License in any manner whatsoever without Freddie Mac's prior written consent.
- (ii) All notices required or permitted hereunder, including, but not limited to, notice of an amendment to the terms of this Master Systems License or any System Specific License, shall be in accordance with Section 1101.2(d) or Section 1302.2(b), as applicable, and may be provided via the applicable System.
- (iii) The failure of either party to exercise in any respect any right or remedy provided for in this Master Systems License shall not be deemed a waiver of such right or remedy. No waiver at any time of any provision of this Master Systems License or any System-Specific License (any such license, a "License") will be deemed a waiver of any other provision of that License or any other License, or a waiver of that or any other provision of this License or any other License at any other time.
- (iv) The Seller/Service Provider recognizes that it is responsible for (A) obtaining and maintaining connectivity to each System, and (B) developing and maintaining its own record-keeping processes and systems for Output, in each instance at its own expense in accordance with the Documentation.
- (v) This Master Systems License and each System-Specific License will be construed, and the rights and obligations of the parties hereunder determined, in accordance with the laws of the Commonwealth of Virginia, without regard to provisions concerning conflicts of law. Any dispute arising out of or in connection with this Master Systems License and any System-Specific License shall be settled in a proceeding brought in the United States District Court for the Eastern District of Virginia, and the Seller/Service Provider irrevocably submits to the jurisdiction and venue of that Court. Subject to the provisions of Section 2401.1(i)

above, the rights and remedies of the parties are cumulative and are in addition to, and not in lieu of, all rights and remedies available at law and in equity.

- (vi)** If any provision of this Master Systems License or a System-Specific License is held invalid, illegal or unenforceable, such provision will to that extent be deemed omitted from this Master Systems License or such System-Specific License, and the remaining provisions of the Master Systems License or System-Specific License will continue to be valid and enforceable and will not be affected in any way.
- (vii)** This Master Systems License and each System-Specific License is binding upon the parties and (as permitted under Section 2401.1(k)(i)) their respective successors and assigns. In the event of a conflict between a term or condition of this Master Systems License and a term or condition of any System-Specific License, the term or condition of the System-Specific License shall prevail.
- (viii)** Freddie Mac may amend this Master Systems License and each System-Specific License by providing notice to the Seller/Serviceicer of the terms of such amendment in accordance with Section 2401.1(k)(ii). The Seller/Serviceicer's use of any System on and after the effective date of any such amendment shall constitute the Seller/Serviceicer's consent to, and agreement with, the terms of the amendment.

# Chapter 2402: System-Specific Licenses for Selling Tools and Systems

## 2402.1: System-Specific License for Specifications (05/17/17)

### (a) Scope and applicability

The Specifications are licensed pursuant to this System-Specific License and the Master Systems License.

Immediately upon a User's first receipt of any Specifications on or after the Effective Date, the Seller/Service Provider shall be bound by this System-Specific License and the Master Systems License. This System-Specific License is incorporated into and made a part of the Master Systems License by this reference. Any reference herein to the System-Specific License shall be deemed to include this System-Specific License and the Master Systems License.

### (b) Definitions

The definitions below apply for purposes of this System-Specific License. Capitalized terms used but not defined in this System-Specific License have the meaning set forth in the Glossary, the Master Systems License (Chapter 2401) or elsewhere in the Guide.

- “Consumer Message” means a finding or message developed by the Seller/Service Provider that is readily understood by a consumer and is made available to such consumer by the Seller/Service Provider through the Lender Platform
- “Interface” means one or more technical or user interfaces developed, owned and/or maintained by or on behalf of the Seller/Service Provider that enables Users to communicate with and use one or more Systems through the transmission and receipt of data and other information to and from, each such System by means of the Lender Platform
- “L2C Specifications” means any lender-to-consumer Specifications provided to the Seller/Service Provider that enable it to develop Consumer Messages
- “Lender Platform” means a custom loan origination or other technology platform (including any web-based application, software or system, as well as each Interface and all releases, upgrades and other modifications thereto) developed, owned and/or maintained by or on behalf of the Seller/Service Provider
- “Lender Test Materials” has the meaning set forth in Section 2402.1(c)(v)

- “Specifications” mean the specifications, including L2C Specifications, integration guides and any related technical documentation provided by or on behalf of Freddie Mac to enable the development and maintenance of each Interface, and Consumer Message, as applicable, including any Specification Update
- “Specification Update” has the meaning set forth in Section 2402.1(c)(iii)

**(c) Provision of the Specifications; development and use of the Interface**

- (i) Freddie Mac shall provide discrete sets of Specifications to the Seller/Servicer to facilitate the Seller/Servicer’s development of Consumer Messages and one or more Interfaces relating to one or more Systems. Each set of Specifications is incorporated into this System-Specific License by this reference, and constitutes confidential information for purposes of Sections 1201.8 and 2401.1(g)(i). The terms and conditions of this System-Specific License shall apply to all Specifications separately provided by Freddie Mac.
- (ii) The Seller/Servicer shall develop and maintain the Interface and each Consumer Message solely and exclusively at its own direction, cost and expense, and shall have complete and exclusive ownership of the Interface and each Consumer Message subject to the license set forth in Section 2402.1(c)(vi).
- (iii) The Seller/Servicer shall be solely responsible for the accuracy, technical sufficiency and functionality of the Interface. The Interface shall at all times comply in all respects with the Specifications, including any modifications to or replacements of the Specifications (each such modified or replaced version of a Specification referred to herein as a “Specification Update”) as Freddie Mac may undertake from time to time.
- (iv) The Seller/Servicer shall be solely responsible for the accuracy of each Consumer Message, each of which shall at all times comply in all respects with (i) the Specifications, including the L2C Specifications, and (ii) all federal, State and local laws, rules and regulations applicable to a Consumer Message including, without limitation, the Real Estate Settlement Procedures Act, the Truth-in-Lending Act, the Fair Credit Reporting Act, the Equal Credit Opportunity Act and the Home Mortgage Disclosure Act and each of their implementing regulations and commentary, as applicable. Freddie Mac has the right, but not the obligation, to review and comment on each Consumer Message. The Seller/Servicer shall promptly make (or cause to be made) any modifications to a Consumer Message that Freddie Mac may request, and in no event shall any Consumer Message contain any (x) Output including, without limitation, any credit risk categorization or loan purchase eligibility such as “Accept” or “Eligible,” or (y) reference to Freddie Mac or a System which reference has not previously been approved in writing by an officer of Freddie Mac.
- (v) Except as set forth below in Section 2402.1(c)(vi), the Seller/Servicer and Freddie Mac may mutually agree to test the Seller/Servicer’s implementation of the Specifications. In such event, Freddie Mac may retain a third-party vendor to perform such testing on

Freddie Mac's behalf, and the Seller/Servicer shall provide to Freddie Mac and/or its vendor (i) one access privilege or one copy of the Lender Platform, (ii) one copy of each export and any other file (including any Consumer Message), along with any associated documentation that includes the results of the Seller/Servicer's testing (collectively with the Lender Platform, the "Lender Test Materials") and (iii) reasonable assistance in such testing. The Seller/Servicer shall use commercially reasonable efforts to correct any defects in the Interface revealed by any such testing. In addition to the foregoing, the Seller/Servicer will correct any "bugs" or other defects in the Interface promptly after it receives notice thereof from Freddie Mac.

(vi) From time to time Freddie Mac may make Specification Updates available to the Seller/Servicer, which the Seller/Servicer shall implement in accordance with the timelines and testing requirements (if any) set forth in each Specification Update.

(A) Freddie Mac will provide the Seller/Servicer with as much notice as is practicable under the circumstances with respect to each Specification Update, including any such update that Freddie Mac directs the Seller/Servicer to implement on an emergency basis

(B) If Freddie Mac does not specify an implementation timeline for a Specification Update, the implementation date shall be ninety (90) days after publication of the Specification Update

(C) If a Specification Update sets forth testing requirements, the Seller/Servicer shall not implement an associated version of its Interface or any related Consumer Message until Freddie Mac has successfully conducted its review and, as applicable, testing with the Seller/Servicer

(vii) The Seller/Servicer hereby grants to Freddie Mac a royalty free, nonexclusive, nontransferable license to use the Lender Test Materials for testing and evaluation purposes as permitted under this Section 2402.1(c).

#### **(d) Representations and warranties**

In addition to representations and warranties made and otherwise referenced in the Master Systems License, the Seller/Servicer represents and warrants to Freddie Mac that (i) the Interface will comply with the Specifications, (ii) each Consumer Message will comply with all laws and regulations as set forth in Section 2402.1(c)(iv), (iii) the Interface will accurately transmit to the System all data and information input into the Interface, (iv) the Lender Platform will not violate any patents, copyrights or other proprietary rights belonging to third parties and (v) the Seller/Servicer will use its best efforts to ensure that the Lender Platform will at all times be and remain free of computer viruses and any code designed to cause the System to malfunction or self-destruct or to allow unauthorized access or cause harm to the System.



## 2402.2: System-Specific License for Freddie Mac Loan Advisor<sup>SM</sup> (02/06/19)

### (a) Scope and applicability

Freddie Mac Loan Advisor<sup>SM</sup> is the collection of Systems and their associated services that is licensed pursuant to this System-Specific License, other System-Specific Licenses referenced in this Section 2402.2, and the Master Systems License.

Immediately upon a User's first access to any System within Loan Advisor on or after the Effective Date, the Seller/Servicer shall be bound by this System-Specific License (and, as applicable, any other System-Specific License governing such System) and the Master Systems License. This System-Specific License is incorporated into and made a part of the Master Systems License by this reference. Any reference herein to the System-Specific License shall be deemed to include this System-Specific License and the Master Systems License.

### (b) Definitions

The definitions below apply for purposes of this System-Specific License. Capitalized terms used but not defined in this System-Specific License have the meaning set forth in the Glossary, the Master Systems License (Chapter 2401) or elsewhere in the Guide.

- “Correspondent Assignment Center” has the meaning set forth in Section 2402.2(k)
- “Loan Advisor” is the collection of Systems and their associated services which currently include Condo Project Advisor<sup>®</sup>, Correspondent Assignment Center, Loan Closing Advisor<sup>®</sup>, Loan Collateral Advisor<sup>®</sup>, Loan Coverage Advisor<sup>®</sup>, Loan Product Advisor, Loan Quality Advisor<sup>®</sup>, Loan Selling Advisor<sup>®</sup>, Portal Business Intelligence and Quality Control Advisor<sup>®</sup>, all as described in their respective Documentation
- “Portal/Business Intelligence” has the meaning set forth in Section 2402.2(c)
- “Uniform Appraisal Dataset” is a common dataset that defines all fields required for an appraisal submission on specific appraisal forms, and standardizes definitions and responses for a key subset of data fields
- “Uniform Closing Dataset” is a common dataset that allows information on the Settlement/Closing Disclosure Statement to be communicated electronically in a standardized format
- “Uniform Collateral Data Portal<sup>®</sup>” is a portal through which the Seller/Servicer submits appraisal data to Freddie Mac that conforms to the Uniform Appraisal Dataset standards and requirements. Uniform Collateral Data Portal is not a System, and is not to be construed as such.

**(c) Portal/Business Intelligence**

Portal/Business Intelligence is a System licensed pursuant to this System-Specific License that provides Authorized Users with access to certain other Systems, and which makes available certain dashboard and other tracking features and business intelligence functionality and reporting on various System usage and other trends (i.e., “Output,” within the meaning of the Master Systems License). The Output is generally based in significant part on data and other information Users submit to and through Portal/Business Intelligence and other Systems accessed through Portal/Business Intelligence.

**(d) Loan Product Advisor**

Loan Product Advisor is licensed pursuant to Section 2402.3.

**(e) Loan Quality Advisor**

Loan Quality Advisor is licensed pursuant to Section 2402.4.

**(f) Loan Collateral Advisor**

Loan Collateral Advisor is a System licensed pursuant to this System-Specific License that Authorized Users may use to submit appraisal files to the System via the Uniform Collateral Data Portal. Authorized Users shall submit such files in a format that is consistent with the Uniform Appraisal Dataset requirements. Utilizing proprietary and publicly available databases, Loan Collateral Advisor performs assessments of (i) appraisers’ opinions of value, (ii) appraisal quality, and (iii) support for value conclusions in any files so submitted, and returns findings (i.e., “Output,” within the meaning of the Master Systems License) to Authorized Users.

**(g) Loan Closing Advisor**

Loan Closing Advisor is a System licensed pursuant to this System-Specific License that Authorized Users may use to submit loan files containing data obtained at settlement to the System. Authorized Users shall submit such files in a format that is consistent with the Uniform Closing Dataset requirements. Loan Closing Advisor will evaluate each such loan file against the Uniform Closing Dataset and other data values and provide related findings as to various data validation and other data quality issues (i.e., “Output,” within the meaning of the Master Systems License) to Authorized Users.

**(h) Loan Coverage Advisor**

Loan Coverage Advisor is licensed pursuant to Section 2402.5.

**(i) Loan Selling Advisor**

Loan Selling Advisor is licensed pursuant to Section 2402.6.

**(j) Quality Control Advisor**

Quality Control Advisor is licensed pursuant to Section 2402.8.

**(k) Correspondent Assignment Center**

Correspondent Assignment Center is a service of the Loan Advisor licensed as part of that System pursuant to this System-Specific License. Correspondent Assignment Center provides Authorized Users with the ability to share Output and other data and information with each other, and among and between the Seller/Servicer and Related Third Parties. Without limiting the generality of any other provision of this System-Specific License or the Master System License, Seller/Servicer expressly consents to the sharing and receipt of such Output, data and information.

**(l) Condo Project Advisor**

Condo Project Advisor is a System licensed pursuant to this System-Specific License that Authorized Users may use to request approvals for single-unit condominium exceptions. Condo Project Advisor will assess each such request, and, if granted, provide approval and related findings (i.e., "Output," within the meaning of the Master Systems License) to Authorized Users.

## **2402.3: System-Specific License for Loan Product Advisor<sup>®</sup> (09/14/17)**

**(a) Scope and applicability**

Loan Product Advisor<sup>®</sup> is the System licensed pursuant to this System-Specific License and the Master Systems License. As set forth in its Documentation, Loan Product Advisor is a successor System to Loan Prospector<sup>®</sup>.

Immediately upon a User's first access to Loan Product Advisor on or after the Effective Date, the Seller/Servicer shall be bound by this System-Specific License and the Master Systems License. This System-Specific License is incorporated into and made a part of the Master Systems License by this reference. Any reference herein to the System-Specific License shall be deemed to include this System-Specific License and the Master Systems License.

**(k) Reimbursement System (“RS”)**

RS is a System licensed pursuant to Chapter 2405.

**(l) Servicing Data Corrections (“SDC”)**

SDC is a System licensed pursuant to this System-Specific License that Authorized Users may use to electronically submit data correction requests related to adjustments to third-party foreclosure sales, short sales, charge-offs, mortgage modification settlements, ARM rates, modifications to principal and interest payments and rollbacks. Notwithstanding anything to the contrary in Section 2401.1(c)(i), the Servicer shall use the System only in connection with Mortgages that Freddie Mac owns or guarantees.

**(m) Servicer Performance Profile (“SPP”)**

SPP is a System licensed pursuant to this System-Specific License that Authorized Users may use to gain insight into Servicing performance using several tools, including:

- **Servicer Success Scorecard (“Scorecard”)** – A confidential monthly performance review for all Servicers which measures a Servicer’s performance based on key criteria in several categories, including investor reporting and remitting, and default management
- **Manager Series Reports** – Various reports that contain high-level summary and loan-level detail data to give a Servicer additional insight into its performance results, including results reflected on their Scorecard. Reports are accessible via corresponding tiles in the SPP such as “Default Reporting,” “Repayment Plans,” “Modifications,” “Incentives,” “Timelines,” “Liquidations,” “Foreclosures” and “REO.”

**(n) Servicing Transfer Manager (“STM”)**

STM is a System licensed pursuant to this System-Specific License that Authorized Users may use to manage Subsequent Transfers of Servicing and Intra-Servicer Portfolio Moves (as defined by Section 7101.2(e)).

**(o) Workout Prospector (“WP”)**

WP is a System licensed pursuant to this System-Specific License that Authorized Users may use to analyze and deliver workouts, receive reports, and access specific loan information from the System.

## **2404.3: Freddie Mac Service Loans application incorporated into the Guide (03/02/16)**

The Freddie Mac Service Loans application, including, without limitation, all visual content displayed on screens and pages, system processes, system rules, terms and conditions, privacy policy, user guides and instructions, is by this reference, incorporated into and made a part of the Guide and other Purchase Documents.

### **2404.3: Freddie Mac Servicing Reporting Tools incorporated into the Guide (Future effective date 12/09/19)**

Effective December 9, 2019, this section has been deleted.

### **2404.4: Amendments (03/02/16)**

The Servicer acknowledges and agrees that Freddie Mac may amend, revise and/or update the Freddie Mac Service Loans application, this chapter and/or any other applicable Purchase Documents and any such amendment, revision and/or update will be effective as of the date specified by Freddie Mac.

### **2404.4: Amendments (Future effective date 12/09/19)**

Effective December 9, 2019, this section has been deleted.

### **2404.5: Special representations and warranties, covenants and agreements (12/13/17)**

The Servicer represents and warrants to, and covenants and agrees with, Freddie Mac that the Servicer is in compliance with and will continue to comply with all of the requirements of this chapter, any other applicable Purchase Documents, system processes and rules, terms of use, privacy policy, security standards and any user guides and instructions in connection with Servicing Freddie Mac Mortgages using the Freddie Mac Service Loans application.

The Freddie Mac Exclusionary List is made available to Servicers in the Freddie Mac Service Loans application. Each time the Servicer accesses the Service Loans application, the Servicer represents and warrants to Freddie Mac that Servicer has never: (i) provided access to or otherwise made the Exclusionary List available to a Related Third Party (as that term is defined in Section 2401.1) or any other party except as permitted under and in accordance with Section 1201.8(c), or (ii) enabled or permitted any person or entity on the Exclusionary List to access or use the Service Loans application whether directly or indirectly through the Servicer or any

Related Third Party, and further, the Servicer covenants and agrees that it will not, under any circumstances, do so in the future.

## **2404.5: Special representations and warranties, covenants and agreements (Future effective date 12/09/19)**

Effective December 9, 2019, this section has been deleted.

## **2404.6: Electronic Transactions (03/02/16)**

### **(a) Consent to conduct Electronic Transactions**

The Servicer consents to conduct Electronic Transactions with Freddie Mac using the Freddie Mac Service Loans application including, but not limited to, using Electronic Records and Electronic Signatures in accordance with Chapter 1401. The Servicer agrees that the Servicer's employees may use Electronic Signatures which shall be the Servicer's adopted and authorized Electronic Signatures, as defined in Section 1401.4, which also includes the process of using a computer mouse to "click on" terms, words, items, images, numbers or buttons on screens in the Service Loans application.

### **(b) Service Loans application requirements**

The Servicer acknowledges that Freddie Mac has provided the Servicer with the minimum hardware, software, browser and other Internet connectivity requirements the Servicer needs to conduct Electronic Transactions using the Service Loans application.

## **2404.6: Electronic Transactions (Future effective date 12/09/19)**

Effective December 9, 2019, this section has been deleted.

## **2404.7: Security and Servicer responsibilities (09/18/18)**

The Servicer must provide information to Freddie Mac in order to identify employees who are authorized to use the Freddie Mac Service Loans application ("Authorized Users") and the

employee designated user roles by completing and submitting the Form 902, Freddie Mac Service Loans Application Authorized User Roles Form – For Use by Servicers Only.

In addition to the representations, warranties and agreements set forth therein, by executing and submitting the Form 479A, Single-Family Servicing Agent Certification and Agreement, a Servicer also authorizes its Servicing Agent to access the Freddie Mac Service Loans application (“Service Loans application”) and designate Servicing Agent employees to appropriate user roles to service certain Freddie Mac Mortgages (see Section 8102.1 for Servicing Agent approval requirements and Servicer’s continuing duties and obligations). Upon receiving Freddie Mac approval, Servicing Agents must complete and submit Form 902SA, Freddie Mac Service Loans Application Authorized User Roles Form – For Use by Servicing Agents Only, to identify the Servicing Agent’s duly authorized employees and their respective delegated user roles (also designated Authorized Users) to service only certain specifically and expressly identified Freddie Mac Mortgages as authorized by a written agreement between the Servicer and the Servicing Agent, which agreement has been provided to and approved by Freddie Mac.

Upon receipt of the completed Form 902 (or Form 902SA, as applicable), Freddie Mac will provide the Servicer (and/or its Servicing Agent, if applicable) with user identification codes (“User IDs”) and passwords for Authorized Users to access the Service Loans application. Until further notice, the Servicer (and/or its Servicing Agent, if applicable) must submit a new Form 902 (or Form 902SA, as applicable) to add, delete, modify or confirm an individual’s user roles.

The Servicer (and/or its Servicing Agent, if applicable) must adopt minimum security standards to protect such User IDs, passwords and/or Personal Identification Numbers (PINs) and any other Confidential Means of Access to the Service Loans application as required by Sections 1401.5 and 1401.6. The Servicer agrees that the term “Seller/Servicer” used in Chapter 1401 shall also mean the word “Servicer.” The Servicer agrees that the Servicer’s (and/or its Servicing Agent’s, if applicable) employees may use Electronic Signatures, which shall be the Servicer’s adopted and authorized Electronic Signatures, as defined in Section 1401.4, which also includes the process of using a computer mouse to “click on” terms, words, items, images, numbers or buttons on screens in the Service Loans application.

The Servicer (and/or its Servicing Agent, if applicable) must notify Freddie Mac within one Business Day of an Authorized User’s (i) name change, (ii) position/title change, (iii) employment termination, and/or (iv) authorization expiration or termination and submit a new Form 902 (or Form 902SA, as applicable) to Freddie Mac to reassign an Authorized User or revoke an Authorized User’s User ID and password.

In addition, the Servicer (and/or its Servicing Agent, if applicable) must notify Freddie Mac within one Business Day:

- In the event of any loss, theft or unauthorized disclosure or use of any User IDs, passwords, PINs or any other Confidential Means of Access

- If any Authorized User has knowledge or reason to believe that the Authorized User's Confidential Means of Access to the Service Loans application is no longer secure for any reason
- If the Servicer uses a Servicing Agent and the Servicer has knowledge or reason to believe that the Servicing Agent is not complying with the Servicer's minimum security standards or other Purchase Documents
- In the event that the Servicer uses a Servicing Agent and the Servicing Agent relationship expires or is terminated for any reason by either party

## **2404.7: Security and Servicer responsibilities (Future effective date 12/09/19)**

Effective December 9, 2019, this section has been deleted.

## **2404.8: Access to copies of Electronic Transaction Records (03/02/16)**

The Servicer acknowledges and agrees that the Servicer's ongoing access to copies of Records and Electronic Records related to any Electronic Transactions conducted by the Servicer in the Freddie Mac Service Loans application will be either:

- Paper copies printed by the Servicer, or
- Electronic copies the Servicer is able to download or save to its computers or copy

The Servicer acknowledges that it is responsible for making or obtaining copies of such Records and Electronic Records. If the Servicer is unable to print, download or copy any of the Records or Electronic Records, the Servicer may contact Freddie Mac for possible assistance.

## **2404.8: Access to copies of Electronic Transaction Records (Future effective date 12/09/19)**

Effective December 9, 2019, this section has been deleted.



# Chapter 2405: Freddie Mac Reimbursement System

## 2405.1: Process for requesting expense reimbursement and for receiving reimbursement of expenses and payment of incentives (02/06/19)

The Servicer must submit a request for reimbursement via the Freddie Mac Reimbursement System (available at <http://www.freddiemac.com/singlefamily/service>) in accordance with the requirements of this chapter.

Any Servicer submitting an expense reimbursement request for the first time must obtain access to the system by submitting Form 1200, Reimbursement System User Setup Form, which is available at Freddie Mac's web site at <http://www.freddiemac.com/singlefamily/service/>.

To be reimbursed for expenses and paid incentives (see Section 9204.6 regarding Servicer compensation for alternatives to foreclosure), Servicers must authorize Freddie Mac to make such payments via Automated Clearing House (ACH) credit entries into their commercial checking accounts. To authorize receipt of ACH credit entries or to make changes to ACH credit account instructions previously provided, Servicers must complete and execute Exhibit 98, Expense Reimbursement/Incentive Payment Authorization for ACH Credits (the "ACH Authorization"), and submit the exhibit to Freddie Mac as either:

- A paper document, signed in pen and ink by an employee designated as an "Authorized Employee," by regular mail or overnight delivery service in accordance with the mailing instructions contained in Exhibit 98; or
- An Electronic Record (as defined in Section 1401.2) copy, using a Portable Document Format (PDF) (or other Electronic Record format commonly used in the mortgage industry), that has been completed and contains the copy or representation of the pen and ink signature of the Authorized Employee (such copy or representation of the Authorized Employee's signature shall be such Authorized Employee's adopted Electronic Signature as defined in Section 1401.2) attached to an e-mail and delivered to Freddie Mac at the following e-mail address: [counterparty\\_authorization@freddiemac.com](mailto:counterparty_authorization@freddiemac.com).

Servicers may submit ACH credit-related questions or concerns to [104\\_Expense@freddiemac.com](mailto:104_Expense@freddiemac.com).

Freddie Mac's expense reimbursement resources include:

- Reimbursement System User Guide

- Expense Reimbursement Desk Reference (available at [http://www.freddiemac.com/learn/pdfs/service/exp\\_reimburse.pdf](http://www.freddiemac.com/learn/pdfs/service/exp_reimburse.pdf))

The employee authorized to execute Exhibit 98 on the Servicer’s behalf must be designated as an “Authorized Employee” on the Servicer’s Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, or Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable. Before a Servicer may receive expense reimbursements and incentive payments via ACH credit entries, the Servicer must have completed the certificate of incumbency (“COI”) process requirements in Section 2201.1, and Freddie Mac must have accepted the Servicer’s COI and all other required forms and documents.

## **2405.2: Servicer bound by use of the Reimbursement System (03/02/16)**

By virtue of Servicer’s use of the Freddie Mac Reimbursement System, the Servicer agrees and is deemed to be bound by: (i) all of the provisions of the Reimbursement System User Agreement – Servicer set forth in Exhibit 91 of the Guide to the same degree as if the Servicer has signed such Agreement as “User”; (ii) Chapter 1401; (iii) the provisions of this Chapter 9701; and (iv) all other applicable terms and conditions of the Guide and other Purchase Documents.

## **2405.3: Consent to conduct Electronic Transactions (03/02/16)**

Servicers should refer to Chapter 1401 for the definition of the following terms used in this section:

- Electronic Record
- Electronic Signature
- Electronic Transaction
- Record

Servicer consents to conduct Electronic Transactions with Freddie Mac using the Freddie Mac Reimbursement System including, but not limited to, Records, Electronic Records and Electronic Signatures in accordance with Chapter 1401 and agrees that Servicer will be bound by the terms and conditions of such Electronic Transactions. When using the Reimbursement System, the Servicer will make on-screen selections by “clicking on” certain designated terms, items, icons or buttons to signify Servicer’s agreement with various terms and conditions presented within the

Reimbursement System. Servicer's Electronic Signature, includes, but is not necessarily limited to, the process or action of "clicking on" such designated items, icons or buttons.

## **2405.4: System security (05/02/16)**

Freddie Mac, in its sole discretion, will provide the initial password, vendor code and user identification to the Servicer. The Servicer must then create user IDs and passwords, as applicable, to permit secure access to the Freddie Mac Reimbursement System by authorized employees, and must adopt security measures in accordance with Sections 1302.2, 1401.5 and 1401.6 and 1401.17.

### **Managing access to the Reimbursement System**

In addition to the notification requirements in Section 1401.5, the Servicer must create and maintain IDs and passwords in accordance with the Reimbursement System User Guide and Exhibit 91.

For security purposes, passwords and IDs should not be shared. The Servicer must ensure that only active employees of the Servicer or its permitted vendors with a need to use the Reimbursement System are given user access, and that such access is terminated whenever the employee or an authorized third party's employee is terminated or has no further need to use the Reimbursement System.

When managing user access to the Reimbursement System, Servicers must:

- Safeguard IDs, passwords, Personal Identification Numbers (PINs) and all other confidential means of access ("Confidential Means of Access") to the Reimbursement System
- Adopt minimum security standards to prevent the loss, theft or unauthorized disclosure or use of IDs, passwords, PINs or other Confidential Means of Access and information in the Reimbursement System
- Notify Freddie Mac within one Business Day (**see Directory 5**) in the event that:
  - ❑ Any loss, theft or unauthorized disclosure or use of any authorized user's ID, password, PIN or any other Confidential Means of Access occurs
  - ❑ The Servicer has knowledge or reason to believe that an authorized user's Confidential Means of Access to the Reimbursement System is no longer secure for any reason
- Indemnify and hold Freddie Mac harmless from and against any and all costs, fees (including legal fees and court costs), losses or damages sustained or incurred by Freddie Mac when a breach of security from the Servicer (and/or its Servicing Agent or permitted vendor, if applicable) results in the unauthorized disclosure or use of any IDs, passwords, PINs or any other Confidential Means of Access to information in the Reimbursement System application

- If the Servicer engages an authorized third-party service provider to perform loss mitigation activities including the use of the Reimbursement System in connection with the Servicing of Freddie Mac Mortgages, the Servicer must monitor its authorized third party to ensure compliance with all applicable requirements of the Guide and any other Purchase Documents and applicable law and have written policies and procedures in place for doing so

## **2405.5: Access to copies of Electronic Transaction Records (03/02/16)**

Servicers should refer to Chapter 1401 for the definition of the following terms used in this section:

- Electronic
- Electronic Record
- Electronic Transaction
- Record
- System

The Servicer acknowledges and agrees that its ongoing access to copies of Records and Electronic Records related to any Electronic Transactions conducted by Servicer using the Freddie Mac Reimbursement System will be:

- Paper copies Servicer prints out using its Systems, print capabilities and its printer, or
- Electronic copies Servicer is able to download to its computer or copy to a disk or other Electronic device

Accordingly, the Servicer assumes responsibility for obtaining and retaining copies of any such Records and Electronic Records for Servicer's future reference. If the Servicer is unable to print, download or copy any of the Records or Electronic Records, the Servicer may contact (800) FREDDIE and select option four for Servicing for assistance in obtaining copies of the Electronic Records.

## **2405.6: User access requirements (03/02/16)**

Servicer acknowledges and agrees that Freddie Mac has provided Servicer with written or Electronic, as defined in Chapter 1401, information that describes the minimum hardware,

software, browser and other Internet connectivity requirements necessary to conduct Electronic Transactions, as defined in Chapter 1401, with Freddie Mac using the Freddie Mac Reimbursement System.

## **2405.7: Use of Reimbursement System by Permitted Vendors (03/02/16)**

The Servicer may grant Freddie Mac Reimbursement System access to a vendor who provides services in connection with Mortgages serviced for Freddie Mac. Such vendors are referred to as “Permitted Vendors.” Permitted Vendors are allowed access to the Reimbursement System for the purposes of:

- Submitting requests for pre-approval (RPAs) via the RPA functionality in the Reimbursement System pursuant to Section 9701.3
- Submitting claims for Servicer reimbursement based on the expense and income codes, subject to any associated expense limits, listed in Exhibits 57, 57A and 74, Expense and Income Codes for Expense Reimbursement Claims

Freddie Mac, at any time and in its sole discretion, may terminate a Permitted Vendor’s access to the Reimbursement System and/or direct the Servicer to terminate a Permitted Vendor’s access.

The Servicer must comply with the following requirements related to use of the Reimbursement System by a Permitted Vendor:

- The Servicer must obtain from each Permitted Vendor an original Exhibit 92, Reimbursement System User Agreement – Permitted Vendor, signed by an officer of the Permitted Vendor. The Servicer must maintain a copy of this signed document and make it available to Freddie Mac upon request.
- The Servicer must have written policies and procedures in place that document its criteria for selecting Permitted Vendors and how the Servicer will monitor the Permitted Vendor’s use of the Reimbursement System
- The Servicer must periodically review and analyze the types and dollar amounts of expenses requested by Permitted Vendors to ensure compliance with all applicable requirements
- For property preservation services, if Freddie Mac requires that competitive bids be obtained from multiple vendors, the Servicer is responsible for obtaining the multiple bids and keeping records of the bids

## **2405.8: Servicer’s responsibilities for the Reimbursement System (03/02/16)**

The Servicer is responsible for:

- Use of the Freddie Mac Reimbursement System by the Servicer's employees, any personnel retained by the Servicer for the purpose of entering data into the Reimbursement System on behalf of the Servicer, and Permitted Vendors (see Section 2405.7) or others (whether or not authorized) who obtain access to the Reimbursement System through the Servicer or a Permitted Vendor
- Compliance with applicable provisions of the Guide, the Reimbursement System User Guide, Exhibit 91, Reimbursement System User Agreement – Servicer, and Exhibit 92, Reimbursement System User Agreement – Permitted Vendor, by the Servicer's employees, personnel referenced above and Permitted Vendors
- Administering User IDs and passwords in accordance with the Reimbursement System User Guide and Exhibit 91
- Any losses, including Freddie Mac's payment of expenses for which the Servicer was not entitled to reimbursement, that Freddie Mac suffers as a result of use of the Reimbursement System by Servicer's employees, any personnel retained by Servicer for the sole purpose of entering data into the Reimbursement System on behalf of the Servicer, and Permitted Vendors or others (whether or not authorized) who obtain access to the Reimbursement System through the Servicer or a Permitted Vendor
- Ensuring that Permitted Vendors sign and comply with the Exhibit 92. The Servicer must maintain auditable records of such agreements.

# Chapter 2406: Additional Servicing Tools and Systems

## 2406.1: Workout Prospector<sup>®</sup> User Agreement (03/02/16)

The Servicer's logging into the Workout Prospector software, shall be deemed to be Servicer's Electronic Signature, as defined in Chapter 1401, for purposes of binding the Servicer to the terms and conditions in the Workout Prospector User Agreement, set forth as Exhibit 86, for use of the Workout Prospector software, in the same manner the Servicer would be bound had the Servicer signed such Agreement in writing and delivered it to Freddie Mac. In addition, a Servicer that uses Freddie Mac's Workout Prospector software will also bind the Servicer to all of the provisions of the Workout Prospector User Agreement, set forth as Exhibit 86 and Exhibit 86A, Workout Prospector<sup>®</sup> User Agreement – Authorized Third Party.

If the Servicer engages an authorized third party to perform loss mitigation activities including the use of Workout Prospector in connection with the Servicing of Mortgages, the Servicer must:

- Develop criteria for selecting an authorized third party and for monitoring the authorized third party's use of Workout Prospector in compliance with the Guide and all applicable law
- Have a control environment to ensure that only active employees of the authorized third party with a need to use Workout Prospector are given user access and that, in cooperation with Freddie Mac, such access is terminated whenever the authorized third party's employee is terminated or has no further need to use Workout Prospector
- Periodically perform quality control reviews or audits on the authorized third party's use of Workout Prospector including to ensure compliance with all applicable requirements of the Guide and any other Purchase Documents and federal, State and local laws; and
- Have written policies and procedures documenting all these requirements as well as consistently monitor and audit compliance with its policies and procedures and immediately report to Freddie Mac (**see Directory 5**) any deficiencies it finds

### Managing access to Workout Prospector

For security purposes, passwords and IDs should not be shared. The Servicer must ensure that only active employees of the Servicer or its authorized third parties with a need to use Workout Prospector are given user access, and that such access is terminated

whenever the employee or authorized third party's employee is terminated or has no further need to use Workout Prospector.

When managing user access to Workout Prospector, Servicers must:

- Safeguard IDs, passwords, Personal Identification Numbers (PINs) and all other confidential means of access (“Confidential Means of Access”) to Workout Prospector
- Adopt minimum security standards to prevent the loss, theft or unauthorized disclosure or use of IDs, passwords, PINs or other Confidential Means of Access and information in Workout Prospector
- Notify Freddie Mac within one Business Day (**see Directory 5**) in the event that:
  - An authorized user's (a) name changes, (b) position/title changes, (c) employment is terminated, or (d) authorization expires or terminates
  - Any loss, theft or unauthorized disclosure or use of any authorized user's ID, password, PIN or any other Confidential Means of Access occurs
  - The Servicer has knowledge or reason to believe that an authorized user's Confidential Means of Access to Workout Prospector is no longer secure for any reason
- Indemnify and hold Freddie Mac harmless from and against any and all costs, fees (including legal fees and court costs), losses or damages sustained or incurred by Freddie Mac when a breach of security from the Servicer (and/or its Servicing Agent or authorized third party service provider, if applicable) results in the unauthorized disclosure or use of any IDs, passwords, PINs or any other Confidential Means of Access to information in the Workout Prospector application

## **2406.1: Workout Prospector® User Agreement (Future effective date 12/09/19)**

Effective December 9, 2019, this section has been deleted.

## **2406.2: Quality Control Advisor® (06/26/17)**

Quality Control Advisor® is a system that hosts for Freddie Mac certain quality control loan management data and remedy management information for Mortgages Freddie Mac owns or guarantees. Each Seller/Servicer that accesses Quality Control Advisor, by virtue



of such access, will be deemed to have agreed to the terms and conditions set forth in Sections 2401.1, 2402.2 (if applicable) and 2402.8.

## **2406.3: Freddie Mac Loan Coverage Advisor® (07/11/16)**

Freddie Mac Loan Coverage Advisor® is an Internet-based application that calculates, tracks and publishes the date on which the Seller and/or Servicer is relieved of certain specified selling representations and warranties related to underwriting the Borrower, Mortgaged Premises and project in which the Mortgaged Premises is located for Mortgages sold to Freddie Mac. The Seller/Servicer's use of Loan Coverage Advisor is governed by Sections 2401.1 and 2402.5, Form 906, Freddie Mac Loan Coverage Advisor® Authorized User Role Form, and the Seller/Servicer's other applicable Purchase Documents, as amended from time to time.

In connection with the use of Loan Coverage Advisor, the Seller/Servicer must provide information to Freddie Mac regarding the Seller/Servicer's employee(s) who will serve as the "Customer Administrator" and in the authorized Loan Coverage Advisor Authorized User Role of "Read-Only User." The Seller/Servicer must provide this information to Freddie Mac by completing, signing and submitting Form 906 to Freddie Mac.

Upon receipt of the initial completed and signed Form 906, Freddie Mac will provide the Customer Administrator with user IDs for the Read-Only Users. The Seller/Servicer must complete, sign and deliver a new Form 906 to change the Customer Administrator and/or to add, modify or delete any Read-Only User.

The Seller/Servicer is responsible for confirming its Seller/Servicer numbers: (i) reported to Freddie Mac on Form 906; and (ii) reported to the Seller by Freddie Mac pursuant to Form 906.

By virtue of the Seller/Servicer's use of Loan Coverage Advisor, the Seller/Servicer shall be conclusively deemed to have agreed to be bound by the terms and conditions set forth in Sections 2401.1 and 2402.5, Form 906 and the Seller/Servicer's other applicable Purchase Documents, as amended from time to time.

## **2406.4: Managing access to and obtaining a property value via BPOdirect® (04/11/18)**

When Freddie Mac requires that a property value be obtained through BPOdirect®, the Servicer must obtain the property value via the Internet from Freddie Mac's web site at: <https://www.bpodirect.com>.

Note: Consistent with the requirement in Section 8101.1 to act in the most timely, efficient and responsible manner to protect Freddie Mac's interests, a Servicer must not order a new BPO through BPOdirect for a:

- 1- or 2-unit property when evaluating a Borrower for a modification if the Servicer is required to use an available HVE<sup>®</sup> point value estimate or automated value in accordance with the requirements of Option One or Option Two set forth in Section 9206.8
- 1-unit property when evaluating a Borrower for a workout Mortgage assumption if the Servicer is required to use an available automated value in accordance with the requirements set forth in Section 9207.4

**(a) Managing access to BPOdirect**

Each employee of a Servicer, or its authorized third-party service provider, authorized to obtain valuations must have a separate password and ID to access BPOdirect. An authorized employee or third-party service provider who does not have a password and ID should go to the web site and select Servicer Registration. For security purposes, passwords and IDs should not be shared. Once an employee or third-party service provider registers, a password and ID will be sent to that employee via e-mail, using the e-mail address that the employee or third-party service provider provides. The Servicer must ensure that only active employees of the Servicer or its authorized third parties with a need to use BPOdirect are given user access, and that such access is terminated whenever the employee or authorized third party's employee is terminated or has no further need to use BPOdirect.

When managing user access to BPOdirect, Servicers must:

- Safeguard IDs, passwords, Personal Identification Numbers (PINs) and all other confidential means of access (“Confidential Means of Access”) to BPOdirect
- Adopt minimum security standards to prevent the loss, theft or unauthorized disclosure or use of IDs, passwords, PINs or other Confidential Means of Access and information in BPOdirect
- Notify Freddie Mac within one Business Day (**see Directory 5**) in the event that:
  - An authorized user's (a) name changes, (b) position/title changes, (c) employment is terminated, or (d) authorization expires or terminates
  - Any loss, theft or unauthorized disclosure or use of any authorized user's ID, password, PIN or any other Confidential Means of Access occurs
  - The Servicer has knowledge or reason to believe that an authorized user's Confidential Means of Access to BPOdirect is no longer secure for any reason

- Indemnify and hold Freddie Mac harmless from and against any and all costs, fees (including legal fees and court costs), losses or damages sustained or incurred by Freddie Mac when a breach of security from the Servicer (and/or its Servicing Agent or authorized third-party service provider, if applicable) results in the unauthorized disclosure or use of any IDs, passwords, PINs or any other Confidential Means of Access to information in the BPOdirect application
- If the Servicer engages an authorized third-party service provider to perform loss mitigation activities including the use of BPOdirect in connection with the Servicing of Freddie Mac Mortgages, the Servicer must monitor its authorized third party to ensure compliance with all applicable requirements of the Guide and any other Purchase Documents and applicable law and have written policies and procedures in place for doing so

**(b) Obtaining a property value via BPOdirect**

When a Servicer logs into BPOdirect, the web site may display an automated value if one is available. If Freddie Mac permits the use of an automated value to evaluate the Borrower for a specific relief or workout option, then the Servicer must, unless otherwise noted below, use the available automated value provided in BPOdirect. If an automated value is not available in BPOdirect or through another permitted source (e.g., via HVE or the *Automated Valuation Model (AVM)* report), or the MI requires a BPO/property valuation, the Servicer must submit a new property valuation request to Freddie Mac (i.e., order a new BPO from BPOdirect), if necessary. There is no cost associated with automated values obtained through BPOdirect. If Freddie Mac requires a BPO for the situation the Servicer is evaluating, then, unless otherwise noted below, the Servicer must take the additional step of ordering a new BPO from BPOdirect. Once the BPO valuation is complete, the BPO value will be available to the Servicer in BPOdirect.

Notwithstanding the requirements above, if the Servicer has previously obtained a Freddie Mac-compliant property valuation (i.e., Freddie Mac-provided BPO, Freddie Mac-provided appraisal or an appraisal obtained in compliance with Chapter 5601), the Servicer must use the Freddie Mac-compliant property valuation provided it meets the property valuation requirements for the specific relief or workout option. The Servicer may not obtain a new property valuation in this circumstance.

Note: If the Mortgage is covered by mortgage insurance, the Servicer must ensure that the property value it obtains is based on a property valuation type that is consistent with the MI's requirements.

## **2406.5: Freddie Mac Default Fee Appeal System (05/02/16)**

Freddie Mac is the owner of an application known as the Freddie Mac Default Fee Appeal System, which provides information regarding foreclosure related compensatory fees, and permits Servicers to file appeals and monitor the status of Freddie Mac’s review of such appeals. The Default Fee Appeal System is available for use by the Servicer and its Servicing Agents and by virtue of its use of the Default Fee Appeal System, the Servicer and its Servicing Agents agree and are deemed to be bound by: (i) all of the provisions of the Default Fee Appeal System User Agreement set forth in Exhibit 94 to the same degree as if the Servicer or Servicing Agent has signed such Agreement as a “User”; (ii) Chapter 1401; and (iii) all other applicable terms and conditions of the Guide and other Purchase Documents.

The Servicer or Servicing Agent must provide information to Freddie Mac in order to identify employees who are authorized to use the Default Fee Appeal System (“Authorized Users”) by completing and submitting, as applicable, Form 903 or Form 903SA.

Upon receipt of the completed Form 903 or Form 903SA, as applicable, Freddie Mac will provide the Servicer or Servicing Agent with user identification codes (“User IDs”) and passwords for Authorized Users to access the Default Fee Appeal System. The Servicer or Servicing Agent must adopt security measures in accordance with Sections 1302.2, 1401.5, 1401.6 and 1401.17. Until further notice, the Servicer or Servicing Agent must submit a new Form 903 or Form 903SA, as applicable, to add, delete, modify or confirm an employee as an Authorized User.

## **2406.5: Freddie Mac Default Fee Appeal System (Future effective date 12/09/19)**

Effective December 9, 2019, this section has been deleted.

# Chapter 2407: Third-Party Servicing Tools Made Available Via Servicing Gateway

## 2407.1: Attorney Data Reporting (Future effective date 12/09/19)

Attorney Data Reporting (ADR) is an application available via **Servicing Gateway**. ADR is managed and hosted by a third-party Freddie Mac vendor called Quandis pursuant to terms and conditions available on its website at [www.quandis.com](http://www.quandis.com). ADR is an Excluded Servicing Tool for purposes of Section 2401.1(b).

# Chapter 2408: Servicing Mortgages through Servicing Gateway and other Servicing Tools

## 2408.1: Relation to Chapters 2404, 2405, 2406 and 2407 (Future effective date 12/09/19)

Chapter 2408 addresses rights and obligations associated with the servicing of Mortgages on behalf of Freddie Mac by means of the Servicing Tools and is in addition to and not in limitation of (a) Chapters 2404, 2405 and 2406, which, along with Chapter 2401, address the licensing of Freddie Mac Servicing Tools, and (b) Chapter 2407, which addresses the third-party licensing of Excluded Servicing Tools.

## 2408.2: Using Servicing Tools and Excluded Servicing Tools (Future effective date 12/09/19)

This chapter sets forth special requirements associated with the use of Servicing Tools and Excluded Servicing Tools for reporting loan-level information to Freddie Mac and performing other Mortgage Servicing activities.

The Servicer should refer to Chapter 1401 for the definitions of the following terms used in this chapter:

- Electronic
- Electronic Record
- Electronic Signature
- Electronic Transaction
- Record

The Servicer should refer to the following sections and chapters for information on reporting requirements:

- Section 9102.8 for default reporting requirements
- Section 9102.7 for reporting requirements for Mortgages for which a Servicer is pursuing an alternative to foreclosure

- Chapters 8301 and 8303 for monthly loan-level exception and non-exception activity reporting requirements

To service Mortgages using any and all of the Servicing Tools, the Servicer must comply with the terms and conditions of (a) Chapters 2401 through 2408 (including any third-party terms and conditions referenced in Chapter 2407), (b) other applicable Guide provisions, and (c) the Servicer's other Purchase Documents.

### **2408.3: Freddie Mac Servicing Tools incorporated into the Guide (Future effective date 12/09/19)**

The Servicing Tools, including, without limitation, all visual content displayed on screens and pages, system processes, system rules, terms and conditions, privacy policy, user guides and instructions, are, by this reference, incorporated into and made a part of the Guide and other Purchase Documents.

### **2408.4: Amendments (Future effective date 12/09/19)**

The Servicer acknowledges and agrees that Freddie Mac may amend, revise and/or update the Servicing Tools, this chapter and/or any other applicable Purchase Documents, and any such amendment, revision and/or update will be effective as of the date specified by Freddie Mac.

### **2408.5: Special representations and warranties, covenants and agreements (Future effective date 12/09/19)**

The Servicer represents and warrants to, covenants and agrees with Freddie Mac that the Servicer is in compliance with and will continue to comply with all of the requirements of this chapter, any other applicable Purchase Documents, system processes and rules, terms of use, privacy policy, security standards and any user guides and instructions in connection with Servicing Freddie Mac Mortgages using the Servicing Tools.

The Freddie Mac Exclusionary List is made available to Servicers in Freddie Mac Learning. Each time the Servicer accesses any Freddie Mac Servicing Tool, the Servicer represents and warrants to Freddie Mac that Servicer has never (i) provided access to or otherwise made the Exclusionary List available to a Related Third Party (as that term is defined in Section 2401.1) or any other party except as permitted under and in accordance with Section 1201.8(c), or (ii) enabled or permitted any person or entity on the Exclusionary List to access or use any Servicing Tool whether directly or indirectly through the Servicer or any Related Third Party. Further, the Servicer covenants and agrees that it will not, under any circumstances, do so in the future.

## **2408.6: Electronic Transactions (Future effective date 12/09/19)**

### **(a) Consent to conduct Electronic Transactions**

The Servicer consents to conduct Electronic Transactions with Freddie Mac using the Freddie Mac Servicing Tools and Excluded Servicing Tools including, but not limited to, using Electronic Records and Electronic Signatures in accordance with Chapter 1401. The Servicer agrees that the Servicer's employees may use Electronic Signatures, which shall be the Servicer's adopted and authorized Electronic Signatures, as defined in Section 1401.4, which also includes the process of using a computer mouse to "click on" terms, words, items, images, numbers or buttons on screens in the Servicing Tools and Excluded Servicing Tools.

### **(b) Servicing Tools requirements**

The Servicer acknowledges that Freddie Mac has provided the Servicer with the minimum hardware, software, browser and other Internet connectivity requirements the Servicer needs to conduct Electronic Transactions using the Servicing Tools.

## **2408.7: Access to copies of Electronic Transaction Records (Future effective date 12/09/19)**

The Servicer acknowledges and agrees that the Servicer's ongoing access to copies of Records and Electronic Records related to any Electronic Transactions conducted by the Servicer in the Servicing Tools will be either:

- Paper copies printed by the Servicer, or
- Electronic copies the Servicer is able to download or save to its computers or copy

The Servicer acknowledges that it is responsible for making or obtaining copies of such Records and Electronic Records. If the Servicer is unable to print, download or copy any of the Records or Electronic Records, the Servicer may contact Freddie Mac for possible assistance.



# Chapter 3101: Freddie Mac Exclusionary List and FHFA Suspended Counterparty Program

## 3101.1: Freddie Mac Exclusionary List (12/11/17)

### (a) Purpose of the Exclusionary List

Freddie Mac maintains the Freddie Mac Exclusionary List to protect the integrity of its Mortgage purchase and Servicing functions. The names of persons or entities whose conduct presents risks to Freddie Mac, as determined by Freddie Mac in its sole discretion, may be placed on the Exclusionary List, in which case such persons or entities are prohibited from doing business with Freddie Mac, either directly or indirectly.

### (b) Use of the Exclusionary List

The Seller/Servicer must use the Exclusionary List only for the following purposes:

#### (i) Screen parties involved in the origination of the Mortgage

Prior to the sale of each Mortgage to Freddie Mac, the Seller must use the Exclusionary List to determine whether, as of the Note Date, a person or entity whose name is on the Exclusionary List was the Borrower on the Mortgage or has played a role in the origination of the Mortgage or in the underlying real estate transaction.

If a party whose name is on the Exclusionary List is the Borrower on the Mortgage or played a role in the origination of a Mortgage or the underlying real estate transaction, the Mortgage is not eligible for sale to Freddie Mac.

#### (ii) Screen parties involved in Freddie Mac sales, quality control and Servicing functions

The Seller/Servicer must use the Exclusionary List to ensure that none of the Seller/Servicer's own employees engaged in the sales, quality control or Servicing of Freddie Mac Mortgages or REO have their name on the Exclusionary List. This prohibition includes both the Seller/Servicer's own employees and any third parties to whom sales, quality control or Servicing functions regarding Freddie Mac Mortgages or REOs are outsourced or assigned.

Prohibited roles in sales functions include, without limitation, parties involved in the delivery of Freddie Mac Mortgages. Prohibited roles in quality control functions include, without limitation, those reviewing eligibility of Freddie Mac Mortgages and those involved in reporting adverse findings to Freddie Mac. Prohibited roles in Servicing functions include, without limitation:

- Parties who report, remit or process Mortgage payments, or who manage Custodial Accounts or perform custodial fund accounting
- Participants in any loss mitigation activities
- Participants in the maintenance of an REO property owned by Freddie Mac or a property securing a Freddie Mac Mortgage

The Seller/Servicer is not required to screen any individual or entity that Freddie Mac selects, approves and/or directs the Seller/Servicer to use (e.g., providers of property valuations through BPOdirect®).

**(c) Process for placement on the Exclusionary List**

Freddie Mac will generally provide an individual or entity written notice of their proposed placement of their names on the Exclusionary List, along with an opportunity to submit a written response. However, Freddie Mac may determine, in its sole discretion, that circumstances require placement of a person or entity’s name on the Exclusionary List immediately, without prior written notice. Examples of grounds for placement on the Exclusionary List include, without limitation:

- Fraud or possible fraud
- Misrepresentations, misstatements or omissions of facts
- Theft or misappropriation of funds
- Willful or reckless violation of statutory or regulatory requirements
- Business practices that Freddie Mac determines present risks to Freddie Mac
- Lack of business controls to ensure the integrity of the Mortgages sold to or serviced for Freddie Mac
- Evidence which demonstrates a lack of integrity or business competence
- Other grounds that in Freddie Mac’s judgment may adversely affect Freddie Mac

Freddie Mac, in its sole discretion, will render a final decision regarding placement on the Exclusionary List after reviewing the response, if any, submitted by the proposed individual or entity.

#### **(d) Seller warranties regarding the Exclusionary List**

The Seller represents and warrants that, as of the Note Date, no person or entity whose name is listed on the Exclusionary List was the Borrower on the Mortgage or played a role in the origination or sale of a Mortgage to Freddie Mac, or in the underlying real estate transaction.

Furthermore, the Seller represents and warrants that it will maintain sufficient controls to meet this warranty obligation.

#### **(e) Waiver of Seller warranties regarding the Exclusionary List**

Before the Funding Date, a Seller may contact Freddie Mac to request a waiver of the warranty requirements of Sections 3101.1(d) and 1301.8(a)(8) with respect to a particular Mortgage. The Seller should make such request to the Freddie Mac fraud mailbox at **mortgage\_fraud\_reporting@freddiemac.com**, or alternatively may make such request by fax or regular mail (**see Directory 1**).

As part of the request, the Seller must inform Freddie Mac of the nature and extent of the role played by the person or entity whose name is on the Exclusionary List in connection with the Mortgage and must provide other relevant information, upon request. If Freddie Mac reviews the request and subsequently elects to grant the waiver, Freddie Mac will provide the Seller with written notice of such election, in which case the warranty concerning the involvement of an excluded person or entity will not be applicable to the sale of the Mortgage. All other requirements of the Purchase Documents relating to the sale of the Mortgage will remain in full force and effect. Freddie Mac's election to review and its decision to purchase such a Mortgage are within its sole discretion.

#### **(f) Servicer warranties regarding the Exclusionary List**

The Servicer represents and warrants that no individual or entity whose name is on the Exclusionary List will play a role in any Servicing or quality control functions relating to a Mortgage or REO. The Servicer acknowledges that this prohibition includes both the Servicer's own employees and any third parties to whom Servicing or quality control functions regarding Freddie Mac Mortgages or REOs are outsourced or assigned, including, without limitation:

- Parties who report, remit or process Mortgage payments, or who manage Custodial Accounts or perform custodial fund accounting
- Participants in any loss mitigation activities
- Individuals reviewing eligibility of Mortgages sold to Freddie Mac or who report adverse findings to Freddie Mac
- Participants in the maintenance of an REO property owned by Freddie Mac or a property securing a Freddie Mac Mortgage.

Furthermore, the Servicer warrants that it will maintain sufficient controls to meet this warranty obligation.

**(g) Waiver of Servicer warranties regarding the Exclusionary List**

The Servicer must contact Freddie Mac to request a written waiver prior to performing a function or entering into a transaction that would violate the Servicer's representation and warranty set forth in Section 3101.1(f).

The Servicer should make such request to the Freddie Mac fraud mailbox at **mortgage\_fraud\_reporting@freddiemac.com**, or alternatively may make such request by fax or regular mail (see **Directory 1**).

As part of the request, the Servicer must inform Freddie Mac of the nature and extent of the role played by the person or entity whose name is on the Exclusionary List in the proposed transaction, and must provide other relevant information upon request. If Freddie Mac elects to grant the waiver, Freddie Mac will provide the Servicer with written notice of such election, in which case the warranty concerning the involvement of an excluded person or entity will not be applicable to such transaction. All other requirements of the Purchase Documents relating to the Servicing of the Mortgage will remain in full force and effect. Freddie Mac's decision regarding the waiver of such warranties is within its sole discretion.

**(h) Reporting obligations of the Seller/Servicer**

The Seller/Servicer must immediately report the discovery of any possible breach of warranties regarding the Exclusionary List contained in Section 3101.1 to the Freddie Mac fraud mailbox at **mortgage\_fraud\_reporting@freddiemac.com**. Alternatively, the Seller/Servicer can report such breaches by fax or regular mail (see **Directory 1**).

**(i) Confidentiality and use of the Exclusionary List**

The identities of the persons and entities on the Exclusionary List whose names are not publicly available, and the Exclusionary List is considered "Confidential Information" of Freddie Mac for purposes of Section 1201.8. The Seller/Servicer represents and warrants that it will keep the Exclusionary List confidential in accordance with the terms and conditions of Section 1201.8. The Seller/Servicer may use the Exclusionary List only as required in Section 3101.1(b), and may not use or disclose the Exclusionary List for any other purpose without Freddie Mac's written permission. The Seller/Servicer agrees to indemnify Freddie Mac for any loss, damage, or expense resulting from its failure to maintain the confidentiality of the Exclusionary List or information contained on the Exclusionary List.

**(j) Access to the Exclusionary List**

The Exclusionary List is updated at least monthly by Freddie Mac and is electronically available to Seller/Servicers through various Freddie Mac systems, including [Loan Selling](#)

**Advisor<sup>SM</sup>**, the Freddie Mac Service Loans application, Loan Product Advisor<sup>®</sup>, Freddie Mac Learning and MultiSuite<sup>®</sup>. The Seller/Servicer must ensure that it uses only the most current version of the Exclusionary List, and must obtain an authorized ID and password to access the Exclusionary List. The Seller/Servicer may obtain additional information on how to access the Exclusionary List by calling 800-FREDDIE.

#### **(k) Remedies**

Freddie Mac's remedies for a breach of the warranties, obligations or requirements of the Seller/Servicer regarding the Exclusionary List include all remedies available to Freddie Mac under the Purchase Documents including, without limitation, suspension or termination of the Seller or Servicer, and repurchase of the Mortgage.

## **3101.1: Freddie Mac Exclusionary List (Future effective date 12/09/19)**

#### **(a) Purpose of the Exclusionary List**

Freddie Mac maintains the Freddie Mac Exclusionary List to protect the integrity of its Mortgage purchase and Servicing functions. The names of persons or entities whose conduct presents risks to Freddie Mac, as determined by Freddie Mac in its sole discretion, may be placed on the Exclusionary List, in which case such persons or entities are prohibited from doing business with Freddie Mac, either directly or indirectly.

#### **(b) Use of the Exclusionary List**

The Seller/Servicer must use the Exclusionary List only for the following purposes:

##### **(i) Screen parties involved in the origination of the Mortgage**

Prior to the sale of each Mortgage to Freddie Mac, the Seller must use the Exclusionary List to determine whether, as of the Note Date, a person or entity whose name is on the Exclusionary List was the Borrower on the Mortgage or has played a role in the origination of the Mortgage or in the underlying real estate transaction.

If a party whose name is on the Exclusionary List is the Borrower on the Mortgage or played a role in the origination of a Mortgage or the underlying real estate transaction, the Mortgage is not eligible for sale to Freddie Mac.

##### **(ii) Screen parties involved in Freddie Mac sales, quality control and Servicing functions**

The Seller/Servicer must use the Exclusionary List to ensure that none of the Seller/Servicer's own employees engaged in the sales, quality control or Servicing of Freddie Mac Mortgages or REO have their name on the Exclusionary List. This

prohibition includes both the Seller/Servicer's own employees and any third parties to whom sales, quality control or Servicing functions regarding Freddie Mac Mortgages or REOs are outsourced or assigned.

Prohibited roles in sales functions include, without limitation, parties involved in the delivery of Freddie Mac Mortgages. Prohibited roles in quality control functions include, without limitation, those reviewing eligibility of Freddie Mac Mortgages and those involved in reporting adverse findings to Freddie Mac. Prohibited roles in Servicing functions include, without limitation:

- Parties who report, remit or process Mortgage payments, or who manage Custodial Accounts or perform custodial fund accounting
- Participants in any loss mitigation activities
- Participants in the maintenance of an REO property owned by Freddie Mac or a property securing a Freddie Mac Mortgage

The Seller/Servicer is not required to screen any individual or entity that Freddie Mac selects, approves and/or directs the Seller/Servicer to use (e.g., providers of property valuations through BPOdirect<sup>®</sup>).

### **(c) Process for placement on the Exclusionary List**

Freddie Mac will generally provide an individual or entity written notice of their proposed placement of their names on the Exclusionary List, along with an opportunity to submit a written response. However, Freddie Mac may determine, in its sole discretion, that circumstances require placement of a person or entity's name on the Exclusionary List immediately, without prior written notice. Examples of grounds for placement on the Exclusionary List include, without limitation:

- Fraud or possible fraud
- Misrepresentations, misstatements or omissions of facts
- Theft or misappropriation of funds
- Willful or reckless violation of statutory or regulatory requirements
- Business practices that Freddie Mac determines present risks to Freddie Mac
- Lack of business controls to ensure the integrity of the Mortgages sold to or serviced for Freddie Mac
- Evidence which demonstrates a lack of integrity or business competence

- Other grounds that in Freddie Mac's judgment may adversely affect Freddie Mac

Freddie Mac, in its sole discretion, will render a final decision regarding placement on the Exclusionary List after reviewing the response, if any, submitted by the proposed individual or entity.

**(d) Seller warranties regarding the Exclusionary List**

The Seller represents and warrants that, as of the Note Date, no person or entity whose name is listed on the Exclusionary List was the Borrower on the Mortgage or played a role in the origination or sale of a Mortgage to Freddie Mac, or in the underlying real estate transaction.

Furthermore, the Seller represents and warrants that it will maintain sufficient controls to meet this warranty obligation.

**(e) Waiver of Seller warranties regarding the Exclusionary List**

Before the Funding Date, a Seller may contact Freddie Mac to request a waiver of the warranty requirements of Sections 3101.1(d) and 1301.8(a)(8) with respect to a particular Mortgage. The Seller should make such request to the Freddie Mac fraud mailbox at **mortgage\_fraud\_reporting@freddiemac.com**, or alternatively may make such request by fax or regular mail (see **Directory 1**).

As part of the request, the Seller must inform Freddie Mac of the nature and extent of the role played by the person or entity whose name is on the Exclusionary List in connection with the Mortgage and must provide other relevant information, upon request. If Freddie Mac reviews the request and subsequently elects to grant the waiver, Freddie Mac will provide the Seller with written notice of such election, in which case the warranty concerning the involvement of an excluded person or entity will not be applicable to the sale of the Mortgage. All other requirements of the Purchase Documents relating to the sale of the Mortgage will remain in full force and effect. Freddie Mac's election to review and its decision to purchase such a Mortgage are within its sole discretion.

**(f) Servicer warranties regarding the Exclusionary List**

The Servicer represents and warrants that no individual or entity whose name is on the Exclusionary List will play a role in any Servicing or quality control functions relating to a Mortgage or REO. The Servicer acknowledges that this prohibition includes both the Servicer's own employees and any third parties to whom Servicing or quality control functions regarding Freddie Mac Mortgages or REOs are outsourced or assigned, including, without limitation:

- Parties who report, remit or process Mortgage payments, or who manage Custodial Accounts or perform custodial fund accounting
- Participants in any loss mitigation activities

- Individuals reviewing eligibility of Mortgages sold to Freddie Mac or who report adverse findings to Freddie Mac
- Participants in the maintenance of an REO property owned by Freddie Mac or a property securing a Freddie Mac Mortgage.

Furthermore, the Servicer warrants that it will maintain sufficient controls to meet this warranty obligation.

#### **(g) Waiver of Servicer warranties regarding the Exclusionary List**

The Servicer must contact Freddie Mac to request a written waiver prior to performing a function or entering into a transaction that would violate the Servicer's representation and warranty set forth in Section 3101.1(f).

The Servicer should make such request to the Freddie Mac fraud mailbox at **mortgage\_fraud\_reporting@freddiemac.com**, or alternatively may make such request by fax or regular mail (**see Directory 1**).

As part of the request, the Servicer must inform Freddie Mac of the nature and extent of the role played by the person or entity whose name is on the Exclusionary List in the proposed transaction, and must provide other relevant information upon request. If Freddie Mac elects to grant the waiver, Freddie Mac will provide the Servicer with written notice of such election, in which case the warranty concerning the involvement of an excluded person or entity will not be applicable to such transaction. All other requirements of the Purchase Documents relating to the Servicing of the Mortgage will remain in full force and effect. Freddie Mac's decision regarding the waiver of such warranties is within its sole discretion.

#### **(h) Reporting obligations of the Seller/Servicer**

The Seller/Servicer must immediately report the discovery of any possible breach of warranties regarding the Exclusionary List contained in Section 3101.1 to the Freddie Mac fraud mailbox at **mortgage\_fraud\_reporting@freddiemac.com**. Alternatively, the Seller/Servicer can report such breaches by fax or regular mail (**see Directory 1**).

#### **(i) Confidentiality and use of the Exclusionary List**

The identities of the persons and entities on the Exclusionary List whose names are not publicly available, and the Exclusionary List is considered "Confidential Information" of Freddie Mac for purposes of Section 1201.8. The Seller/Servicer represents and warrants that it will keep the Exclusionary List confidential in accordance with the terms and conditions of Section 1201.8. The Seller/Servicer may use the Exclusionary List only as required in Section 3101.1(b), and may not use or disclose the Exclusionary List for any other purpose without Freddie Mac's written permission. The Seller/Servicer agrees to indemnify Freddie



Mac for any loss, damage, or expense resulting from its failure to maintain the confidentiality of the Exclusionary List or information contained on the Exclusionary List.

#### **(j) Access to the Exclusionary List**

The Exclusionary List is updated at least monthly by Freddie Mac and is electronically available to Seller/Servicers at

[https://www.freddiemac.com/slearnctr/slearnctr/npl\\_qr/exclusionarylist.xls](https://www.freddiemac.com/slearnctr/slearnctr/npl_qr/exclusionarylist.xls) and through various Freddie Mac systems, including Loan Selling Advisor<sup>SM</sup> and Loan Product Advisor<sup>®</sup>. The Seller/Servicer must ensure that it uses only the most current version of the Exclusionary List, and must obtain an authorized ID and password to access the Exclusionary List. The Seller/Servicer may obtain additional information on how to access the Exclusionary List by calling 800-FREDDIE.

#### **(k) Remedies**

Freddie Mac's remedies for a breach of the warranties, obligations or requirements of the Seller/Servicer regarding the Exclusionary List include all remedies available to Freddie Mac under the Purchase Documents including, without limitation, suspension or termination of the Seller or Servicer, and repurchase of the Mortgage.

## **3101.2: FHFA Suspended Counterparty Program (03/02/16)**

FHFA maintains a Suspended Counterparty Program (SCP) and requires Freddie Mac to refrain from and/or cease conducting business with individuals and entities listed on FHFA's SCP list ("Named Parties"), subject to any conditions or exclusions set forth in an applicable Named Party's final suspension order.

Freddie Mac requires Seller/Servicers to establish and maintain procedures to ensure they do not employ or contract with Named Parties for any purpose directly related to the origination, underwriting, or Servicing of a Freddie Mac Mortgage, subject to any conditions or exclusions set forth in an applicable SCP Named Party's final suspension order.

A Seller may not sell any Mortgage to Freddie Mac and a Servicer may not engage in any Servicing activity in connection with a Freddie Mac Mortgage in which a Named Party is a necessary signatory on the Note, Security Instrument, modification agreement, deed of sale (e.g., short sale, third-party sale, etc.) or other Servicing-related contract related to such Mortgage, subject to any conditions or exclusions set forth in the applicable Named Party's final suspension order.

Seller/Servicers are responsible for reviewing FHFA's SCP list and related final suspension orders, which can be found on FHFA's web site at

<http://www.fhfa.gov/SupervisionRegulation/LegalDocuments/Pages/SuspendedCounterpartyProgram.aspx>.

# Chapter 3201: Fraud Prevention, Detection and Reporting; Reporting Other Suspicious Activity

## 3201.1: Prevention and detection (03/02/16)

The Seller/Servicer must have comprehensive practices and procedures to prevent and detect fraud throughout each stage of the origination and Servicing of a Mortgage and in related real estate transactions.

This section identifies basic fraud prevention and detection requirements related to:

- Employee hiring and training
- Origination and Servicing
- Seller/Servicer's in-house quality control program

Freddie Mac encourages Seller/Servicers to implement additional practices and procedures, as deemed necessary, in order to ensure that an effective fraud prevention and detection plan is in place.

### (a) Hiring and training

The Seller/Servicer must have screening and hiring practices in place to ensure the integrity of its employees. Employees and any entity or individual engaged to handle or perform functions typically handled by employees, and in a position to notice or report fraud and suspected fraud, must receive training in each applicable area of its mortgage business about:

- Common and emerging fraud schemes
- Red flags that may signal fraud and the need for more review

Also, the Seller/Servicer must communicate its procedures (including requirements of this chapter) for prevention, detection and reporting of fraud and suspected fraud to employees as well as entities and individuals referenced above.

Parties engaged to handle or perform functions typically performed by employees and in a position to notice or report fraud or suspected fraud may include parties such as contract underwriters, contract processing services (including loan processors), contract quality control firms, Borrower outreach companies, loss mitigation services and collection companies.

The training must include periodic updates no less frequently than on an annual basis to ensure that employees and parties referenced above are aware of emerging fraud scenarios.

The Seller/Servicer must either provide the training directly, hire a third party to provide the training, or obtain an annual written verification from the engaged entity or individual confirming that training has already been received from another party in accordance with the requirements of this section.

## **(b) Origination and Servicing**

The Seller/Servicer must take the following minimum steps to prevent and detect fraud in the areas of origination and Servicing:

- Ensure that information indicating suspected fraud that is received from any source including, but not limited to, Borrowers and participants in the Mortgage and related real estate transactions, is escalated internally and properly investigated
- Ensure that information indicating suspected fraud that is received from any source in connection with Servicing functions relating to a Mortgage or REO including, but not limited to, any loss mitigation activities or transactions, such as forbearance plans, loan modifications, foreclosures, deeds-in-lieu of foreclosure or short sales of the underlying property, is escalated internally and properly investigated
- Investigate unusual patterns or discrepancies or other red flags, such as first and early-payment defaults
- Comply with Section 3101.1 regarding screening through the Freddie Mac Exclusionary List
- Comply with all other Guide provisions relating to fraud prevention and detection

It is also important for Seller/Servicers to know the parties with whom they do business.

- Sellers must approve, evaluate and monitor Mortgage Brokers, Correspondents, Mortgage Service Providers, and appraisers
- Servicers must approve, evaluate and monitor appraisers and any third party to whom Servicing functions relating to a Mortgage or REO are outsourced or assigned including, but not limited to, any loss mitigation activities or transactions such as foreclosures, deeds-in-lieu of foreclosure or short sales of the underlying property

## **(c) Seller/Servicer's in-house quality control program**

Pre- and post-funding quality control reviews are an integral part of fraud prevention and detection in the mortgage process.

Specifically, the Seller/Servicer must:

- Use discretionary samples to evaluate the work of a particular employee or Mortgage transaction participant when there is a reason to suspect fraud

- Target and sample loans to better identify and highlight potential trends such as early payment defaults or other red flags that could indicate suspected fraud
- Comply with all other Guide provisions relating to quality control reviews

The Seller/Servicer must periodically update its quality control policies and procedures to address emerging fraud scenarios.

## **3201.2: Fraud and other Suspicious Activity reporting requirements (04/13/16)**

### **(a) Procedures for reporting and what to report**

The Seller/Servicer must have written procedures for reporting fraud and suspected fraud and other Suspicious Activity in connection with a Mortgage sold to, or serviced for, Freddie Mac and discovered at any time including, but not limited to, during origination, quality control reviews, Servicing activities or loss mitigation efforts.

Specifically, a Seller/Servicer must report to Freddie Mac when the Seller/Servicer has a reasonable belief that one of the following is occurring or has occurred during origination or Servicing of a Mortgage including, but not limited to, any loss mitigation activity:

- Misrepresentation, misstatement or omission related to the Borrower including, but not limited to, identification, employment, income, assets, sources of funds, indebtedness and property occupancy
- Misrepresentation, misstatement or omission related to the Mortgaged Premises including, but not limited to, property valuation, property value and property use
- Misrepresentation, misstatement or omission of any other information related to a Mortgage or related real estate transaction including, but not limited to, undisclosed Seller or other third-party incentives, loan performance, mortgage purpose, kickbacks, an undisclosed relationship between parties to the transaction when Freddie Mac requires that the transaction is an “arm’s length” transaction
- A person or entity on the Freddie Mac Exclusionary List is involved or was involved in the origination, sale or Servicing of the Mortgage or in the related real estate transactions in violation of Section 3101.1
- A person or entity on the FHFA Suspended Counterparty Program list is involved or was involved in the origination, sale or Servicing of the Mortgage or in the related real estate transactions in violation of Section 3101.2
- Termination or denial of mortgage insurance based on fraud

### **(b) Reporting within 60 days**

- (i) The Seller/Servicer must report misrepresentations, misstatements or omissions identified in Section 3201.2(a) to the extent that they are associated with the origination of a Mortgage, whether discovered through a postclosing quality control review or by any other means. This information must be reported to Freddie Mac in accordance with the reporting requirements in Section 3402.10.
- (ii) The Seller/Servicer must report all other information identified in Section 3201.2(a), either by submitting Freddie Mac's [Mortgage Fraud Reporting Form – Servicing](#), located at <http://www.freddiemac.com/singlefamily/preventfraud/>, or by submitting the information required in the form via fax, e-mail or regular mail. (See **Directory 1.**)

**(c) Immediate notification and reporting**

Notwithstanding the requirements of Section 3201.2(b), the Seller/Servicer must notify Freddie Mac of the following circumstances immediately:

- Theft of custodial funds, lack of collateral, non-remittance of pay-off funds or multiple deliveries of the same Mortgage
- A substantial likelihood that the fraud or suspected fraud or other Suspicious Activity will receive significant public exposure or publicity
- A Seller/Servicer is notified of the entry of a civil judgment, guilty plea or criminal conviction indicating lack of integrity and relating to a participant in a Mortgage or related real estate transaction, or relating to a board member, officer, employee or contractor of the Seller/Servicer
- The Seller/Servicer is notified by law enforcement or another governmental authority that such authority is conducting an investigation or prosecution of fraud relating to Mortgages owned by, or serviced for, Freddie Mac or relating to a board member, officer, employee or contractor of the Seller/Servicer
- A scheme or pattern of (i) more than five Mortgages sold to, or serviced for, Freddie Mac, or (ii) Mortgages sold to, or serviced for, Freddie Mac with an aggregate UPB of at least \$1 Million
- Actual or possible terrorist financing or ongoing or possible money laundering schemes or activity

To notify Freddie Mac immediately, the Seller/Servicer must call the Freddie Mac fraud hotline at 800-4FRAUD8 (800-437-2838).

The Seller/Servicer must also follow the immediate notification with a written report as required by Section 3201.2(b) above.

Seller/Servicers are not required and must not disclose to Freddie Mac any Financial Crimes Enforcement Network Suspicious Activity Reports (SARs) or draft SARs, documents or information revealing the existence of a SAR or indicating whether or not a SAR has been filed, or where disclosure of Suspicious Activity would otherwise be prohibited by law.

### **3201.3: Cooperation requirements (03/02/16)**

The Seller/Servicer must cooperate with Freddie Mac to prevent and investigate fraud and other Suspicious Activity. Cooperation includes making available to Freddie Mac individuals with knowledge of relevant facts. Cooperation also includes providing and assisting Freddie Mac, when permitted by law, in obtaining all information, documentation and records requested by Freddie Mac relating to a Mortgage and related real estate transactions including, but not limited to, closing or settlement agent files, Mortgage files, Borrower payment records and reverifications of employment, income, occupancy and assets. The Seller/Servicer must comply with the deadlines specified by Freddie Mac for providing information, documentation, records, access to individuals or any other requested cooperation.

### **3201.4: Additional requirements (03/02/16)**

Seller/Servicers are reminded of their continuing obligation to comply with all applicable federal, State and local laws, including those relating to fraud and anti-money laundering (see Section 1301.2). Also, Seller/Servicers must document their procedures for fraud prevention, detection and reporting, and detection and reporting of Suspicious Activity, including the requirements of this chapter, and must make these procedures available to Freddie Mac upon request.

### **3201.5: Additional fraud mitigation resources (03/02/16)**

[Fraud Mitigation Best Practices](#) is an online manual that includes best business practices for fraud prevention and detection and contains additional information designed to assist Seller/Servicers in their fraud prevention and detection efforts. Seller/Servicers can access [Fraud Mitigation Best Practices](#) on Freddie Mac's web site at <http://www.freddiemac.com/singlefamily/preventfraud/resources.html>.

Seller/Servicers may also consult the following for additional information:

- Freddie Mac fraud hotline: 800-4FRAUD8 (800-437-2838)
- Freddie Mac Mortgage Fraud Prevention web site:  
<http://www.freddiemac.com/singlefamily/preventfraud/>
- Mortgage Fraud Prevention Toolkit:  
<http://www.freddiemac.com/singlefamily/preventfraud/toolkit.html>
- Best Practices for Loans Involving Property Flips, Bulletin 2009-24, Attachment A

# Chapter 3301: Mortgage File Contents

## 3301.1: Mortgage file (04/11/18)

The Seller (if it services the Mortgage for Freddie Mac) and any Transferee Servicer must maintain the Mortgage file in accordance with Chapter 3302 for so long as each services the Mortgage for Freddie Mac. The file must contain all applicable documents listed in Chapter 3401 and in this chapter. Sellers that sell Mortgages under the Servicing Released Sales Process must comply with the Mortgage file and related data retention requirements set forth in Exhibit 28A, Loan Servicing Purchase and Sale Agreement for the Servicing Released Sales Process.

Except with respect to Mortgages sold under the Servicing Released Sales Process as set forth above, for the sake of convenience in connection with any Transfer of Servicing, copies of documents and related data from the Mortgage file may be maintained by the Transferor Servicer.

Sellers and/or Transferor Servicers that retain copies of any or all of the Mortgage file may do so until the later of seven years after all associated representation and warranty obligations expire as set forth in Loan Coverage Advisor<sup>®</sup> or after any Transfer of Servicing, as applicable. The Mortgage file and copies of the Mortgage file, or any portion thereof, are, and will remain at all times, the property of Freddie Mac. See Section 1201.9 for additional information regarding Freddie Mac's ownership of the Mortgage file, Mortgage data and related records in the possession of a Servicer.

## 3301.2: Security Instrument (09/13/17)

For paper Security Instruments that were recorded (but not electronically recorded), the Mortgage file must contain either:

- The original paper Security Instrument complete with recordation notation, or
- A paper or Electronic (as defined in Section 1401.2) copy of the Security Instrument complete with recordation notation, whether on the copy of the Security Instrument or in a separate document maintained with such copy

If the Seller/Servicer maintains an Electronic copy of the Security Instrument (as noted above), it must comply with the requirements set forth in Section 3302.2(b).

If the original Security Instrument was electronically recorded, the Seller/Servicer must comply with the requirements set forth in Sections 1401.14 and 1401.15 related to Electronic Recording of paper Closing Documents and Electronic Recording of Electronic Closing Documents, respectively.



If the Mortgage is secured by a Manufactured Home, see Section 5703.7(c), paragraph 3.

### **3301.3: New York Consolidation, Extension and Modification Agreement (03/02/16)**

For Mortgages secured by property in New York State that are documented using a New York Consolidation, Modification and Extension Agreement (NY CEMA), the Mortgage file must contain the following:

- A legible copy of the face and back of the Consolidated Note showing all endorsements
- Unless Original Notes are required by Section 3401.3, legible copies of the face and back of Original Old Money Note and, if applicable, Original New Money (Gap) Notes
- Original NY CEMA, complete with recordation notation. Where recorders may keep the originals, a copy certified by the recorder will suffice.

For Mortgages secured by property in New York State that are documented using an NY CEMA Form 3172, 1/01 or Form 3172, 1/01 (rev. 5/01), the Mortgage file must contain the following additional documents:

- If the most recent prior Mortgage was originated as a consolidated Mortgage using NY CEMA Form 3172, 1/01 or Form 3172, 1/01 (rev. 5/01), the NY CEMA with all exhibits attached from the prior consolidation, the original Consolidated Note from the prior Consolidation, the Original Old Money Note, and the Original New Money (Gap) Note, and if new funds were advanced to the Borrower at the time of the current consolidation, the Original Old Money Note and Original New Money (Gap) Note, if applicable, must each be an original Note, with live signatures by the Borrower, endorsed in blank.
- If the most recent prior Mortgage was originated as a consolidated Mortgage using the NY CEMA Form 3172 7/86, the Original Old Money Note, the NY CEMA with all exhibits attached from the prior Consolidation, the Original New Money (Gap) Note, and if new funds were advanced to the Borrower at the time of the current consolidation, the Original Old Money Note and Original New Money (Gap) Note, if applicable, must each be an original Note, with live signatures by the Borrower, endorsed in blank.
- If the most recent prior Mortgage was not originated using an NY CEMA Form 3172, 1/01, Form 3172, 1/01 (rev. 5/01), or Form 3172 7/86 (that is, the most recent prior Mortgage was not a consolidated Mortgage), the Original Old Money Note, and the Original New Money (Gap) Note, and if new funds were advanced to the Borrower at the time of the current consolidation, the Original Old Money Note and Original New Money (Gap) Note, if applicable, must each be an original Note, with live signatures by the Borrower, endorsed in blank.

### **3301.4: Assignment instrument (03/02/16)**

The Intervening Assignments must be sent to and held by the Document Custodian, unless the Mortgage is registered with (MERS<sup>®</sup>) and the Seller/Servicer has elected to retain all assignments for MERS-registered Mortgages in the Mortgage files. The Seller/Servicer must supply its Document Custodian with any documentation necessary for the Document Custodian to determine whether the Seller/Servicer has elected to hold all assignments in the Mortgage files.

See Section 6301.8 for additional information.

### **3301.5: Power of attorney (03/02/16)**

If the Note was executed by a person acting as attorney-in-fact pursuant to authority granted by a Borrower under a power of attorney, the copy of the power of attorney must be attached to the copy of the Note kept in the file. Refer to Section 6301.4 for documentation delivery requirements for powers of attorney.

### **3301.6: Plat of survey (03/02/16)**

The file must contain a plat of survey, if required by Section 4702.2(e).

### **3301.7: Property insurance policies (03/02/16)**

The file must contain property insurance policies, properly endorsed, or suitable evidence of insurance as described in Section 8202.8, unless the Seller/Servicer carries Mortgage impairment insurance instead of maintaining possession of property insurance policies.

### **3301.8: Assurance of water supply (03/02/16)**

If the Mortgaged Premises are dependent for assurance of an adequate supply of water on a water or irrigation company that supplies water only to its shareholders, the file must contain a stock certificate, duly endorsed to Freddie Mac, entitling the property owner to an adequate supply of water.

- All documents necessary to evidence compliance with all applicable anti-predatory lending laws and regulations including, for example, any required reasonable tangible net benefit analysis, Borrower disclosures or disclosures relating to affiliated business or service providers
- All other documents **required under the Guide or other Purchase Documents**, requested by Freddie Mac **or otherwise commonly maintained in files of private institutional Mortgage investors or servicers**
- Freddie Mac may require that the requested documents be delivered to Freddie Mac, an agent of Freddie Mac, or to a Document Custodian.

## **3401.24: Mortgage secured by a Manufactured Home (03/02/16)**

For a Mortgage secured by a Manufactured Home, the Mortgage file must include documentation evidencing that the Manufactured Home is legally classified as real property, the Manufactured Home is properly titled and the lien on the Manufactured Home is properly created, evidenced and perfected.

For a Mortgage on a new Manufactured Home, the Mortgage file must contain a copy of the manufacturer's invoice and Manufactured Home Purchase Agreement in the Mortgage file.

If the Manufactured Home was installed on or after October 28, 2008, the Mortgage file must contain evidence that the Manufactured Home was installed in compliance with applicable HUD Codes for Manufactured Homes (HUD Codes).

## **3401.25: Settlement/Closing Disclosure Statement (03/06/19)**

The Mortgage file must include the final Settlement/Closing Disclosure Statement **and any related documentation evidencing all costs to the homebuyer and property seller, if applicable.**

## **3401.26: Secondary financing (10/31/18)**

For each Mortgage that is concurrently originated with a subordinate lien (i.e., the Mortgage and subordinate lien are originated on the same day), the Seller must include in the Mortgage file a copy of the following documentation for the subordinate lien:

- Note or other evidence of subordinate lien terms

- The Settlement/Closing Disclosure Statement or an alternative form required by law that evidences the fees and costs paid by the Borrower at closing in connection with the secondary financing
- For Home Equity Lines of Credit (HELOCs), the HELOC agreement indicating all fees and costs paid by the Borrower at closing, and the maximum permitted credit advance

For refinance Mortgages, the Mortgage file must include evidence of subordination of outstanding secondary financing.

## **3401.27: Freddie Mac Relief Refinance Mortgage<sup>SM</sup> – Same Servicer (10/02/19)**

Effective October 2, 2019, Section 3401.27 is deleted.

## **3401.28: Electronic Records and Electronic Signatures (03/02/16)**

If a Mortgage is originated using any Electronic Records expressly permitted by Freddie Mac in the Guide or in a Seller/Servicer’s other Purchase Documents, the Seller/Servicer’s Mortgage file may contain a combination of paper documents and Electronic Records and must contain:

- The clear and conspicuous statement of certain information required by E-Sign (see Title I, Section 101(c)(1)(B)(i)-(iv) and (C)(i) of E-Sign) and satisfactory evidence that the Borrower received the information before consenting to Electronic Records
- The “Consent to Electronic Records” required by E-Sign (see Title I, Section 101(c)(1)(A) and (C)(i)-(ii) of E-Sign) and satisfactory evidence that “reasonably demonstrates” that the Borrower was able to access the information required by E-Sign (see preceding bullet) before electronically consenting or confirming consent to Electronic Records
- Federal or State disclosures that were electronically presented to and accessed by the Borrower electronically, with satisfactory evidence of when and how the electronic disclosures were received and, if required, signed by the Borrower using an Electronic Signature
- Any other paper documents and/or Electronic Records required by the Seller/Servicer’s Purchase Documents, with satisfactory evidence of when and how the paper documents and/or Electronic Records were received and, if required, signed by the Borrower either in writing or using an Electronic Signature, as applicable

In all cases, the paper documents and/or Electronic Records (including Electronic Signatures) in the Mortgage file must be sufficient to permit Freddie Mac to perform a postfunding quality control review and, among other things, obtain a reverification of the Borrower's employment and income from employers and/or other third parties.

If the Seller/Servicer's Mortgage files contain a combination of paper documents and Electronic Records, the Seller/Servicer must maintain a computerized tracking system that cross-references the locations of both paper documents and Electronic Records for each Mortgage. Such computerized information must be made available to Freddie Mac promptly upon request.

## **3401.29: Community Land Trust Mortgage (11/05/18)**

For Community Land Trust Mortgages, the Mortgage file must include:

- If applicable, written approval signed by the Community Land Trust or its authorized representative permitting the Borrower to enter into a refinance transaction
- An original executed or certified copy of the Community Land Trust ground lease and Form 490, Community Land Trust Ground Lease Rider, containing the recordation information

## **3401.30: GreenCHOICE Mortgages<sup>SM</sup> (05/01/19)**

For GreenCHOICE Mortgages<sup>SM</sup>, the Seller/Servicer must ensure that the Mortgage file includes:

- Documentation of the cost of the proposed energy and/or water efficiency improvements, such as receipts and/or invoices
- Documentation that the property has a level of energy efficiency greater than that of a "standard" (i.e., non-energy efficient) property as required by Section 5401.1, and
- Except as permitted in Section 4606.7, the documentation must be an energy report meeting the requirements in Section 4606.6

# Chapter 3402: Seller's In-House Quality Control Program

## 3402.1: Seller's quality control program (10/02/19)

The Seller must operate a quality control program for Home Mortgages that is acceptable to Freddie Mac. Organizations with a commitment to quality control recognize that quality begins before an application is taken and continues throughout the entire Mortgage origination process.

The purpose of a quality control program is to monitor and evaluate the integrity of the origination process and to provide feedback to the organization about its originations. This feedback is used to adjust and improve production processes.

Effective quality control programs are designed to monitor and evaluate the specific characteristics of the Seller's organization, and reflect:

- The size and structure of the organization
- The experience and expertise of the staff
- The geographic areas of operation
- The branch structure
- The volume and types of Mortgages originated
- The origination sources used (for example, from Mortgage Brokers or Correspondents or via the Internet)
- Any significant changes in the product lines, origination sources or production process
- Controls in place to ensure that internal policies and procedures are followed

Although no single specific quality control program can meet the needs of all Sellers, there are certain characteristics found in all effective quality control programs. The Seller's quality control program must:

- Be in writing
- Provide for standard operating procedures for all employees who will be involved with or affected by the quality control process
- Be capable of evaluating and monitoring the overall quality of Mortgage production on a regular and timely basis

- Include preclosing and postclosing quality control reviews
- Include procedures to ensure that sample selection, Mortgage file reviews and the reporting of findings to senior management are conducted in a timely manner

The Seller may use any combination of preclosing or postclosing quality control reviews based on its specific operations and needs. The Seller's postclosing in-house quality control program must operate independently of the Mortgage origination and underwriting departments.

However, for Sellers with annual production of less than 5,000 Home Mortgages, the postclosing quality control function may be housed with the origination and underwriting departments.

The Seller must also comply with the requirements of Section 3201.1(c) relating to fraud prevention and detection in its quality control program, as well as other applicable requirements of Chapter 3201 relating to fraud prevention, detection and reporting.

Freddie Mac's *Quality Control and Fraud Prevention Resources* includes best business practices for designing, administering and documenting an effective quality control program. Sellers may find the *Quality Control Best Practices* publication to be a useful online resource in fulfilling Freddie Mac's requirements, as stated in this chapter, for their in-house quality control programs. Sellers can access any of the three components of the *Quality Control and Fraud Prevention Resources: Quality Control Best Practices, Wholesale Originations Best Practices* and *Fraud Mitigation Best Practices* on Freddie Mac's web site at <https://sf.freddiemac.com/working-with-us/selling-delivery/delivery-options-pricing/quality-control>

## **3402.2: Use of third-party quality control services (03/02/16)**

The Seller may use third-party quality control services for all or part of its quality control program. The Seller using third-party quality control services must:

- Ensure that the services performed by third-party quality control services comply with Freddie Mac's requirements
- Monitor and evaluate the performance of third-party quality control services on a regular basis

The Seller must review third-party quality control findings and take the same corrective actions as it would with respect to quality control findings made by its own staff.

## 3402.3: Transfers of Servicing (10/02/19)

The Seller's postclosing quality control program must include policies and procedures addressing Transfers of Servicing.

When Servicing is transferred, the Seller must:

- Retain copies of the file documents to complete the quality control reviews, or
- Make arrangements with the new Servicer to assist in the quality control reviews

Records of completed quality control reviews must be provided to the new Servicer **upon request**.

## 3402.4: Postclosing sample selection (10/02/19)

The Seller's postclosing quality control sample must, at a minimum, consist of three sample types:

- Random
- Targeted
- Discretionary

### (a) Random sample

Home Mortgages in the random sample are randomly selected from the population so that every Mortgage has an equal chance of selection.

Loan Product Advisor<sup>®</sup> Mortgages must make up a representative portion of the Seller's quality control sample.

Except as provided under the last paragraph of this section, the Seller must:

- Select for quality control review at least 10% of one of the following production populations:
  - Total annual Home Mortgage production, or
  - Total annual secondary market Home Mortgage production, or
  - Total annual Freddie Mac Home Mortgage production



For Mortgages for which automated income assessment with Loan Product Advisor using employer data was requested that receive a representation and warranty result of “Eligible” in the Last Feedback Certificate, see Section 5901.7 for requirements pertaining to reverification of income.

For Mortgages for which automated asset assessment with Loan Product Advisor using account data was requested that receive a representation and warranty result of “Eligible” in the Last Feedback Certificate, see Section 5902.7 for requirements pertaining to reverification of sources of funds.

### **(b) Borrower’s Social Security number**

For Mortgages included in postclosing quality control samples, the Seller must validate the Social Security number provided by each Borrower.

The Seller is not required to validate the Social Security number during the postclosing quality control review, if:

- The Seller validated the Social Security number during the loan origination process or a preclosing quality control review; and
- The Social Security number was not initially validated by a Mortgage Broker or Correspondent; and
- The Mortgage file indicates there were no misrepresentations in connection with the Borrower’s application or the underwriting of the Mortgage

### **(c) Credit reports**

For Loan Product Advisor Mortgages, the Seller is not required to obtain a new credit report. The Seller must verify that the identifying information for any Borrower (name, current and previous address and Social Security number) is true, complete and accurate and that it was properly input into Loan Product Advisor on or before the Note Date. Any credit information obtained from sources other than Loan Product Advisor must be reviewed.

For Loan Product Advisor Accept Mortgages and A-minus Mortgages, the Seller is not required to review the Loan Product Advisor provided credit reports to determine that the credit report was properly underwritten, or that it is in compliance with credit underwriting guidelines, except as noted below:

- For Accept and A-minus Mortgages, the Seller must verify that the Loan Product Advisor provided credit reports are for the correct Borrower
- For A-minus Mortgages, the Seller must review the Loan Product Advisor provided credit reports to determine compliance with Sections 5101.9(c) and 5202.2(b)

For one out of every 10 Non- Loan Product Advisor Mortgages selected for postclosing quality control review, the Seller must obtain either a new Residential Mortgage Credit Report or a three-repository merged in-file credit report.

For the remaining Non- Loan Product Advisor Mortgages in the Seller's postclosing quality control sample, the Seller must obtain new in-file credit reports containing information from one or more of the national repositories.

For Manually Underwritten Mortgages, the Seller must re-underwrite the credit and continue to review the Mortgage file documents in accordance with Section 3402.7 to determine that the Mortgage was underwritten to Freddie Mac's requirements.

For all Mortgages selected for postclosing quality control review, the Seller must determine whether additional credit was granted and considered in qualifying when the Borrower's credit report reveals inquiries within the previous 90-day period.

**(d) Verification of owner-occupancy**

For all Mortgages secured by Primary Residences that are selected for postclosing quality control review, the Seller must verify that the Borrower is occupying the Mortgaged Premises as a Primary Residence.

**(e) Property valuation**

**Except for Enhanced Relief Refinance<sup>®</sup> Mortgages**, for postclosing quality control reviews, the Seller must select from the following options:

- Option 1 — Of every 10 Mortgages selected for quality control review, one must be a field review and the remaining nine Mortgages may be desk reviews
- Option 2 — Of every 10 Mortgages selected for a quality control review, three must be a field review. No desk reviews are necessary for the other seven Mortgages

For purposes of performing field reviews, the following quality control requirements apply:

- If the Mortgage is secured by a one-unit property and was originated using an appraisal report, the Seller must obtain a field review with the results reported on Freddie Mac Form 1032, One-Unit Residential Appraisal Field Review Report
- If the Mortgage is secured by a two- to four-unit property, the Seller must obtain a field review with the results reported on Freddie Mac Form 1072, Two- to Four-Unit Residential Appraisal Field Review Report
- The Seller does not need to obtain a field review during the quality control review if one was obtained during the origination process

The field review must:

- Be prepared by a qualified appraiser (as described in Section 5601.3) not affiliated with the original appraiser or appraisal firm
- Either concur with, or provide a different opinion regarding, the value and marketability of the Mortgaged Premises as of the effective date of the original appraisal and not as of the date of the appraisal review
- Be used to evaluate the quality of the original appraisal report
- Include an exterior review of the subject property and comparables
- Include a review of the accuracy of the factual data in the original appraisal report

When a desk review of the original appraisal report is required for the remaining Mortgages in the Seller's postclosing quality control sample, the reviewer need not be an appraiser. However, the reviewer must be familiar with the subject's market area and be qualified to:

- Address the appropriateness of the data presented in the report
- Address the appropriateness of the comparable sales
- Conclude that the appraiser's rationale for the final reconciliation of value was supported

## **3402.6: Data integrity review (10/02/19)**

The Seller's postclosing quality control review procedures for all Mortgages must include a review of the completeness and accuracy of the information obtained in the Mortgage origination process.

The data integrity review of the information must include a process for checking data fields entered in Loan Product Advisor<sup>®</sup> and ensuring that all data submitted is valid.

The Seller must perform a data integrity review on all Mortgages sampled to ensure that the loan data is accurate and consistent. Source documentation to be reviewed includes:

- Form 65, Uniform Residential Loan Application(s)
- Employment and income verifications
- Sales contracts
- Tax returns

- Credit data
- Asset documentation
- Property valuation documentation
- Mortgage delivery data, including the Key Number when applicable. **If the business area that conducts the postclosing quality control review does not have access to the delivery data, including the Key Number, this portion of the review may be conducted by another business area if there are documented controls in place to mitigate any delivery data errors.**

If, in the course of a postclosing quality control review, the Seller determines that the Key Number for a Loan Product Advisor Mortgage is missing or is inaccurate, the Seller must notify Freddie Mac Quality Control at **Seller\_Servicer\_QC\_Reporting@freddiemac.com** within 60 days of the finding.

## **3402.7: Documentation review (10/31/18)**

For all Mortgages included in the postclosing quality control sample, the Seller must review:

- The existence and accuracy of documentation required by applicable law
- Compliance with the eligibility and underwriting requirements and guidelines of the Seller, the mortgage insurer and Freddie Mac, as applicable
- Compliance with the Seller's warranties regarding Freddie Mac's Exclusionary List
- The Settlement/Closing Disclosure Statement and related documentation to determine that all conditions of closing have been satisfied

The Seller must also include the following documents in its quality control review for comparison with the reverifications received:

- Form 65, Uniform Residential Loan Application
- Credit documentation
- Employment and income documentation
- Asset documentation
- Property valuation documentation
- Sales contract

- Form 1077, Uniform Underwriting and Transmittal Summary or equivalent form (e.g., a Feedback Certificate)

The Seller must include the following applicable closing documents in its postclosing quality control review to ensure that the information is accurate, complete and consistent with other documents in the Mortgage file:

- Notes and riders
- Security Instruments and assignments
- Mortgage insurance certificate or policy or Mortgage guaranty certificate
- Modification or assumption agreement
- Title binder or final title insurance policy (both if available) or other evidence of title
- Plat or survey
- Settlement/Closing Disclosure Statements **and related documentation**
- Leasehold estate documents
- Hazard insurance policy or certificate
- Flood insurance policy or certificate or flood zone determination documents
- Underwriter's approval and any conditions of closing
- Closing instructions

## **3402.8: Preclosing quality control reviews (10/02/19)**

The Seller's quality control program must include a process to perform quality control reviews on a sampling of its Mortgages prior to closing. The goal of an effective preclosing review process is to monitor the Seller's origination policies, ensure the accuracy of the Mortgage data and prevent the closing of Mortgages with deficiencies such as fraud, inaccurate data and insufficient documentation.

The Seller's in-house preclosing quality control process should operate independently of the Mortgage origination and underwriting departments when operationally possible.

### **(a) Procedures**

The Seller's preclosing review process should include procedures for:

- Sample selection and timing that permits reviews to be completed prior to closing
- Reporting deficiencies and taking appropriate corrective measures
- Documenting the resolution of defects
- Canceling or postponing settlement when the preclosing review reveals deficiencies or when the review cannot be completed prior to the scheduled settlement

**(b) Sample selection**

The Seller's sampling process should include Mortgages that are representative of the full scope of the Seller's product line and production process as defined in Section 3402.4(a). The Seller should regularly assess its sampling methodology to ensure that its preclosing quality control process is effective. Additionally, the Seller should target samples, as needed, in order to:

- Review the work originated by a new branch office, employee or third-party originator
- Validate that a new product or offering is being originated in accordance with the Seller's policies and procedures
- Evaluate the work of a particular employee or Mortgage transaction participant when there is a reason to suspect fraud as required in Section 3201.1(c)

**(c) Validation and reverification**

An effective preclosing quality control review process should include validation or reverification of:

- Data entered into Loan Product Advisor<sup>®</sup>
- Social Security number provided by each Borrower, unless the Seller validated the number during the loan origination process
- Income documentation and calculation
- Employment
- Assets required to close or meet reserves requirements
- Property valuation documentation or property valuation data
- Mortgage insurance **commitment reflecting** adequate coverage

- Whether additional credit was granted and considered in qualifying when the Borrower's credit report reveals inquiries within the previous 90-day period

For Mortgages for which automated income assessment with Loan Product Advisor using employer data was requested that receive a representation and warranty result of "Eligible" in the Last Feedback Certificate, see Section 5901.7 for requirements pertaining to validation and reverification of income.

For Mortgages for which automated asset assessment with Loan Product Advisor using account data was requested that receive a representation and warranty result of "Eligible" in the Last Feedback Certificate, see Section 5902.7 for requirements pertaining to reverification of assets.

## 3402.9: Documenting reviews (03/02/16)

The Seller must:

- Maintain complete records for each Mortgage file selected for a preclosing or a postclosing quality control review
- Document and explain discrepancies or inconsistencies found in the Mortgage file that affect the eligibility of the Mortgage based on the requirements of the Seller, the Mortgage insurer or Freddie Mac

## 3402.10: Reporting requirements (10/02/19)

The Seller's quality control program must provide that all preclosing and postclosing quality control activities be fully documented in writing and reviewed by management on a regular basis.

The results of quality control reviews must be reported in writing to the Seller's senior management within 90 days of selection of the Mortgage files for review. The Seller must thoroughly analyze findings affecting the acceptability or eligibility of Mortgages and initiate any necessary corrective actions.

The Seller must notify Freddie Mac within 90 days of the Seller's determination that a quality control finding affects the eligibility of a Mortgage sold to Freddie Mac. **If the finding is related to fraud or possible fraud, Freddie Mac must be notified within 60 days of the finding.**

The Seller must notify Freddie Mac Quality Control at **Seller\_Servicer\_QC\_Reporting@freddiemac.com** of findings that relate to the following:

- Misrepresentations, misstatements or omissions identified in Section 3201.2(a) to the extent that they are associated with the origination of a Mortgage, whether discovered through a

postclosing quality control review or by any other means. All other findings related to fraud, suspected fraud or other Suspicious Activity must be reported in accordance with Section 3201.2.

- The underwriting of the Borrower's creditworthiness and capacity (e.g., Borrower's income, Borrower credit/liabilities and Borrower assets) or Borrower eligibility and qualification (e.g., area median income, First-Time Homebuyer, lawful presence in the United States)
- The underwriting criteria related to property or project eligibility (e.g., residential use and condominium eligibility), the property appraisal or the physical condition of the Mortgaged Premises
- Mortgage or product terms and criteria (e.g., products that may require special Seller/Servicer approval as a prerequisite for delivery and the criteria described in the Purchase Documents, such as loan-to-value ratio, occupancy, credit score, Mortgage purpose and Mortgage Product, and terms such as ineligible transaction types and limitations on cash out to the Borrower that determines the type of refinance) or any terms and criteria set forth in any negotiated provision
- A life-of-loan representation and warranty (as described in Section 1301.11)
  - Charter matters
  - Misstatements, misrepresentations and omissions
  - Data inaccuracies
  - Clear title/First Lien priority
  - Compliance with State anti-predatory lending laws and regulations (all other compliance with laws findings must be reported to Freddie Mac Compliance at the address noted below)
  - Unacceptable Mortgage products
- Requirements applicable at time of Mortgage purchase (e.g., no defaults, all taxes and insurances have been paid or escrows established, and no modification, encumbrance, subordination or release of Mortgage)
- The existence, sufficiency or enforceability of any required insurance or guaranty; or
- The form and/or execution of Freddie Mac required Mortgage documents that without which make the Mortgage ineligible for sale or limit the enforceability of the required Mortgage terms (e.g., Form 65, Uniform Residential Loan Application, power of attorney, Texas 50(a)(6) Mortgage documents or nonstandard and special purpose documents such as Living Trusts)



For all other findings, the Seller must notify Freddie Mac Compliance at [Corporate\\_Compliance@freddiemac.com](mailto:Corporate_Compliance@freddiemac.com). Freddie Mac reserves the right to increase the sampling or to impose other requirements on a case-by-case basis.

### **3402.11: Retention of Seller's quality control records (10/02/19)**

For at least three years from the date of the preclosing or postclosing quality control review, the Seller must retain all records of its quality control findings, along with documentation of any corrective action taken. These records must be made available to Freddie Mac and **upon request** to the new Servicer if a Transfer of Servicing occurs.

# Chapter 3403: Servicer's Quality Control Program

## 3403.1: Servicer's quality control program (04/11/18)

The Servicer must implement a quality control program with respect to its Servicing of Mortgages for Freddie Mac, and, in implementing this program, it may leverage its existing processes. Freddie Mac may review and require changes to a Servicer's quality control program. Servicers must have written policies and procedures documenting its quality control program's requirements and must consistently monitor compliance with these policies and procedures as part of a prudent risk management framework. As part of its Servicing quality control program, the Servicer must regularly review and assess the adequacy of its internal controls, procedures and systems used in connection with Servicing of Freddie Mac Mortgages to ensure compliance with the Guide and other Purchase Documents.

The Servicer must take remedial steps, as appropriate, to address any deficiencies identified regardless of whether such deficiencies are discovered by the Servicer, identified and communicated by Freddie Mac, identified by a Borrower and confirmed by the Servicer, or identified by a third party (e.g., external auditor, law firm, or regulatory agency) and confirmed by the Servicer. The Servicer must formally document the results of its reviews and assessments and make the results, including any remediation plan or completed remediation, available to Freddie Mac upon request.

A Servicer must provide evidence of its quality control program upon Freddie Mac's request. At a minimum, a Servicer's quality control program must:

- Comply with the requirements of Section 3201.1(c) relating to fraud prevention and detection in its quality control program, as well as other applicable requirements of Chapter 3201 relating to fraud prevention, detection and reporting
- Evaluate whether the Servicer is maintaining accurate and complete records as required by Chapter 3302 and the document retention and Document Custodian requirements set forth in Sections 9206.17, 9205.11(g) and 9205.20
- Establish control and identification features for all Mortgage files, in accordance with Section 3302.3
- Provide for periodic reviews of the Servicer's cash accounting, investor reporting and remitting, escrow management and notifications to Borrowers, and custodial accounts management processes and controls, using a Mortgage sample size that reflects a meaningful representation of the UPB of the Mortgages the Servicer services for Freddie Mac
- Assess ARM adjustment accuracy and notifications to Borrowers

- Periodically perform quality control reviews or audits on any authorized Outsourced Vendor's use of any Servicing Tool to ensure compliance with the Guide and other Purchase Documents, including Section 2406.1
- Evaluate whether its operations personnel and, if applicable, Outsourced Vendors, are complying with and accurately conducting the pre-foreclosure referral Mortgage File Review requirements of Sections 9101.2(c), 9102.4(b), and 9301.4 and pre-foreclosure sale account review requirements of Section 9301.29
- Periodically review notices of default, notices of acceleration, right to cure notices, and, where applicable, right to appeal a loan modification denial notice, to ensure that they are properly dated, timely sent, and otherwise provides Borrowers with all rights required by applicable law and assess whether all condition precedents to proceeding with foreclosure are met
- Develop and execute a quality assurance program for compliance with Freddie Mac's Home Affordable Modification Program<sup>SM</sup> (HAMP<sup>®</sup>) requirements in accordance with Section 9205.18
- Periodically review compliance with Freddie Mac's loss mitigation requirements, which includes compliance with Freddie Mac's modification program requirements and short sales
- Maintain policies and procedures that are reasonably designed to ensure that the Servicer investigates, responds to and makes corrections in response to complaints or errors asserted by Borrowers

# Chapter 3501: Freddie Mac Servicer Success File Reviews and Performance Criteria

## 3501.1: Freddie Mac Servicer Success File Reviews (03/02/16)

As part of the Servicing Success Program, as described at [http://www.freddiemac.com/singlefamily/service/servicing\\_success\\_program.html](http://www.freddiemac.com/singlefamily/service/servicing_success_program.html), Freddie Mac will be conducting reviews of delinquent Mortgage files from time to time as discussed below. These file reviews (“Servicer Success File Reviews” or “File Reviews”) are in addition to any audit of Mortgage files specified in Section 8101.7.

### (a) Types of File Reviews

Freddie Mac will notify a Servicer in writing that certain Mortgages have been selected for a Servicer Success File Review. Freddie Mac may conduct the following types of File Reviews:

- Prudent Servicing Review: An assessment of the Servicer’s collection activities, loss mitigation activities, timeline management, and property preservation processes
- Short Sale Compliance Review: An assessment of the Servicer’s compliance with the requirements of the Guide, and other Purchase Documents, as applicable, regarding completed short sales
- Loan Modification Compliance Review: An assessment of the Servicer’s compliance with the requirements of the Guide and other Purchase Documents, as applicable, regarding completed modifications

Freddie Mac may modify or expand the types of File Reviews from time to time.

### (b) File Review requests

Freddie Mac will notify a Servicer in writing that certain Mortgages have been selected for a File Review.

Servicers must comply with the instructions and any requirements set forth in a File Review request from Freddie Mac, which will:

- Include the Freddie Mac loan numbers associated with the Mortgage files being requested

- Specify the documentation that must be included with each type of file (e.g., short sale under Chapter 9204 or modification under Chapter 9204 or Chapter 9205)
- Provide detailed instructions on the manner in which the documents are to be submitted to Freddie Mac, and
- State that Freddie Mac must receive the requested file documentation within 30 calendar days from the date of the letter requesting the documentation or such other time frame Freddie Mac specifies in the request

All documentation sent to Freddie Mac may be used in the File Review, even if the Servicer includes documentation that is not required. Freddie Mac may request additional Mortgage files and/or additional documents during the File Review. The Servicer must submit the requested documentation in the manner specified by Freddie Mac or Freddie Mac may refuse to accept the documentation. A Servicer's failure to submit requested documentation will be considered a violation of the Purchase Documents, and Freddie Mac will pursue all rights and remedies available under the Purchase Documents and applicable law. Additionally, failure to submit the documentation is considered a file defect and may be considered in determining a Servicer's overall performance in accordance with Section 3501.2.

Upon completion of the File Review, Freddie Mac will provide its conclusions, including any defects, in writing to the Servicer. Servicers may provide Freddie Mac with a response or appeal to the findings noted in Freddie Mac's conclusions up to 15 Business Days after the date of Freddie Mac's written conclusions. If an identified defect was the result of a missing or incorrect document, that document may be submitted with the Servicer's appeal to support clearing the defect. If the Servicer failed to submit any documents in response to Freddie Mac's initial File Review request on a Mortgage, and the overall result is "Fail – Missing Docs," the Servicer may not appeal the defect for that Mortgage. Freddie Mac's decision on the File Review shall be deemed conclusive and may be considered as a factor in determining a Servicer's overall performance in accordance with Section 3501.2. Freddie Mac, in its sole and absolute discretion, may choose to rely on such conclusions or upon any other available information in determining whether to pursue any other right or remedy available to Freddie Mac under the Purchase Documents or applicable law.

Note: File Reviews are not a substitute for the Servicer's own internal quality control for default management activities.

## **3501.2: Servicer performance metrics (03/13/19)**

### **(a) Servicer performance**

The Servicer Success Scorecard is a confidential monthly performance review for all Servicers which measures a Servicer's performance based on key metrics in certain categories, such as investor reporting and default management. Each Servicer's performance

results are published monthly in a Servicer Success Scorecard at [http://www.freddiemac.com/singlefamily/service/servicing\\_success\\_program.html](http://www.freddiemac.com/singlefamily/service/servicing_success_program.html). The Servicer Success Scorecard performance metrics, and changes thereto by Freddie Mac, are incorporated into and made a part of the Guide and other Purchase Documents by this reference. Certain Servicers may have individual performance goals based on the metrics in the Servicer Success Scorecard that are incorporated into their Purchase Documents.

Freddie Mac reserves the right to amend the performance metrics, modify how the rankings are determined (as described below) and revise the content of the Servicer Success Scorecard or Freddie Mac Servicer Honors and Rewards Program (SHARP)<sup>SM</sup> (as described below) at any time. Each Servicer Success Scorecard is considered to be “confidential information” for purposes of Section 1201.8.

Refer to Section 9201.5 for additional information on Freddie Mac’s default management performance category. Refer to Section 8301.3 for additional information on Freddie Mac’s investor reporting performance category.

#### **(b) Servicer performance results**

Freddie Mac will regularly monitor each Servicer’s performance against the metrics in the Servicer Success Scorecard. Servicers will be placed into groups based upon similarities in Servicers’ portfolios (each a “rank group”). The rank groups will be determined based upon portfolio composition parameters determined by Freddie Mac.

For certain rank groups, the Servicer Success Scorecard will provide a Servicer with overall rankings, monthly and annual (for that calendar year), as applicable, compared to other Servicers in such Servicer’s rank group in the default management category. A Servicer will be presumed to have an unacceptable Servicer Success Scorecard result if the Servicer’s overall monthly or annual ranking in the default management category is in the bottom 25% of ranked Servicers in the Servicer’s rank group.

Freddie Mac considers factors such as trends in performance, adequacy of staffing, audit results, the Servicer Success Scorecard results, Servicer Success File Reviews, and/or compliance with all requirements of the Purchase Documents in evaluating whether the Servicer’s overall performance is unacceptable for purposes of Section 2301.2.

#### **(c) Freddie Mac Servicer Honors and Rewards Program**

For details on the Freddie Mac Servicer Honors and Rewards Program (SHARP), Freddie Mac’s rewards and recognition program based on Servicer performance results, visit the Freddie Mac SHARP web page at: <http://www.freddiemac.com/singlefamily/sharp.html>.

# Chapter 3601: Remedies (Including Repurchase and Termination of Servicing)

## 3601.1: Freddie Mac remedies (08/17/16)

In addition to any other remedies it may have at law or in equity, for any Mortgage it purchased, Freddie Mac may require the Seller or Servicer to:

- Indemnify Freddie Mac and hold it harmless for any loss, damage or expense (including court costs and reasonable attorney fees) that it may sustain, and/or
- Repurchase Freddie Mac's interest in the Mortgage at any time if the Borrower or any other party in the Mortgage transaction has made any misstatement, misrepresentation or omission in conjunction with such transaction, whether or not the Seller or Servicer was a party to or had knowledge of such false representation, and/or
- Repurchase Freddie Mac's interest in the Mortgage or comply with the terms of any repurchase alternatives at any time under any of the other circumstances set forth in Sections 3602.2 and 3602.3, and/or
- Terminate Servicing pursuant to Chapter 3603, and/or
- Set off any amounts owed by a Seller/Servicer to Freddie Mac against any other funds that Freddie Mac owes to a Seller/Servicer, such as workout incentives, expense reimbursements or any other amounts

# Chapter 3602: Repurchases

## 3602.1: Defined terms (08/17/16)

As used in this chapter, the following terms have the meanings ascribed to them below:

- **Appeal Process:** The first appeal process and the second appeal process described in Sections 3602.8 and 3602.9, as applicable
- **IDR Document:** The Independent Dispute Resolution Document set forth at <http://www.freddiemac.com/singlefamily/sell/repandwarrantyframework.html> and [http://www.freddiemac.com/singlefamily/service/servicing\\_success\\_program.html](http://www.freddiemac.com/singlefamily/service/servicing_success_program.html), which sets forth the details regarding the IDR Process, and which is by this reference incorporated into the Guide and made a part of the Guide as if set forth in the Guide in full
- **IDR Eligible Seller/Servicer:** A Seller/Servicer that has not been suspended, disqualified or terminated by Freddie Mac. The Seller/Servicer's ability to participate in the IDR Process cannot be assigned. For the avoidance of doubt, any dispute concerning the suspension, disqualification or termination of a Seller/Servicer cannot be subject to the IDR Process. In addition, a Seller/Servicer shall not be an IDR Eligible Seller/Servicer if the Seller/Servicer has:
  1. Failed to timely comply with an IDR award related to any Mortgage (or Mortgages) that has/have been resolved through the IDR Process; and/or
  2. 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
  3. Any outstanding amount that is owed and past due to any IDR Program Administrator
- **IDR Process:** The process described in Sections 3602.8 and 3602.9, as applicable, and in the IDR Document
- **IDR Program Administrator:** The entity so named in the IDR Document
- **Impasse Process:** The process described in Sections 3602.8 and 3602.9, as applicable
- **Management Escalation Process:** The process described in Sections 3602.8 and 3602.9, as applicable
- **Repurchase Demand:** A request issued by Freddie Mac to a Seller/Servicer to provide a specific remedy as provided in Purchase Documents due to an alleged loan-level breach of selling representations and/or warranties



- **Servicing Correction:** Action taken by the Servicer that demonstrates that the identified Servicing Defect either (i) did not, in fact, exist, or (ii) has been corrected in the time frame specified by Freddie Mac, such that the Servicing Defect is no longer considered by Freddie Mac to be a Servicing Defect.
- **Servicer Counterparty Status:** Freddie Mac's assessment of a Seller/Servicer's financial capacity which could determine whether to offer the Seller/Servicer certain Servicing Repurchase Alternatives for a Servicing Violation.
- **Servicing Defect:** A loan-level deficiency based on a Servicing Violation resulting from a breach of a requirement, term or condition contained in the Purchase Documents in effect at the time of the Servicing Violation.
- **Servicing Remedy:** An action to resolve a Servicing Defect elected by Freddie Mac in accordance with the Purchase Documents which may be either a Servicing Repurchase Alternative or a repurchase.
- **Servicing Repurchase Alternative:** Remedies other than repurchase of the identified Mortgage including, after foreclosure, the REO property that compensates Freddie Mac for damages, expenses and losses resulting from the identified Servicing Defect. The Servicing Repurchase Alternative offered by Freddie Mac will be based on the individual Servicing Defect and the costs associated with any Servicing Repurchase Alternative could include, but are not limited to:
  - ❑ A daily carrying cost that is not duplicative of any other cost or fee below
  - ❑ Property maintenance costs
  - ❑ Taxes
  - ❑ Insurance
  - ❑ Homeowners association (HOA) dues/condominium assessments
  - ❑ Appraisal/BPO costs
  - ❑ Legal fees and costs
  - ❑ Property inspection costs
  - ❑ Utility costs
  - ❑ Any documented property value decline, where appropriate
  - ❑ Costs to repair
  - ❑ Outstanding fees/fines/liens

- **Servicing Repurchase Defect:** A Servicing Defect attributable to a Servicing Violation for which a repurchase request could be issued without first issuing a notice of Servicing Defect, or a Servicing Repurchase Alternative demand letter. Servicing Repurchase Defects are limited to Servicing Defects that:
  - ❑ Cause Freddie Mac’s lien, security interest or other property interest to be subordinated, extinguished or become inadequate for the realization of the benefits of the security against the related Mortgaged Premises
  - ❑ Pose a significant reputational risk to Freddie Mac
  - ❑ Result from the Servicer modifying a Mortgage that was sold to Freddie Mac with recourse or full indemnification in violation of Freddie Mac’s modification eligibility requirements
  - ❑ Result in the Mortgage to not be, or no longer be, supported by Freddie Mac’s Servicing systems; or
  - ❑ Cause irreparable damage to the physical improvements to the Mortgaged Premises or REO property or render the Mortgaged Premises or REO property uninhabitable
- **Servicing Violation:** A breach of any Servicer requirement or obligation contained in the Purchase Documents related to Servicing functions including, but not limited to, processing of payments, delinquency management, communications, loss mitigation, property preservation and ensuring appropriate insurance is on the Mortgage or property.

## **3602.2: Repurchases required by Freddie Mac due to violations of sale representations and warranties (08/17/16)**

Effective August 17, 2016, the contents of former Section 3602.1 have moved to this section.

For Mortgages sold to Freddie Mac, the Seller, the Seller as Servicer, any prior Servicer and/or the current Transferee Servicer of the Mortgages (in this Section 3602.2, the “Seller/Servicer”) are jointly and severally liable for all selling and origination representations, covenants and warranties in the Purchase Documents with respect to the Mortgages, unless specifically otherwise provided in the Purchase Documents. In addition to any other remedies it may have at law or in equity for any Mortgage it purchased, Freddie Mac may require the Seller/Servicer to repurchase Freddie Mac’s interest in a Mortgage if Freddie Mac has designated any loan-level deficiency that breaches a term contained in the Purchase Documents in effect at the time of Mortgage purchase as resulting in a Significant Defect (as such term is defined in Section 3401.1).

Freddie Mac will require the Seller/Servicer to repurchase Freddie Mac's interest in a Mortgage if the repurchase is required under the terms of the Purchase Documents.

Freddie Mac's decision to require the Seller/Servicer to repurchase a Mortgage shall be conclusive. Failure to comply with Freddie Mac's repurchase requirement may result in suspension of selling and/or Servicing privileges or disqualification as a Freddie Mac Seller and/or Servicer. Suspension or disqualification shall not limit Freddie Mac's right to take other action to enforce its rights or protect its interests.

The Seller/Servicer must repurchase Freddie Mac's interest in the identified Mortgage within 60 days of the date of Freddie Mac's request or within such other time frame as specified by Freddie Mac. Any appeal of Freddie Mac's repurchase request must be made in accordance with the requirements of Section 3602.8.

Freddie Mac may, at its sole discretion, provide the Seller/Servicer with a Repurchase Alternative (as such term is defined in Section 3401.1(a)) of the identified Mortgage in accordance with Section 3401.1(f). In each such case, Freddie Mac will notify the Seller/Servicer of the type and terms of the Repurchase Alternative.

For purposes of this Section 3602.2, Mortgages that are subject to repurchase include active Mortgages, inactive Mortgages and REO and all other post-foreclosure situations pursuant to the provisions of Section 3602.5.

### **3602.3: Repurchases and repurchase alternatives required by Freddie Mac due to Servicing violations (12/01/16)**

#### **(a) Process for remediating Servicing Violations and related Servicing Defects**

The steps below describe the process that Freddie Mac will follow to categorize Servicing Defects, allow Servicing Corrections to Servicing Defects through a notice of Servicing Defect, and remedy Servicing Defects through a Servicing Remedy letter (either a repurchase request or Servicing Repurchase Alternative demand letter).

#### **(i) Step 1 – Determination of whether to send a notice of Servicing Defect or a Servicing Remedy letter**

##### **(A) Notices of Servicing Defect and Servicing Remedy letters**

If Freddie Mac identifies a Servicing Violation, Freddie Mac may issue either a notice of Servicing Defect or a Servicing Remedy letter.

Notwithstanding the foregoing, 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 completion of a deed-in-lieu of foreclosure).

### **(I) Notice of Servicing Defect**

If Freddie Mac determines that the Servicing Defect resulting from a Servicing Violation can be reasonably corrected by the Servicer, Freddie Mac will issue a notice of Servicing Defect.

### **(II) Servicing Remedy letter**

If Freddie Mac deems the Servicing Defect resulting from a Servicing Violation to be uncorrectable by the Servicer, Freddie Mac will issue a Servicing Remedy letter. A Servicing Remedy letter may also be issued if a Servicing Defect (a) is not corrected by the Servicer during the Servicing Correction period, if applicable, or (b) caused or will cause Freddie Mac losses, expenses or damages, notwithstanding any Servicing Correction.

If a Servicer fails to comply with any Servicing Remedy letter, Freddie Mac may pursue other available rights and remedies under the Guide and the other Purchase Documents, including repurchase.

The following are limited instances in which a Servicing Defect resulting from a Servicing Violation may be deemed to be uncorrectable. Therefore, a Servicing Remedy letter may be issued in lieu of a notice of Servicing Defect when a Servicing Defect:

- Extinguishes the lien, security interest or other property interest, or the lien, security interest or other property interest becomes inadequate for the realization of the benefits of the security against the related Mortgaged Premises
- Causes irreparable damage to the physical improvements to the Mortgaged Premises or REO property or renders the Mortgaged Premises or REO property uninhabitable
- Is a result of a foreclosure sale to a third-party purchaser, completed short sale, or completed deed-in-lieu of foreclosure that was not compliant with the Guide and the other Purchase Documents
- Extinguishes Freddie Mac's ability to either file an insurance claim or seek full recovery of an insurance claim amount, for any insurance or guarantee type; or

- Results in a property that was not preserved and maintained in accordance with the Guide and the other Purchase Documents, and, following acquisition of the property, Freddie Mac needs to make any repairs to the REO property as a result of the Servicer's failure to preserve and maintain the property in accordance with the Guide and the other Purchase Documents.

### **(III) Servicing Repurchase Alternative demand letter**

A Servicing Repurchase Alternative demand letter will be issued for Servicing Defects not constituting Servicing Repurchase Defects, including, if applicable, after a Servicing Correction period. Freddie Mac will issue any such Servicing Repurchase Alternative demand letter within 60 days after the expiration of the Servicing Correction period, including any extensions and resolution of any appeals (see Section 3602.9), unless Freddie Mac provides notice to the Servicer that it is unable to provide the Servicing Repurchase Alternative demand letter within such time frame. Any such notice will describe the anticipated time frame for issuing the related Servicing Repurchase Alternative demand letter.

A repurchase request will be issued for any Servicing Repurchase Defect. For purposes of this Section 3602.3, repurchase requests include active Mortgages, inactive Mortgages and REO and all other post-foreclosure situations pursuant to the provisions of Section 3602.5.

If there are multiple Servicing Defects caused by a Servicing Violation or Violations, Freddie Mac may either issue a (i) repurchase request if any Servicing Violation constitutes a Servicing Repurchase Defect, or (ii) a Servicing Repurchase Alternative demand letter for all Servicing Defects, in each case based on each specific Servicing Violation.

### **(B) Contents of notices of Servicing Defect and Servicing Remedy letters**

The notice of Servicing Defect or Servicing Remedy letter will include the following information:

- The specific Servicing Violation(s) and/or related Servicing Defect(s)
- For a notice of Servicing Defect, the Servicing Correction period
- For a Servicing Repurchase Alternative demand letter, the Servicing Repurchase Alternative amount, including calculation of the Servicing Repurchase Alternative amount. (For a repurchase request, details regarding the calculation of the repurchase price as described in Section 3602.5.)
- For a Servicing Remedy letter, the time frame for completing the repurchase or payment of the Servicing Repurchase Alternative, and information regarding the Servicer's right to appeal and time frame for appeal pursuant to Section 3602.9

## **(ii) Step 2 – Servicing Corrections**

During the Servicing Correction period identified in a notice of Servicing Defect, a Servicer must correct the related Servicing Defect(s) in the specified time frame required in the notice of Servicing Defect. Following the Servicing Correction period, Freddie Mac will assess any Servicing Correction made by the Servicer to determine whether a Servicing Remedy letter will be issued. If the Servicer provides an acceptable Servicing Correction, Freddie Mac will not pursue a repurchase; however, Freddie Mac may still issue a Servicing Repurchase Alternative demand letter for any damages, expenses or losses suffered as a result of the Servicing Violation. If Freddie Mac determines it will not issue a Servicing Remedy letter, Freddie Mac will notify the Servicer that the related notice of Servicing Defect has been closed.

Notwithstanding the foregoing, a Servicer may attempt to correct the Servicing Defect identified in a Servicing Remedy letter following the expiration of the Servicing Correction period and issuance of the Servicing Remedy letter; however, once the Appeal Process has concluded, or if applicable, the impasse period has expired, as described in Section 3602.9, the Servicer can no longer submit a Servicing Correction for consideration by Freddie Mac.

## **(iii) Step 3 – Appeals of Servicing Remedy letters**

All Servicing Remedy letters issued to a Servicer are subject to the Appeal Process, which may be initiated by the Servicer in accordance with Section 3602.9.

## **(b) Other representations and warranties**

In addition to any other remedies it may have at law or in equity for any Mortgage it purchased, Freddie Mac may require the Servicer to repurchase Freddie Mac's interest in a Mortgage if, in Freddie Mac's sole discretion, Freddie Mac determines that the Servicer has failed to comply with any contractual representation and warranty, as prescribed in the Guide and the other Purchase Documents.

Contractual representations and warranties include, but are not limited to, compliance with Chapter 3201 regarding fraud, compliance with the Freddie Mac Charter Act, warranties and obligations of the Servicer regarding the Freddie Mac Exclusionary List or the Federal Housing Finance Agency's Suspended Counterparty Program, and compliance with applicable law, all as related to the Servicing of a Mortgage.

## **3602.4: Repurchases requested by the Seller/Servicer (08/17/16)**

Effective August 17, 2016, the contents of former Section 3602.3 have moved to this section.

Under exceptional circumstances, the Seller/Servicer may be allowed to repurchase Freddie Mac's interest in a Mortgage. Each repurchase must have Freddie Mac's prior written approval and be documented in the applicable Mortgage file. To request a repurchase, the Seller/Servicer must complete a Form 105, Multipurpose Loan Servicing Transmittal, and submit it to Freddie Mac via e-mail at [repurchase@freddiemac.com](mailto:repurchase@freddiemac.com) (see **Directory 1** for additional submission options).

Generally, only a Mortgage that is 90 or more days delinquent or being foreclosed upon may be repurchased under this section. Without Freddie Mac's prior written approval, a Seller/Servicer may not voluntarily repurchase a Price-Adjusted Loan (as such term is defined in Section 3401.1(a)).

## **3602.5: Repurchase price (06/12/19)**

The repurchase price is calculated as follows:

### **■ Active Mortgages (see Section 8303.1):**

- The amount of the UPB of the Mortgage, including any Negative Amortization on an ARM
- PLUS accrued interest at the applicable net yield rate from the first day of the month of repurchase through the day before repurchase

### **■ Inactive Mortgages (see Section 8303.1):**

- The amount of the UPB of the Mortgage, including any Negative Amortization on an ARM
- PLUS accrued interest at the applicable net yield rate from the DDLPI through the day before repurchase
- PLUS any expenses reimbursed by Freddie Mac to the Servicer
- PLUS any other costs incurred by Freddie Mac and the Servicer in connection with foreclosure or the liquidation of the Mortgage in default
- MINUS any mortgage insurance proceeds, sale proceeds, other proceeds, rental income or refunds remitted to Freddie Mac by or on behalf of the Servicer

### **■ REO and all other post-foreclosure situations:**

- ❑ The amount of the UPB of the Mortgage as of the acquisition date or the date of acceptance of a deed-in-lieu of foreclosure, including any Negative Amortization on an ARM
- ❑ PLUS accrued interest at the:
  - Accounting Net Yield (ANY) from the DDLPI through the earlier of the day before the repurchase due date or the 150<sup>th</sup> day from the DDLPI
  - Average of the prime rate for the month preceding the repurchase request date minus one half of 1% from the 151<sup>st</sup> day from the DDLPI through the earlier of the day before the repurchase due date or 60 days after the settlement date of the sale of the REO (if applicable)
- ❑ PLUS any expenses reimbursed by Freddie Mac to the Servicer
- ❑ PLUS all costs associated with the acquisition, maintenance, rehabilitation and disposition of the property acquired, including any incentive or below market financing provided by Freddie Mac and the Servicer of the Mortgage in connection with the REO property
- ❑ PLUS an allocation for general and administrative expenses
- ❑ PLUS any other cost incurred by Freddie Mac and the Servicer in connection with the REO property, foreclosure or the liquidation of Mortgages in default
- ❑ PLUS the cost of advancing payment for expenses net of any proceeds received at the:
  - ANY from the DDLPI through the earlier of the day before the repurchase due date on the 150<sup>th</sup> day from the DDLPI
  - The average of the prime rate for the month preceding the repurchase request date minus one half of 1% from the 151<sup>st</sup> day from the DDLPI through the earlier of the day before the repurchase due date or 60 days after the settlement date of the sale of the REO
- ❑ MINUS any mortgage insurance proceeds, sale proceeds, other proceeds, rental income or refunds remitted to Freddie Mac by or on behalf of the Servicer

The Seller/Servicer agrees that, in the event of repurchase, it will pay all documentary stamp taxes, recording fees, transfer taxes and all other expenses payable in connection with the transfer of Mortgages.

At Freddie Mac's discretion, the repurchase price may also include any premium paid for Mortgages we purchased, or with respect to Mortgage delivery through the Guarantor program, the premium (expressed as a percentage) that was or would have been applicable to the Pool



comprising the particular Mortgages, based on market conditions existing on the Settlement Date as determined by Freddie Mac, multiplied by the outstanding UPB of the particular Mortgage on the repurchase date. In addition, the repurchase price will include an amount equal to any buyup proceeds paid by Freddie Mac to the Seller in connection with the sale of the Mortgage to Freddie Mac and an amount equal to any loss, damage or expense, including court costs and reasonable attorney fees, as incurred by Freddie Mac in connection with its purchase, ownership and resale to the Seller of the Mortgage.

The Seller/Servicer must remit the repurchase funds or comply with the repurchase appeal requirements in Section 3602.8 or Section 3602.9, as applicable, within 60 days of the date of Freddie Mac's repurchase letter. If the Seller/Servicer does not submit a written appeal to Freddie Mac within 60 days or within such other time frame as specified by Freddie Mac, it will be assumed that the Seller/Servicer does not contest the repurchase and that the repurchase funds are due to Freddie Mac. Thereupon the Appeal Process will no longer be available to the Seller/Servicer for that particular repurchase request.

If the Seller/Servicer fails to report an involuntary repurchase in accordance with Section 8303.14 and the late reported payoff-repurchase results in a delayed Payoff Date or if the Seller/Servicer fails to have sufficient funds available for Freddie Mac to draft on the Payoff Draft Date, then the Seller/Servicer may be charged a draft delay fee each month on the total amount owed. The rate of interest on the late remittance amount will equal the highest quoted prime rate printed on the last Business Day following the month in which the repurchase funds are due plus 3% (300 basis points). The prime rate is published in *The Wall Street Journal's* "Money Rates" column or comparable section. If the prime rate is not published, Freddie Mac will determine a comparable rate. The amount of any repurchase late fee will appear on the Seller account activity statement described in Section 6303.1(e) and will be drafted from the Seller's Automated Clearing House (ACH) account in accordance with Section 6303.2(g).

Refer to Section 8303.42 for details on how Freddie Mac calculates the draft delay fee and the fee structure.

## **3602.6: Documenting and reporting repurchases (08/17/16)**

Effective August 17, 2016, the contents of former Section 3602.5 have moved to this section.

All repurchases must be documented in the applicable Mortgage files and are subject to Freddie Mac review. In addition, for any repurchase made to allow a Transfer of Ownership under Section 3602.3, the Seller/Servicer must also retain the documentation required in Section 8406.9 after the transfer has occurred.

Repurchases, other than those for which the Seller/Servicer has received written demand by Freddie Mac, must have Freddie Mac's prior written approval. Refer to Section 3602.4 for information on submitting a request to repurchase a Mortgage.

A repurchase is not completed until the reporting and remitting requirements of Section 8303.14 have been satisfied.

## **3602.7: Survival of Freddie Mac’s remedies; misrepresentations by the Seller or Servicer (08/17/16)**

Effective August 17, 2016, the contents of former Section 3602.6 have moved to this section.

Freddie Mac’s decision to require or allow a repurchase in no way diminishes its right to pursue further action such as disqualification, suspension or termination of Servicing under the provisions of Chapter 2301 and/or 3603. Freddie Mac may also exercise these remedies when its inspection of the documentation of a repurchased Mortgage reveals facts materially different from those for which Freddie Mac originally approved this repurchase.

## **3602.8: Appealing a repurchase request due to violations of selling and origination representations and warranties (08/17/16)**

Effective August 17, 2016, the contents of former Section 3602.7 have moved to this section.

Upon receipt of a Repurchase Demand for any violation described in Section 3602.2, if the recipient of the Repurchase Demand (in this Section 3602.8, referred to as the “Seller/Servicer”) has additional supporting information and/or documentation that may affect Freddie Mac’s decision, the Seller/Servicer may file an appeal. See Section 3401.1(f) for information regarding Freddie Mac’s review of Corrections (as defined in Section 3401.1(a)) submitted by the Seller/Servicer.

### **(a) First appeal**

Within 60 days from the date of Freddie Mac’s Repurchase Demand or within such other time frame as may be specified by Freddie Mac, the Seller/Servicer may submit the first appeal. If a first appeal is not received within the 60-day period or within such other time frame as may be specified by Freddie Mac, the Seller/Servicer will have no further right to challenge such Repurchase Demand, and will not be able to avail itself of the Impasse Process, the Management Escalation Process or the IDR Process. Below is the process for the first appeal:

1. The first appeal must be sent in writing to the Freddie Mac office requesting the repurchase
2. The Seller/Servicer’s appeal package must contain:

- A statement of all relevant facts concerning the Mortgage
  - An explanation of why these facts were not disclosed in the file during the origination of the Mortgage
  - A statement of why Freddie Mac's decision should be reversed
  - All available documentation supporting the basis for the first appeal
3. If the Seller/Servicer submits a timely appeal, Freddie Mac will review the appeal and advise the Seller/Servicer in writing of the appeal decision
  4. At any time during the first appeal process, the Seller/Servicer has the right to provide a Correction of an alleged Significant Defect (as defined in Section 3401.1)
  5. If the first appeal is denied, the Seller/Servicer must:
    - Comply with the terms of the Repurchase Demand within 15 days from the date of Freddie Mac's denial letter or within such other time frame as specified by Freddie Mac; or
    - Submit a second appeal as set forth in Section 3602.8(b) below
  6. In order for Freddie Mac to have the right to seek a remedy based on the breach(es) alleged in the Repurchase Demand, Freddie Mac must respond to the Seller/Servicer's first written appeal within 60 days of receipt of the Seller/Servicer's written appeal

**(b) Second appeal**

If information that was not available at the time of the first appeal (and was therefore not submitted to Freddie Mac for consideration) becomes available after submission of the first appeal, the Seller/Servicer may submit an additional appeal ("second appeal") of the Repurchase Demand in writing within 15 days from the date of Freddie Mac's denial letter of the first appeal. The second appeal must provide new material documentation or information that was not previously available, and must contain the items described in Section 3602.8(a)(2). Below is the process for the second appeal:

1. Freddie Mac will review the second appeal and attempt to resolve the dispute
2. At any time during the second appeal process, the Seller/Servicer may provide a Correction of an alleged Significant Defect as set forth in the Guide
3. If the second appeal is denied, the Seller/Servicer must, within 15 days from the date of Freddie Mac's denial letter, initiate the Impasse Process pursuant to the terms of Section 3602.8(c) or implement the remedy requested by the Repurchase Demand

4. If the Impasse Process is not initiated within the 15-day period, the Seller/Servicer will:
  - Have no further right to challenge the Repurchase Demand
  - Not be able to avail itself of the Impasse Process, the Management Escalation Process, or the IDR Process in connection with the Mortgage in question, and
  - Be obligated to timely comply with the terms of the Repurchase Demand
5. In order for Freddie Mac to have the right to seek a remedy based on the breach(es) alleged in the Repurchase Demand, Freddie Mac must respond to the Seller/Servicer's first written appeal within 60 days of receipt of the Seller/Servicer's written appeal

If new material information is not available after submission of the first appeal, the Seller/Servicer may initiate the Impasse Process (described in Section 3602.8(c) below) within 15 days from the date of Freddie Mac's denial letter of the first appeal.

### **(c) Impasse Process**

Below is the description and requirements for the Impasse Process:

1. If the Seller/Servicer wishes to challenge the Repurchase Demand after conclusion of the Appeal Process, the Seller/Servicer must initiate the Impasse Process through a written request to Freddie Mac requesting such escalation within 15 days of the date of Freddie Mac's denial of the first or second appeal, as applicable. The request for such escalation must be sent in writing to the Freddie Mac office that denied the prior appeal and, if any new information is available, the request must include the items described in Section 3602.8(a)(2) above.
2. Within 30 days (or such longer period of time to which both parties agree) from the date the Impasse Process is initiated (the "impasse period") a representative from each of the Seller/Servicer and Freddie Mac will attempt to resolve the dispute
3. The Seller/Servicer may provide a Correction of an alleged Significant Defect at any time during the impasse period
4. All information, facts, and documents that the Seller/Servicer or Freddie Mac wishes to be considered during the Impasse Process must be submitted no later than the end of the impasse period or such information will not be considered in the Management Escalation Process, any subsequent IDR Process or any other attempts to resolve the dispute
5. If the parties agree during the impasse period that no breach occurred, Freddie Mac will withdraw the Repurchase Demand. If the parties agree during the impasse period that a breach did occur, the Seller/Servicer will implement the remedy specified in the Repurchase Demand (or such other remedy as agreed to by the parties).

6. If, after the impasse period, Freddie Mac reaffirms its Repurchase Demand, the Seller/Servicer may continue to dispute the Repurchase Demand by initiating the Management Escalation Process within 15 days of receiving Freddie Mac's reaffirmation of its decision
7. If the Management Escalation Process is not initiated within this 15-day period, the Seller/Servicer will:
  - Have no further right to challenge the Repurchase Demand
  - Not be able to avail itself of the Management Escalation Process or the IDR Process, and
  - Be obligated to comply with the terms of the Repurchase Demand within 15 days from the end of the impasse period
8. The Impasse Process is available only for Repurchase Demands concerning Mortgages with Settlement Dates on and after January 1, 2016

**(d) Management Escalation Process**

Below is the description and requirements for the Management Escalation Process:

1. If the dispute is not resolved by the Appeal Process or the Impasse Process, the Seller/Servicer may initiate the Management Escalation Process by submitting a written request to Freddie Mac no later than 15 days from the end of the impasse period. The Seller/Servicer's request shall identify its officer contact for the Management Escalation Process.
2. No new information, facts, or documents or Corrections may be submitted by the Seller/Servicer, and no new information, facts or documents may be submitted by Freddie Mac as part of the Management Escalation Process
3. Within 30 days (or such longer time period to which both parties may agree) after the Seller/Servicer initiates the Management Escalation Process (the "management escalation period"), an officer outside of Freddie Mac's Quality Control group and an officer of the Seller/Servicer will attempt to resolve the dispute. If Freddie Mac and the Seller/Servicer reach agreement regarding the Repurchase Demand in question during the management escalation period, Freddie Mac will withdraw the Repurchase Demand, or the Seller/Servicer will implement the remedy specified in the Repurchase Demand (or such other remedy as agreed to by Freddie Mac and the Seller/Servicer), no later than 30 days after an agreement is reached.
4. If the dispute is not resolved by the end of the management escalation period, the Seller/Servicer must initiate the IDR Process within 15 days of the expiration of the management escalation period to continue to attempt to resolve the dispute. If the Seller/Servicer does not initiate the IDR Process within this 15-day period, the Seller/Servicer will:

- Have no further right to challenge the Repurchase Demand
  - Not be able to avail itself of the IDR Process in connection with the Mortgage in question, and
  - Be obligated to comply with the terms of the Repurchase Demand within 30 days from the end of the management escalation period
5. The Management Escalation Process is available only for Repurchase Demands concerning Mortgages with Settlement Dates on and after January 1, 2016

**(e) IDR Process**

Below is the description and requirements for the IDR Process:

1. The IDR Process is available to resolve factual disputes regarding Repurchase Demands that involve an alleged breach of a selling and/or origination representation and warranty
2. If the dispute is not resolved by the Management Escalation Process, an IDR Eligible Seller/Servicer may initiate the IDR Process by following the steps set forth in Section 3.2 of the IDR Document
3. As a prerequisite to using the IDR Process, the Seller/Servicer must have timely challenged the Repurchase Demand through the Appeal Process, the Impasse Process and the Management Escalation Process
4. If the Seller/Servicer has not initiated the IDR Process within 15 days of the expiration of the management escalation period, Freddie Mac may initiate the IDR Process within six months of the expiration of the management escalation period by following the steps set forth in Section 3.2 of the IDR Document
5. If the IDR Process is selected by the Seller/Servicer or Freddie Mac, the Seller/Servicer and Freddie Mac must both execute the tolling agreement found at <http://www.freddiemac.com/singlefamily/sell/repandwarrantyframework.html> tolling any applicable statute of limitations and statute of repose. The tolling agreement shall be executed by the Seller/Servicer and Freddie Mac within seven days of initiation of the IDR Process.
6. Once either party initiates the IDR Process, both the Seller/Servicer and Freddie Mac shall follow the process set forth in the IDR Document
7. No new information, facts, or documents or Corrections may be submitted by the Seller/Servicer, and no new information, facts or documents may be submitted by Freddie Mac as part of the IDR Process

## **3602.9: Appealing a repurchase request or repurchase alternative issued due to Servicing violations (12/01/16)**

Upon receipt of a repurchase request or a Servicing Repurchase Alternative demand letter for any Servicing Violation or other violation described in Section 3602.3, the Servicer may initiate the processes set forth herein if the Servicer has additional supporting information and/or documentation that may affect:

- Freddie Mac’s decision to exercise a Servicing Remedy
- Freddie Mac’s determination that a Servicing Defect is uncorrectable or is a Servicing Repurchase Defect pursuant to Section 3602.3

The processes to resolve a dispute include the following:

- The Appeal Process
- The Impasse Process and Management Escalation Process (the “escalation processes”)
- The IDR Process

If the processes set forth herein to resolve a dispute are not initiated timely, the procedures in this section will be unavailable to the Servicer, and the Servicer will be obliged to remit payment for the repurchase or Servicing Repurchase Alternative. Additionally, Freddie Mac’s decision in the processes above will be conclusive, unless the IDR Process (described in Section 3602.9(c) below) is initiated, in which case the decision of the Neutral (as such term is defined in the IDR Document) shall be binding.

### **(a) The Appeal Process**

The Appeal Process is as follows:

1. Within 60 days from the date of Freddie Mac’s letter requiring repurchase or providing a Servicing Repurchase Alternative, or within such other time frame as may be specified by Freddie Mac, the Servicer may submit the first appeal. If no written appeal is received within the 60-day period or within such other time frame as may be specified by Freddie Mac, the Servicer will have no further right to challenge such repurchase or Servicing Repurchase Alternative, and will not be able to avail itself of the Impasse Process, the Management Escalation Process or the IDR Process. The first appeal must be sent in writing to the Freddie Mac office referenced in the Servicing Remedy letter.
2. The appeal package must contain:
  - A statement of all relevant facts concerning the Servicing of the Mortgage

- A statement of why Freddie Mac’s decision should be reversed, in whole or in part
  - All available documentation supporting the basis for the appeal
3. If the Servicer submits a timely appeal, Freddie Mac will review the first appeal and advise the Servicer in writing of the appeal decision
  4. If the first appeal is denied, then:
    - The Servicer must remit payment for the repurchase or Servicing Repurchase Alternative within 15 days from the date of Freddie Mac’s denial letter or within such other time frame as may be specified by Freddie Mac, or
    - If new material information that was not available at the time of the first appeal, and was therefore not submitted to Freddie Mac for consideration, becomes available after submission of the first appeal, the Servicer may submit an additional appeal (“second appeal”) of the request within 15 days from the date of Freddie Mac’s denial letter. The second appeal must be sent in writing to the Freddie Mac office that denied the prior appeal and must contain the items described in Section 3602.9(a)(2) above.
    - If new material information is not available, the Servicer may initiate the Impasse Process (described in Section 3602.9(b) below) within 15 days from the date of Freddie Mac’s denial letter of the first appeal
  5. At any time during the Appeal Process, the Servicer has the right to provide a Servicing Correction pursuant to Section 3602.3
  6. In order for Freddie Mac to have the right to seek a Servicing Remedy based on the breach(es) alleged in the repurchase request or Servicing Repurchase Alternative demand letter, Freddie Mac must respond to the Servicer’s first written appeal (and second written appeal, as applicable) within 60 days of receipt of the Servicer’s written appeal
  7. If there is a second appeal and the second appeal is denied, then:
    - The Servicer must remit payment for the repurchase or Servicing Repurchase Alternative within 15 days from the date of Freddie Mac’s denial letter or within such other time frame as may be specified by Freddie Mac, or
    - The Servicer may initiate the Impasse Process within 15 days from the date of Freddie Mac’s denial letter of the second appeal
  8. If the Impasse Process is not initiated timely following denial of the first or second appeal, the Servicer will:



- ❑ Have no further right to challenge the repurchase request or Servicing Repurchase Alternative demand letter
  - ❑ Not be able to avail itself of the Impasse Process, the Management Escalation Process or the IDR Process in connection with the Mortgage in question, and
  - ❑ Be obligated to timely comply with the terms of the Servicing Remedy letter
9. In the event the first or second appeal results in the determination that a Servicing Defect can be corrected, or that the Servicer provided a Servicing Correction during the Appeal Process, the Servicing Remedy letter will be considered withdrawn, and, if applicable, Freddie Mac will issue a notice of Servicing Defect as described in Section 3602.3.
10. If the first or second appeal and denial of such appeal was in response to Freddie Mac's notification to the Servicer regarding a Servicing Repurchase Alternative, Freddie Mac will not consider any further appeal if Freddie Mac subsequently requests repurchase and the repurchase request is due to the same violation identified in the Servicing Repurchase Alternative demand letter

**(b) The escalation processes**

**(i) The Impasse Process**

The Impasse Process is as follows:

1. If the Servicer wishes to challenge the Servicing Remedy letter after conclusion of the Appeal Process, the Servicer must initiate the Impasse Process through a written request to Freddie Mac requesting such escalation within 15 days from the date of Freddie Mac's denial letter for the first or second appeal, as applicable. The request for such escalation must be sent in writing to the Freddie Mac office that denied the prior appeal and, if any new information is available, the request must include the items described in Section 3602.9(a)(2) above.
2. Within 30 days (or such longer period of time to which both parties agree) from the date the Impasse Process is initiated (the "impasse period"), a representative from the Servicer and a representative from Freddie Mac will attempt to resolve the dispute
3. The Servicer may provide a Servicing Correction pursuant to Section 3602.3 at any time during the impasse period
4. All information, facts and documents that the Servicer or Freddie Mac wishes to be considered during the Impasse Process must be submitted no later than the end of the impasse period or such information will not be considered in the Management Escalation Process, any subsequent IDR Process or any other attempts to resolve the dispute

5. If the parties agree during the impasse period that no Servicing Violation occurred or that no Servicing Defect exists, the Servicing Remedy letter will be considered withdrawn. If the parties agree that a Servicing Defect can be corrected, or that the Servicer provided a Servicing Correction during the impasse period, the Servicing Remedy letter will be considered withdrawn, and if applicable, Freddie Mac will issue a notice of Servicing Defect described in Section 3602.3. If the parties agree during the impasse period that a Servicing Violation occurred or that a Servicing Defect exists, the Servicer will implement the remedy specified in the repurchase request or Servicing Repurchase Alternative demand letter.
6. If, after the impasse period, Freddie Mac reaffirms its Servicing Remedy letter, the Servicer may continue to dispute the Servicing Remedy letter by initiating the Management Escalation Process within 15 days of receiving Freddie Mac's reaffirmation of its decision
7. If the Management Escalation Process is not initiated within this 15-day period, the Servicer will:
  - Have no further right to challenge the repurchase request or Servicing Repurchase Alternative demand letter
  - Not be able to avail itself of the Management Escalation Process or the IDR Process in connection with the Mortgage in question, and
  - Be obligated to timely comply with the terms of the Servicing Remedy letter

**(ii) The Management Escalation Process**

The Management Escalation Process is as follows:

1. If the dispute is not resolved by the Appeal Process or the Impasse Process, the Servicer may initiate the Management Escalation Process by submitting a written request to Freddie Mac no later than 15 days of receiving Freddie Mac's reaffirmation of its decision. The request for such escalation must be sent in writing to the Freddie Mac office referenced in the letter reaffirming the Servicing Remedy, and the Servicer must identify its officer contact for the Management Escalation Process.
2. No new information, facts or documents, or Servicing Corrections pursuant to Section 3602.3, may be submitted by the Servicer, and no new information, facts or documents may be submitted by Freddie Mac as part of the Management Escalation Process
3. Within 30 days (or such longer period of time to which both parties may agree) after the Servicer initiates the Management Escalation Process ("management escalation

period”), an officer from the Servicer and Freddie Mac will attempt to resolve the dispute

4. If the parties agree during the management escalation period that no Servicing Violation occurred or that no Servicing Defect exists, the Servicing Remedy letter will be considered withdrawn. If the parties agree during the management escalation period that a Servicing Violation occurred or that a Servicing Defect exists, the Servicer will implement the remedy specified in the Servicing Remedy letter no later than 30 days after an agreement is reached.
5. If the dispute is not resolved by the end of the management escalation period and the dispute is related to Freddie Mac’s determination that a Servicing Defect exists, the Servicer must initiate the IDR Process within 15 days of the expiration of the management escalation period to continue to attempt to resolve the dispute. If the Servicer does not initiate the IDR process within this 15-day period, the Servicer will:
  - Have no further right to challenge the repurchase request or Servicing Repurchase Alternative demand letter
  - Not be able to avail itself of the IDR Process in connection with the Mortgage in question, and
  - Be obligated to timely comply with the terms of the Servicing Remedy letter

### **(c) The IDR Process**

The IDR Process is as follows:

1. The IDR Process is available to resolve factual disputes regarding Servicing Remedy letters that involve an alleged Servicing Defect. The IDR Process will only address loan-level Servicing Remedy letters and whether the Servicing Defect exists at the time the IDR Process is commenced. The IDR Process will not address Servicing Remedies or any other issue or dispute.
2. If the Servicer disputes Freddie Mac’s determination that a Servicing Defect exists, and the dispute is not resolved by the Management Escalation Process, an IDR Eligible Seller/Servicer may initiate the IDR Process within 15 days from the expiration of the management escalation period. The IDR Process and requirements are set forth in the IDR Document, which can be accessed at any time by visiting [http://www.freddiemac.com/singlefamily/service/servicing\\_success\\_program.html](http://www.freddiemac.com/singlefamily/service/servicing_success_program.html).

3. As a prerequisite to using the IDR Process, the Servicer must have timely challenged the repurchase request or the Servicing Repurchase Alternative demand letter through the Appeal Process, the Impasse Process and the Management Escalation Process
4. If the Servicer has not initiated the IDR Process within 15 days of the expiration of the management escalation period, Freddie Mac may initiate the IDR Process within six months of the expiration of the management escalation period by following the steps in Section 3.2 of the IDR Document
5. If the IDR Process is elected by the Servicer or Freddie Mac, the Servicer and Freddie Mac must both execute the tolling agreement found at <http://www.freddiemac.com/singlefamily/sell/repandwarrantyframework.html> tolling any applicable statute of limitations and statute of repose. The tolling agreement shall be executed by the Servicer and Freddie Mac within seven days of initiation of the IDR Process.
6. Once either party initiates the IDR Process, both the Servicer and Freddie Mac shall follow the process set forth in the IDR Document
7. No new information, facts or documents, or Servicing Corrections pursuant to Section 3602.3, may be submitted by the Servicer, and no new information, facts or documents may be submitted by Freddie Mac as part of the IDR Process

**(d) Other considerations**

At any time during the Appeal Process or any processes set forth herein, the Servicer may propose a Servicing Repurchase Alternative. Freddie Mac will, in good faith, review and advise the Servicer of its decision.

Freddie Mac may offer or decline to offer the Servicer certain Servicing Repurchase Alternatives based on the Servicer Counterparty Status (described in Section 3602.1) to the extent there are future obligations required as part of the Servicing Repurchase Alternative. Other factors to be considered by Freddie Mac may include, but are not limited to, the failure to maintain a quality Servicing practice and the Servicer's ability and willingness to comply with other provisions of the Guide and the other Purchase Documents.

If the Servicer does not comply with the terms of the Servicing Remedy letter and does not remit payment or initiate the Appeal Process or any processes set forth herein timely, Freddie Mac may then pursue other rights and remedies for failure to comply, including repurchase; however, the repurchase appeal provisions of this Section 3602.9 will not be available to the Servicer.

# Chapter 3603: Termination of Servicing

## 3603.1: Termination of Servicing (04/24/17)

Freddie Mac may terminate all or any portion of Servicing by the Servicer at any time with cause or without cause as provided in this chapter. See Section 3603.6 for requirements for termination of Servicing in connection with the sale of Mortgages by Freddie Mac.

A termination of a given portion of Servicing shall not waive or impair Freddie Mac's future right, in the exercise of its sole discretion, to terminate all or further portions of the remaining Servicing for any reason listed in Section 2301.2, regardless of whether or not the reason relates to Mortgages subject to the termination of the given portion of the Servicing. In addition, Freddie Mac may use its sole discretion in selecting which Mortgages shall be subject to a partial termination of Servicing.

In lieu of termination of all or a portion of Servicing, Freddie Mac may also require the Servicer to engage a Servicing Agent for all or a portion of the Mortgages, for such period of time as determined by Freddie Mac. The Servicing Agent must be approved by Freddie Mac, in its sole discretion, and the Servicer must comply with all other applicable requirements of the Guide. The retention and use of the Servicing Agent by the Servicer must occur within such time as specified by Freddie Mac. The Servicer is responsible for all expenses and costs incurred with respect to the Servicing Agent.

Regardless of whether all or a portion of Servicing is terminated or subject to the engagement of a Servicing Agent pursuant to this section, the Servicer remains responsible and liable to Freddie Mac for all Servicing representations and warranties as provided in Section 8102.1.

Freddie Mac's election of a remedy under this section does not waive its right to elect any other remedy or combination of remedies, including termination of all or a portion of Servicing. The Transferee Servicer's assumption of responsibilities, representations and warranties upon transfer does not release the Transferor Servicer of its responsibilities, representations and warranties with respect to the transferred Mortgages.

### **(a) Termination with cause**

Freddie Mac may terminate all or any portion of Servicing by the Servicer at any time with cause for any of the reasons for disqualification and/or suspension cited in Section 2301.2. Sections 2301.3 through 2301.6 govern the notice of termination of Servicing with cause and the Servicer's opportunity to appeal, if applicable. Termination of Servicing with cause is a basis for immediate disqualification or suspension as a Seller/Servicer. A Transfer of Servicing with cause does not relieve

the Servicer of any of its obligations under the Purchase Documents with respect to the transferred Mortgages.

**(i) Servicer compensation/Freddie Mac reimbursement**

Upon termination of Servicing with cause, the Servicer will have no right to service such applicable Mortgages for Freddie Mac or to receive any compensation for the performance of such Servicing. In addition, no Termination Fee as described in Section 3603.1(b)(ii) below will be paid to the Servicer.

If Servicing is terminated with cause and Freddie Mac obtains a new Servicer, Freddie Mac is entitled to reimbursement from the former Servicer for any loss, damage or expense incident to the Transfer of Servicing. Such expenses include, but are not limited to, court costs, reasonable attorney fees, copying costs, costs of the physical transfer of files and the cost of an audit or examination of the Servicer's records, if Freddie Mac determines that such a procedure is appropriate ("transfer-related expenses").

**(ii) Other requirements**

The provisions of Sections 3603.2, 3603.3 and 3603.4 apply to termination of Servicing with cause.

**(b) Termination without cause**

**(i) Notice Period and Servicer right to transfer**

Freddie Mac may terminate all or any portion of Servicing by the Servicer at any time without cause with respect to any Mortgage owned or guaranteed by Freddie Mac. Freddie Mac will notify the Servicer in writing 90 days before the scheduled date of the termination of Servicing without cause. Within that 90-day period (the "Notice Period"), the Servicer may arrange to transfer Servicing to another Servicer that is approved by Freddie Mac to service the particular portfolio being transferred. Such a Transfer of Servicing is subject to the requirements of Chapter 7101 and, if approved, must be completed 60 days from the date that Freddie Mac approves the transfer.

If the Servicer is unable to arrange to transfer Servicing within the Notice Period or if the approved Transfer of Servicing is not completed timely, Freddie Mac will terminate Servicing by the Servicer and will transfer the Servicing to a Servicer of Freddie Mac's choice.

**(ii) Termination Fee**

In the event Freddie Mac terminates Servicing by the Servicer without cause and transfers the Servicing to a Servicer of Freddie Mac's choice ((b)(i) above), Freddie Mac will pay the terminated Servicer a termination fee ("Termination

Fee”) calculated based on conditions existing as of the transfer date in an amount equal to the lesser of the following:

- Two times the Net Servicing Rate, as defined below, times the UPB of the transferring Mortgages that are not delinquent as of the transfer date (no Termination Fee will be paid for Mortgages that are delinquent as of the transfer date). For purposes of this calculation, a Mortgage will be deemed to be delinquent if as of a month end transfer date any payment is outstanding. In the event of a Transfer of Servicing that takes place other than at month end, a Mortgage will be deemed to be delinquent if there is any payment outstanding as of the month end immediately preceding the transfer date. No Termination Fee will be paid for a delinquent Mortgage as of the transfer date, or
- The market value of the contractual right to service the Mortgages as established by a qualified market leader in servicing valuations using costs reflective of Freddie Mac’s costs to engage a Servicing Agent, applying protocols appropriate for the risk of the portfolio as determined by Freddie Mac in its sole discretion (such value, as so established, shall be conclusive)

For calculation of the Termination Fee, the “Net Servicing Rate” means the Note Rate of the Mortgage less all of the following, expressed as an annualized fractional percentage:

- The pass-through rate due Freddie Mac
- Any Credit Fee in Yield due Freddie Mac
- Any excess Servicing not retained by the Servicer
- Any lender-paid mortgage insurance, and
- Any other component of the Note Rate that the Servicer is not entitled to retain for Servicing the Mortgage

Any dispute concerning the Termination Fee shall not delay the transfer of the Servicing. Freddie Mac shall deduct the amount of its transfer-related expenses as described in subsection 3603.1(a)(i) from the Termination Fee. Before Freddie Mac’s payment of a Termination Fee, the Servicer must complete all repurchases required under Chapter 3602 and fulfill any other outstanding obligations of the Servicer to Freddie Mac. If the Servicer fails to do so, Freddie Mac will offset the sum of such repurchases and any other outstanding obligations of the Servicer against the Termination Fee.

Freddie Mac’s payment to a Servicer of the Termination Fee will constitute the entire compensation payable in consideration of the termination of Servicing. A Servicer will not be entitled to any additional compensation from Freddie Mac for

any reason or cause relating to any consequential, incidental or indirect damages arising out of, or in connection with, the termination of Servicing. A Transfer of Servicing without cause does not relieve the Servicer of its obligations under the Purchase Documents with respect to the transferred Mortgages.

**(iii) Other requirements**

The provisions of Sections 3603.2, 3603.3 and 3603.4 apply to termination of Servicing without cause.

Notwithstanding Sections 2301.3 through 2301.6, Freddie Mac's decision to suspend or disqualify a Seller without cause or to terminate Servicing without cause is conclusive.

## **3603.2: Transfer (03/02/16)**

If Freddie Mac transfers all or a portion of the Servicing of any Mortgages, the Servicing compensation (as stated in Section 8105.1) is paid to the new Servicer. Freddie Mac reserves the right to negotiate a Servicing fee with the subsequent Servicer. Freddie Mac will have the exclusive right to receive any amount that may be paid by the new Servicer for the right to the Servicing compensation.

## **3603.3: Documents and records (03/02/16)**

Upon termination of the Servicing of any Mortgage, the Servicer is responsible for supplying and (if applicable) causing its Custodian to supply all reports, documents and information (including, but not limited to, all Mortgage records specified in Section 8101.7) requested by Freddie Mac on the date specified by Freddie Mac. The material, including an accounting of the current status of each Mortgage for which Servicing is being terminated, must be prepared in the form requested by Freddie Mac and delivered to the new Servicer and the new Custodian, if applicable, designated by Freddie Mac.

## **3603.4: Remittance to Freddie Mac (03/02/16)**

The remittance to Freddie Mac of Mortgage collections for each Mortgage for which Servicing is terminated must be made on the date specified by Freddie Mac (notwithstanding Freddie Mac's regular remittance requirements). Additionally, all Escrow Funds, Escrow accounts and prepaid installments held by the Servicer for each Mortgage for which Servicing is being terminated must be transferred to the new Servicer on the date specified by Freddie Mac.



The Servicer must use its best efforts to effect the orderly and efficient Transfer of Servicing to the new Servicer.

## **3603.5: Outstanding purchase commitments (03/02/16)**

If the terminated Servicer holds outstanding commitments for the purchase by Freddie Mac of additional Mortgages, Freddie Mac, in its discretion, may:

- Transfer the Servicing of those Mortgages to a new Servicer immediately upon funding the purchases of the Mortgages, or
- Assign the outstanding commitments to another Seller, or
- Pair off the outstanding commitments, or
- Cancel the outstanding commitments

## **3603.6: Termination of Servicing related to sale of Mortgages by Freddie Mac (03/02/16)**

If Freddie Mac sells Mortgages it has purchased pursuant to the Purchase Documents (see Section 1201.7), Freddie Mac will notify the Servicer upon receipt of an accepted bid and at least 30 days before the scheduled closing of the purchase. If Freddie Mac does not transfer the Servicing to a new Servicer in connection with the sale of the Mortgages, then the Servicer will continue to service the Mortgages and Freddie Mac will not pay the Servicer any compensation in connection with the Mortgage sale.

If, however, Servicing is transferred to a new Servicer, then Freddie Mac will pay the Servicing Transferor a Termination Fee that will be calculated in accordance with the requirements for calculation of the Termination Fee when Servicing is terminated without cause as described in Section 3603.1(b).

The requirements of Sections 3603.2, 3603.3 and 3603.4 apply to a Transfer of Servicing related to the sale of Mortgages by Freddie Mac.

# Chapter 4101: Uniform Instruments

## 4101.1: The Mortgage application (05/17/17)

### (a) Required use of Form 65, Uniform Residential Loan Application

Form 65, Uniform Residential Loan Application, must be used for all Mortgage applications. Form 65A, Statement of Assets and Liabilities, may be used to supplement Form 65, if needed.

The Seller must use the version of Form 65 and Form 65A that is current as of the date of the loan application. See Exhibit 4, Single-Family Uniform Instruments, for the date of the current version of Form 65 and Form 65A.

The Seller must not make any changes or additions to Form 65 or Form 65A, except for changes and modifications that are required or permitted by the provisions in Exhibit 5, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application. The Seller may adjust format (font, type size, page size, number of pages and margins) of Form 65 and Form 65A as necessary, to make the document easier to read and complete or to reduce the number of pages. In doing so, the Seller may add blocks, lines or spaces to allow all relevant information to be included but may not remove sections, blocks or lines. The Freddie Mac and Fannie Mae taglines must remain intact. Any adjustments made to the format of these forms must be made pursuant to all applicable law.

As an option, the Seller may use the Spanish/English version of the Uniform Residential Loan Application, Form 65s, and the Statement of Assets and Liabilities, Form 65As. A Seller choosing to use these forms assumes all responsibility for ensuring that use of the form is permissible under applicable law. If the Seller uses Form 65s and Form 65As, the Seller must use the version of each form that is current as of the date of the loan application. See Exhibit 4 for the date of the current version of Form 65s and Form 65As. The Seller must not make any changes or additions to Form 65s or Form 65As, except for changes and modifications that are required or permitted by the provisions of Exhibit 5. The format adjustments permitted for Form 65 and Form 65A described above are also permitted for Form 65s and Form 65As. Neither the language in the form, nor the fact that Freddie Mac permits its use on an optional basis, shall be deemed to constitute a waiver, amendment or modification by Freddie Mac of any requirements of the Purchase Documents.

### (b) Completion instructions

A completed Form 65 and Form 65A, if necessary, is used to begin the process of determining the Borrower's credit reputation and capacity to repay the Mortgage. If a residential mortgage credit report (RMCR) is ordered, the information on the Form 65 must be provided to the consumer reporting agency that is to issue the RMCR. The Seller may

elect to complete the liabilities portion of the application directly from the credit reports either manually or through an automated process.

If the credit reports identify fewer than three open Tradelines (except for Accept Mortgages), the Seller should ask the Borrower if any additional Tradeline references exist (see Section 5202.1).

The final Form 65 and Form 65A, if used, must reflect accurate and complete information as of the Note Date. All of the Borrower's debts incurred through the Note Date must be included on the final Form 65 and Form 65A, if used, and must be considered in the calculation of the Borrower's monthly debt payment-to-income ratio (see Section 5401.2). The final Form 65 and Form 65A, if used, must be complete, legible, dated and signed by the Borrowers signing the Note.

Information on the initial application must be entered as originally provided by the Borrower and/or, if applicable, as listed on the credit reports, whether handwritten or typed. The information given by the Borrowers on the application must be consistent with both the identifying information in the credit reports as well as with the verifications in the Mortgage file. For any Mortgage in which there is a material discrepancy, the Seller must prepare a written statement explaining the discrepancy.

The signature block for joint credit should be signed only if there are co-applicants both of whose income and assets/liabilities are being used for qualification purposes. The signature block should not be signed if there are co-applicants but one is signing because that person has community property or similar rights.

### **(c) Electronic and fax copies of loan applications**

Freddie Mac agrees that the Seller may receive an initial Form 65 and Form 65A, if necessary, from a Borrower as an Electronic Record or fax copy. The Freddie Mac Form 65 and Form 65A contain language in the acknowledgement and agreement section that permits the Borrower to:

- Physically sign a paper Form 65 and Form 65A, if necessary, with pen and ink and deliver a fax copy of the signed Form 65 to the Seller via facsimile transmission or
- Electronically sign an electronic Form 65 and Form 65A, if necessary, using an Electronic Signature and deliver the electronic Form 65 to the Seller as an Electronic Record via the Internet or other form of electronic transmission

The Seller represents and warrants that any initial Form 65 and Form 65A, if necessary, received from a Borrower as an Electronic Record or fax copy has been duly signed by the Borrower and complies with the federal Electronic Signatures in Global and National Commerce Act ("E-Sign") and all other applicable State and federal laws and regulations including, without limitation, all State and federal consumer disclosure laws and regulations. The Seller agrees that the initial Form 65 and Form 65A, if necessary, received from a

Borrower as an Electronic Record or fax copy are subject to the representations, warranties, covenants, agreements and requirements contained in Section 1401.11 or Section 1401.12, as applicable.

The final loan application delivered by the Borrower to the Seller at loan closing must be an original paper Form 65, and Form 65A if necessary, either physically signed by the Borrower using a pen or signed electronically by the Borrower at closing (settlement) using an Electronic Signature that meets the requirements in Chapter 1401.

The Seller may maintain copies of the original signed paper Form 65 and Form 65A in accordance with the requirements of Section 3302.2.

## **4101.2: Home Mortgage Uniform Instruments (11/05/18)**

### **(a) Use of Uniform Instruments**

The Security Instrument and Note must be executed on the Uniform Instruments (1-4 Family) for the jurisdiction where the Mortgaged Premises are located. The Uniform Instruments used for a Mortgage must be the versions current as of the Mortgage Note Date. See Exhibit 4, Single-Family Uniform Instruments, for the current dates of revisions of all Uniform Instruments.

For any Mortgage secured by one of the following types of property, Freddie Mac requires both:

- The single-family Fannie Mae/Freddie Mac Uniform Security Instrument for the jurisdiction where the Mortgaged Premises are located, and
- One of the following types of riders, as applicable:

<b>Property Type</b>	<b>Form</b>
Condominium Unit	Condominium Rider Form 3140
Planned Unit Development unit	Planned Unit Development Rider Form 3150
1- to 4-unit Investment Property	1- to 4-Family Rider Form 3170
2- to 4-unit Primary Residence	1- to 4-Family Rider Form 3170

Second home	Second Home Rider Form 3890
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**(b) Additional Mortgage documentation requirements**

In addition to the Uniform Instruments required by this Section 4101.2, certain Mortgage products have additional loan documentation requirements stated elsewhere in the Guide as follows:

- Section 4301.7 for Texas Equity Section 50(a)(6) Mortgages
- Section 4402.3 for Seller-Owned Converted Mortgages
- Section 4604.4(a) for Affordable Merit Rate® Mortgages
- Sections 5703.7(d) and 5703.7(e) for Mortgages secured by Manufactured Homes
- Section 4602.3 for Construction Conversion and Renovation Mortgages
- Chapter 4205 for Government Funded, Guaranteed or Insured Mortgages
- Chapter 4502 for Community Land Trust Mortgages

**(c) Mortgage instruments for ARMs**

**(i) Required ARM Uniform Instruments**

ARMs must be closed on the Uniform Instruments for the applicable ARM product described in the charts below.

The Uniform Instruments for an ARM consist of an ARM Note, the Fannie Mae/Freddie Mac Security Instrument and any applicable property type riders, and an ARM rider to the Security Instrument. The Seller must use the most current version of the State-specific Fannie Mae/Freddie Mac Single Family Security Instrument prepared for use in the jurisdiction in which the Mortgaged Premises are located and the most current version of any applicable property type riders. The Seller must also use the most current version of the ARM Note and ARM rider.

The most current version of the Uniform Instruments is the version in effect as of the Note Date of the Mortgage. See Exhibit 4, Single-Family Uniform Instruments, for the current dates of revisions of all Uniform Instruments. See Exhibit 5, Authorized Changes to Notes, Riders, Security Instruments, and the Uniform Residential Loan Application, for authorized changes to the Uniform Instruments.

The ARM Note and ARM rider must be completed in accordance with the terms of the applicable ARM product. See Section 4101.2(c)(iii) for instructions for completion of Section 4(D) of an ARM Note.

For certain ARM products, State-specific versions of the ARM Note have been prepared for Alaska, Florida, New Hampshire, Puerto Rico, Vermont, Virginia, West Virginia and Wisconsin. If a State-specific version of an ARM Note has been prepared, it must be used for ARMs secured by Mortgaged Premises located in that State. The multistate version of the ARM Note, with the required changes stated in Exhibit 5, must be used in all other States.

Freddie Mac makes available Uniform Instruments for use with ARM products with various features.

The Uniform Instruments have the following features embedded in the form itself (hard-coded):

- Index
- Lookback Period
- Assumability

The Uniform Instruments have blanks to be completed by the Seller for the following features (soft-coded):

- Maturity Date (determines the term)
- First Interest Change Date (determined by the Initial Period)
- Maximum interest rate at the first Interest Change Date (determined by the Initial Cap)
- Maximum increase or decrease in the interest rate at each adjustment after the first Interest Change Date (Periodic Cap); the Periodic Cap is hard-coded 1% or 2% for 1-Year Weekly Constant Maturity Treasury (CMT)-Indexed Assumable Life of Loan with 45 day Lookback Period
- Maximum interest rate for the life of the loan (Lifetime Ceiling; determined by the Life Cap)

In determining which Uniform Instrument to use with each ARM product, the Seller must select the form with the applicable hard-coded information and complete the soft-coded information as appropriate. Because many of the features of an ARM product are soft-coded, the same Uniform Instrument may be used for different ARM products. For example, the 1-Year LIBOR-Indexed ARM Note and rider may be used with a 1/1, 3/1,

5/1, 7/1 and 10/1 LIBOR-Indexed ARM with the same Lookback Period and assumability period.

The Uniform Instruments may be used for ARM products that do not meet the eligibility requirements for sale to Freddie Mac. Freddie Mac encourages the Seller to use Uniform Instruments, if available, for originating ARM loans even if the ARM product is not eligible for sale.

The following charts describe the Uniform Instruments available for different hard-coded features for ARM products:

	ARMs							
	Weekly Treasury Constant Maturity (CMT)						LIBOR	
	1-Year		3-Year		5-Year		1-Year	
	Note	Rider	Note	Rider	Note	Rider	Note	Rider
<b>Lookback = 45 Days Preceding the Interest Change Date</b>								
Assumable for life of loan	3501* 3502**	3108* 3111**	3504	3114	3514	3131	5530	5130
Assumable after Initial Period	5510+	5110+	N/A	N/A	N/A	N/A	5531	5131

\* Hard-coded with a 1% Periodic Cap

\*\* Hard-coded with a 2% Periodic Cap

+ Periodic Cap not hard-coded, must be completed by the Seller

All ARM Uniform Instruments are available on Freddie Mac's web site at <http://www.freddiemac.com/singlefamily/guide/?tab=2&tog>.

### (ii) Use of Fannie Mae ARM instruments

The Seller may use Fannie Mae's ARM instruments only in accordance with the provisions of this subparagraph. The Seller must consult its own legal counsel when using a Fannie Mae instrument for a particular Freddie Mac ARM product.

The Seller originating ARMs on Fannie Mae instruments represents and warrants that the Fannie Mae instrument, when completed, is appropriate for the applicable Freddie Mac ARM product and can be serviced in accordance with the Guide.

### (iii) Instructions for completing Section 4(D) of an ARM Note

The Seller must complete Section 4(D), Limits on Interest Rate Changes, of an ARM Note as follows:

1. Insert in the first blank of the first sentence, referring to the maximum interest rate on the first Interest Change Date, the interest rate that is equal to the sum of the initial Note Rate for the Mortgage, plus the applicable Initial Cap for that ARM program
2. Insert in the second blank of the first sentence, referring to the minimum interest rate on the first Interest Change Date, the interest rate that is equal to the initial Note Rate for the Mortgage, minus the applicable Initial Cap. If this difference is less than the specified Margin, insert the specified Margin in the second blank of the first sentence.
3. If the second sentence has blanks for the Periodic Cap, insert the applicable Periodic Cap for that ARM product in words followed by numerals in parentheses (for example, “two percentage points (2.0%)”)
4. Insert in the blank in the last sentence, referring to the maximum interest rate during the life of the Mortgage (Lifetime Ceiling), the Note Rate in effect at time of origination plus the applicable Life Cap for that ARM product

### **4101.3: Authorized changes to Uniform Instruments (03/02/16)**

The Seller must not make any changes or additions to the Uniform Instruments that have any force or effect after purchase of the Mortgage by Freddie Mac, except for changes and modifications that:

- Are accomplished by use of Fannie Mae/Freddie Mac Uniform Instrument Riders
- Pertain to an assumption or an alteration of the principal, Note Rate, payment amount or date, or maturity date of the Mortgage, or
- Are required or permitted by the provisions in Exhibit 5, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application

If a change or addition permitted under this section is made to the instrument in the form of an addendum or rider, the addendum or rider must:

- Be referenced in the instrument it is modifying
- Reference the instrument, and
- Be firmly attached to the instrument

The Seller agrees that no changes or additions to the Uniform Instruments otherwise permitted here will be made if such changes or additions would adversely affect the negotiability of the Note.



The Uniform Instruments may require modification for use with Construction Conversion Mortgages and Renovation Mortgages. Sellers that use the Uniform Instruments for construction or renovation loans may make changes or additions necessary for that purpose. These changes and additions should be provided in a Note addendum or Security Instrument rider. The changes or additions do not need to contain a statement that they become void upon purchase by Freddie Mac if the changes or additions are necessary to assure the first priority of the Mortgage lien or if, by their terms, the changes or additions cease to be effective before the Settlement Date.

See Section 4602.3 for information on documenting Construction Conversion Mortgages and Renovation Mortgages.

## **4101.4: Master Form and Short Form Security Instruments (03/02/16)**

### **(a) Master Form and Short Form Security Instruments**

Certain States have statutes that allow originating lenders to record a Master Form Security Instrument in a given county and then to record a Short Form Security Instrument for each subsequent Mortgage originated and recorded in that county. The Short Form Security Instrument contains the loan-specific information (e.g., Borrower name, lender name, loan amount, description of property) and identifies the provisions of the Master Form Security Instrument that are being incorporated into the Short Form Security Instrument.

The State-specific Fannie Mae/Freddie Mac Uniform Master Form Security Instrument and Short Form Security Instrument are available from Freddie Mac's web site at <http://www.freddiemac.com/singlefamily/guide/?tab=2&tog>. See Exhibit 4, Single-Family Uniform Instruments, for the list of currently available Master Form Security Instruments and Short Form Security Instruments and the current dates of these instruments.

Freddie Mac will purchase Mortgages originated on a Short Form Security Instrument provided the requirements stated in this Section 4101.4 are satisfied.

The Seller must not use or record a Short Form Security Instrument unless it has already recorded a Master Form Security Instrument in the recorder's office serving the recording jurisdiction in which the Mortgaged Premises is located. In North Carolina, a Master Form may not be recorded in certain designated counties stated in the North Carolina statute.

A copy of the recorded Master Form Security Instrument must be provided to the Borrower.

**(i) Master Form Security Instrument** – The Master Form Security Instrument is the Master Form Mortgage or Deed of Trust that is permitted under certain State statutes to be recorded by originating lenders in a given recording jurisdiction in the State. The Master Form Security Instrument for each State (with the exception of Ohio) consists of

(1) a title page (the name of the title page differs in different States), which contains the information required under the State statute to record the Master Form Security Instrument in that State and (2) the current Fannie Mae/Freddie Mac Uniform Security Instrument for that State.

In Ohio, there is no title page; the Master Form Security Instrument is the current Fannie Mae/Freddie Mac Ohio Mortgage with the required Master Form information provided on the first page of the Ohio Mortgage form itself.

**(ii) Short Form Security Instrument** – The Short Form Security Instrument is the Mortgage or Deed of Trust recorded for each individual Mortgage made and recorded in the recording jurisdiction where the Master Form Security Instrument is recorded; the Short Form Security Instrument contains loan-specific information and incorporates by reference the provisions of the previously recorded Master Form Security Instrument. A Seller must not use or record a Short Form Security Instrument unless the Seller has already recorded a Master Form Security Instrument in the recorder’s office serving the recording jurisdiction in which the Mortgaged Premises is located.

**(b) Instructions for use of Master Form Security Instrument; Short Form Security Instrument**

**(i) Master Form Security Instrument** – The Seller must:

1. Complete the title page by inserting the names and relevant information in the applicable places and have the title page signed and acknowledged, if required
2. Attach the title page to the front of the current Security Instrument for the State
3. Record the title page and Security Instrument together in the recorder’s office serving the recording jurisdiction(s) in which the Seller anticipates subsequently recording Short Form Security Instruments
4. In Ohio, complete the information in the box at the top of the first page of the Master Mortgage Form by inserting the names and relevant information in the applicable places and have the first page signed in the box at the top of the first page. Do not complete information outside of the box other than “Return to” information.

The Security Instrument to which the title page is attached (or in Ohio, on which the Master Form information is provided) should not have any information completed and should not be signed or acknowledged.

In the event Freddie Mac revises the Uniform Security Instrument for the applicable State, the Seller must record the revised Master Form Security Instrument in all applicable local recording offices. The previously recorded Master Form Security Instrument must not be released or superseded.

Mortgages originated after the effective date of a revised Uniform Security Instrument must be originated using a Short Form Security Instrument that references the new recorded Master Form Security Instrument.

**(ii) Short Form Security Instrument – The Seller must:**

1. Insert the recording information from the Master Form Security Instrument in the first paragraph of the “Definitions” section. (The recording information must be that of the Master Form Security Instrument that was recorded in the recording jurisdiction in which the Mortgaged Premises is located.)
2. Insert information for all blank spaces in the “Definitions” section
3. Check the applicable Rider boxes
4. Insert the property description information
5. Provide the Borrower with an exact copy of the recorded Master Form Security Instrument (the completed title page with recordation information and the applicable current Fannie Mae/Freddie Mac Uniform Security Instrument for the State)
6. Arrange for the Short Form Security Instrument to be executed by the Borrower(s) and acknowledged
7. Arrange for any applicable Riders to be executed by the Borrower(s). In Pennsylvania, attach a copy of the Fannie Mae/Freddie Mac Pennsylvania Uniform Mortgage under the caption: “General Provisions Incorporated by Reference and Not to be Recorded with this Document” after the Rider(s), if any.
8. Record the Short Form Security Instrument and any applicable Riders in the recorder’s office serving the recording jurisdiction in which the Mortgaged Premises is located

## **4101.5: Origination and delivery of Mortgages using a New York Consolidation, Extension and Modification Agreement (the “NY CEMA”) (03/02/16)**

Freddie Mac will purchase refinance Mortgages secured by property located in New York State that are documented using an NY CEMA. The NY CEMA combines into one set of rights and obligations all of the promises and agreements stated in existing Notes and Mortgages secured by the Mortgaged Premises including, if new funds are advanced to the Borrower at the time of the consolidation, a new Note and Mortgage. The result is that the Borrower has one consolidated loan obligation, evidenced by a Consolidated Note that is paid in accordance with the terms of the NY CEMA.

In this section:

- The original Note executed by the Borrower that is being consolidated, extended and modified by the newly executed NY CEMA is referred to as the Original Old Money Note
- The original Note executed by the Borrower at the time the current NY CEMA is executed that represents new funds advanced to the Borrower at the time of the current consolidation is referred to as the Original New Money (Gap) Note

In connection with the current financing transaction evidenced by the NY CEMA, the Borrower must execute a new original Note, referred to as the Consolidated Note, that consolidates, extends and modifies the Original Old Money Note and the Original New Money (Gap) Note, if any.

**(a) Documentation**

When documenting a Mortgage using an NY CEMA, the Seller must use the most current version of the New York Consolidation, Extension and Modification Agreement Single-Family Fannie Mae/Freddie Mac Uniform Instrument (Form 3172). The current version can be found on Freddie Mac's web site at <http://www.freddiemac.com/singlefamily/guide/?tab=2&tog>.

In addition, the Borrower must execute a Consolidated Note.

**(b) Delivery package for NY CEMA**

For a Mortgage originated using the NY CEMA, the Seller must deliver the complete NY CEMA delivery package listed below to its Document Custodian.

The complete NY CEMA delivery package must include the following documents:

**(i) NY CEMA**

This may be a certified copy, as the original must be submitted for recordation. If a certified copy is delivered, the Seller warrants the copy is a true and correct copy of the original delivered for recording.

**(ii) NY CEMA exhibits**

Complete set of NY CEMA exhibits, as follows:

- Exhibit A — A list, or a copy of a list, of the obligations being consolidated, modified and extended. All Notes, security instruments, assignments, consolidation agreements and related agreements that modify, consolidate or extend prior underlying

obligations and which predate the current NY CEMA must be listed separately in Exhibit A.

- Exhibit B — The property description of the Mortgaged Premises. A copy of Schedule A (Property Description) to the New York Mortgage may be used but should be marked as Exhibit B to identify it as an NY CEMA exhibit.
- Exhibit C — A copy of the complete Consolidated Note (including any applicable addenda), with fixed-rate or adjustable-rate Note language inserted at the top of the first page. (The required language is stated in (iii) below.) Borrower signatures are not required.
- Exhibit D — The most current version of the New York Single-Family Fannie Mae/Freddie Mac Uniform Security Instrument (Form 3033) with all blanks completed and any applicable riders attached. Borrower signatures are not required.

**(iii) Separate, originally executed Consolidated Note**

An original Note with live Borrower signatures, endorsed in blank. The Consolidated Note must be the most current version of the applicable Single-Family Fannie Mae/Freddie Mac Uniform Note (e.g., Form 3233, 3501, 3502, 3504 or 3514) with all blanks completed and any applicable addendum or addenda. The Consolidated Note must have the following language, as applicable, inserted at the top of the document:

- For Fixed-Rate Notes:

Consolidated Note

This Note amends and restates in their entirety, and is given in substitution for, the Notes described in Exhibit A of the New York Consolidation, Extension and Modification Agreement dated the same date as this Note.

- For Adjustable-Rate Notes:

Consolidated Adjustable-Rate Note

This Note amends and restates in their entirety, and is given in substitution for, the Notes described in Exhibit A of the New York Consolidation, Extension and Modification Agreement dated the same date as this Note.

**(c) Mortgage file requirements**

With respect to Mortgages documented with the NY CEMA, Seller represents and warrants that the Mortgage file contains the documentation required by Sections 3301.3, 3302.2 and 3401.3.

## **4101.6: Availability of Uniform Instruments (03/02/16)**

Fannie Mae/Freddie Mac Uniform Instruments (including condominium rider and Planned Unit Development (PUD) rider forms) and Freddie Mac-specific Uniform Instruments are available from Freddie Mac's web site at <http://www.freddiemac.com/singlefamily/guide/?tab=2&tog>.

Spanish translations of certain Uniform Instruments are available on Freddie Mac's Uniform Instrument web site: <http://www.freddiemac.com/uniform/spanish.html>. Spanish translations complement the English-language documents and may be provided to consumers as supplemental education material when originating single-family residential Mortgages. The Spanish translations are for reference only and are not to be executed.

Sellers may reprint the Uniform Instruments on their own letterhead, by computer or in any other way that Sellers may choose. However, the text of the Uniform Instruments must remain unchanged and the tagline that identifies the instrument as a Uniform Instrument must remain part of the document and be included on each page.

## **4101.7: Seller's duties regarding Uniform Instruments (03/02/16)**

The Seller agrees that any action taken when enforcing its rights under the Mortgage documents will not violate the terms of any covenant in the Mortgage documents. The Seller also agrees to enforce its rights under the Uniform Instruments based on instructions or guidance provided by Freddie Mac.

## **4101.8: Signatures required (12/14/17)**

The Security Instrument must be signed by all individuals with an ownership interest in the Mortgaged Premises. (See Exhibit 5, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application, for permissible changes to the Fannie Mae/Freddie Mac Uniform Instruments.) The Security Instrument must also be signed by each individual whose signature is necessary under the applicable statutory or decisional law of the State to create a valid lien, pass clear title, waive inchoate rights to property or assign earnings. The Note or applicable assumption agreement must be signed by any individual whose income or financial strength is needed to meet the Freddie Mac credit underwriting guidelines. If the Mortgage is delivered as an owner-occupied Mortgage, the Note must be signed by an Owner-Occupant.

Refer to Section 5103.5(5) for information on signatures required and forms of signature if a Borrower is a Living Trust and Section 5103.7(b) for a Land Trust Mortgage.

## **4101.9: Execution, acknowledgment and recordation of the Security Instrument (03/02/16)**

The Security Instrument must be properly executed, acknowledged, delivered and recorded in all places necessary to perfect a First Lien security interest in the Mortgaged Premises in favor of the mortgagee.

If a Mortgage is registered with MERS<sup>®</sup> and is originated naming MERS as the original mortgagee of record, solely as nominee for the lender named in the Security Instrument and the Note, and the lender's successors and assigns, the Seller must ensure that the Security Instrument is properly executed, acknowledged, delivered and recorded in all places necessary to perfect a First Lien security interest in the Mortgaged Premises in favor of MERS, solely as nominee for the lender named in the Security Instrument and the Note, and the lender's successors and assigns.

Refer to Section 1301.7 for specific representations and warranties with respect to MERS registration for Mortgages purchased by Freddie Mac.

## **4101.10: Due-on-sale provisions (07/01/19)**

### **(a) Description of due-on-sale clauses**

The Uniform Instruments include provisions governing whether the loan will be accelerated if the Borrower sells or transfers the Mortgaged Premises or any interest in the Mortgaged Premises, or whether instead the loan may be assumed by a third party who acquires the Mortgaged Premises or any interest in the Mortgaged Premises by sale or transfer. These provisions are sometimes referred to as “due-on-sale” clauses. Uniform Instruments for different Mortgage products may have different due-on-sale clauses. The type of due-on-sale clause set forth in the Uniform Instruments used to originate a particular Mortgage determines whether or not the Mortgage is assumable by the party to whom the Mortgaged Premises is transferred.

The Uniform Instruments used in connection with the origination of ARMs contain due-on-sale provisions governing whether the loan will be accelerated if the Borrower sells or transfers the Mortgaged Premises or any interest in the Mortgaged Premises, or whether instead the loan may be assumed by a third party who acquires the Mortgaged Premises or any interest in the Mortgaged Premises.

### **(b) Types of due-on-sale clauses**

#### **(i) Nonassumable during the life of the loan**

Some due-on-sale clauses provide that the lender will require immediate payment in full of all sums secured by the Security Instrument (generally referred to as accelerating the

loan) if the Borrower sells or transfers the Mortgaged Premises. The effect of this type of due-on-sale clause is that the Mortgage is nonassumable for the life of the loan. The Uniform Instruments used with fixed-rate Mortgages include this type of due-on-sale clause.

**(ii) Assumable during the life of the loan**

Some due-on-sale clauses state that the lender will not accelerate the loan if the lender evaluates the proposed sale or transfer as if a new loan were being made to the intended transferee, and if the lender determines the lender's security would not be impaired by the loan assumption. The effect of this type of due-on-sale clause is that the Mortgage is assumable for the life of the loan. Freddie Mac makes available ARM Uniform Instruments for all ARM indices that include this type of due-on-sale clause.

All 3- and 5-Year Constant Maturity Treasury (CMT)-Indexed ARMs must be originated on Uniform Instruments that provide for the Mortgage to be assumable during the life of the Mortgage.

**(iii) Assumable until a specified event, then nonassumable**

Some due-on-sale clauses provide that the loan is assumable until the occurrence of a specified event, but after that specified event has occurred, the loan is nonassumable.

**(iv) Nonassumable during a specified period of time and assumable thereafter**

Some due-on-sale clauses provide that during an initial specified period of time the loan is nonassumable, but after that specified period of time, the loan is assumable provided certain conditions are met. With respect to an ARM, the specified period of time is the end of the Initial Period. ARMs must be assumable during the entire period during which the interest rate is adjustable.

Freddie Mac makes available ARM Uniform Instruments for 1-Year Weekly CMT-Indexed and 6-Month and 1-Year LIBOR-Indexed ARMs that include this type of due-on-sale clause, and the Mortgages become assumable after the end of the Initial Period when the Note Rate begins to adjust.

**(v) Nonassumable during a specified period of time and thereafter assumable until a specified event, and then nonassumable**

Some due-on-sale clauses provide (i) an initial specified period during which the Mortgage is nonassumable, (ii) after the initial specified period of time, the loan is assumable provided certain conditions are met, and (iii) upon the occurrence of a specified event, the loan is nonassumable.



### **(c) Summary of due-on-sale characteristics**

Fixed-rate Mortgages must be originated as follows:

- For all fixed-rate Mortgages other than those listed in the bullet below, on Uniform Instruments that provide for the Mortgage to be nonassumable
- For fixed-rate assumable Mortgages sold under the Guarantor program, on Uniform Instruments that provide for the Mortgage to be nonassumable and were executed with a Note Addendum and a Security Instrument Rider that provide for the Mortgage to be assumable subject to certain conditions (an “Assumable Mortgage”). The Note Addendum and Security Instrument Rider are available on Freddie Mac’s Uniform Instrument web page at <http://www.freddiemac.com/uniform>.

The Seller must obtain Freddie Mac’s written approval before selling Assumable Mortgages to Freddie Mac by contacting its Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE.

All 3- and 5-Year CMT-Indexed ARMs should be originated on Uniform Instruments that provide for the Mortgage to be assumable during the life of the Mortgage.

All 1-Year Weekly CMT-Indexed and all 6-Month and 1-Year LIBOR-Indexed ARMs may be originated on Uniform Instruments that provide either for the Mortgage to be assumable during the life of the Mortgage or for the Mortgage to be nonassumable during the Initial Period and assumable thereafter.

For eligible Mortgage products that are not originated on Uniform Instruments, such as FHA/VA Mortgages, the due-on-sale characteristics may be different from those specified above.

### **(d) Exceptions for applicable laws and certain circumstances**

Regardless of the type of due-on-sale clause stated in the Uniform Instrument used to originate a Mortgage, Freddie Mac will permit a Mortgage, which under its terms is nonassumable, to be assumed if required by federal or State law or under the circumstances as described in Sections 8406.4 and 8406.5.

## **4101.11: Advances (03/02/16)**

### **(a) Future advances made before purchase**

Freddie Mac will purchase Home Mortgages on which future advances have been made before the Delivery Date, provided that:

- The advances have been consolidated with the outstanding principal amount secured by the Mortgage, and the secured principal amount, as consolidated, bears a single interest rate and repayment term
- The lien securing the consolidated principal amount is expressly insured as having First Lien priority by a title insurance policy, by an endorsement to the policy insuring the consolidated mortgagee's interest or by other title evidence acceptable to Freddie Mac as specified in this Guide
- The consolidated principal amount does not exceed the original loan amount

Sellers originating Mortgages on Uniform Instruments that do not contain a covenant permitting future advances, and who wish to allow future advances, may execute a rider permitting future advances. The rider must contain language providing that the terms shall have no force or effect subsequent to a specified date which must be before the sale of the Mortgage, in whole or in part, to Freddie Mac. In addition, the rider must contain the following provision:

Notwithstanding the foregoing provisions, the ability of the lender, its successors and assigns, to enforce the repayment of future advances made prior to the sale of the Mortgage to Freddie Mac shall remain in full force and effect.

**(b) Advances made after purchase**

On Home Mortgages that have been sold to Freddie Mac, in whole or in part, the Seller or Servicer may not make additional advances.

# Chapter 4201: General Mortgage Eligibility

## 4201.1: Investment quality Mortgage (03/02/16)

An investment quality Mortgage is a Mortgage that is made to a Borrower from whom repayment of the debt can be expected, is adequately secured by real property and is originated in accordance with the requirements of the Purchase Documents. The Seller warrants that all Mortgages sold to Freddie Mac have the characteristics of an investment quality Mortgage.

## 4201.2: Mortgage valid First Lien; no prior liens; Mortgage not modified (03/02/16)

The Mortgage must be a valid First Lien on the Mortgaged Premises. The Mortgaged Premises must be free and clear of all prior liens and encumbrances and no rights or condition may exist that could give rise to such liens, except for:

- Liens for real estate taxes and special assessments not yet due and payable
- Rights and conditions specified in Section 4702.4

The Mortgage must be a legal, valid and binding obligation of the Borrower, enforceable according to its terms and conditions, and free from any right of setoff, counterclaim or other claim or defense. No part of the Mortgaged Premises may have been released from the Mortgage.

The terms of the Mortgage may not in any material manner have been modified, amended or in any way waived or changed, except as permitted by Freddie Mac for Mortgages eligible for sale as Construction Conversion Mortgages or Renovation Mortgages which use Modification Construction Conversion Documentation, Seller-Owned Converted Mortgages, Seller-Owned Modified Mortgages or refinance Mortgages secured by property in New York State that are documented using a New York Consolidation, Modification and Extension Agreement.

## 4201.3: Amortization (03/02/16)

The Note must provide for full amortization by maturity through regular monthly payments. Amortization must begin no later than 62 days after final disbursement of the Mortgage proceeds.

## 4201.4: Term (06/03/19)

Unless otherwise expressly permitted by the Guide, the original maturity of all Mortgages delivered to Freddie Mac must not exceed 30 years from the Origination Date. For the 10-year program, the original maturity of the Mortgage must be greater than 84 months and must not exceed 10 years from the Origination Date. For the 15-year program, the original maturity of the Mortgage must be greater than 84 months and must not exceed 15 years from the Origination Date. For the 20-year program, the original maturity must be greater than 15 years and must not exceed 20 years from the Origination Date. For the 30-year program, the original maturity of the Mortgage must be greater than 15 years and must not exceed 30 years from the Origination Date. For Construction Conversion Mortgages or Renovation Mortgages, the term must start on the Effective Date of Permanent Financing.

## 4201.5: Closed Mortgages and Seasoned Mortgages (10/18/17)

### (a) General requirements

The Mortgage must be closed before delivery to Freddie Mac. Final disbursement of the Mortgage proceeds constitutes closing of the Mortgage. Construction Conversion and Renovation Mortgages must be delivered after the Effective Date of Permanent Financing. The Mortgage must be closed in the Seller's name as lender or validly assigned and endorsed to the Seller as a holder-in-due-course.

The Settlement Date must occur no more than 12 months after the Note Date or, for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing. If the Mortgage is a Seller-Owned Modified Mortgage or Seller-Owned Converted Mortgage, then the Settlement Date must occur no more than 12 months after the modification or conversion date. See Chapter 4402 for special eligibility requirements for the purchase of these Mortgages. See Section 5601.8 for information regarding requirements for Mortgages with Settlement Dates more than 120 days after the Note Date.

### (b) Seasoned Mortgages

Seasoned Mortgages may be sold to Freddie Mac only through a negotiated sales transaction through our bulk sales unit.

## **4201.6: Principal amount advanced; no mandatory future advances; outstanding balance (03/02/16)**

The full principal amount of the Mortgage must have been disbursed or advanced to the Borrower or disbursed or advanced according to the direction of the Borrower. The Borrower may not have an option under the Security Instrument to borrow additional funds secured by the Security Instrument. The outstanding principal balance of the Mortgage must be as represented by the Seller to Freddie Mac and must be fully secured by the Security Instrument.

## **4201.7: Mortgage not in default (03/02/16)**

As of the Freddie Mac Funding Date and during the immediate 12 months before the Delivery Date,

- No part of the Borrower's monthly installment of principal and interest (and, if applicable, monthly Escrow payment) may have been 30 days or more delinquent (see definition of Delinquency)
- There may not have been any other default under the terms and conditions of the Mortgage that remained uncured for 30 days or more after notice of the default to the Borrower

All costs, fees and expenses incurred in making, closing and recording the Mortgage must have been paid. Before the Delivery Date, there must not have been any advance of funds by the Seller or any prior holder of the Mortgage, nor by another at the request of the Seller or any prior holder of the Mortgage, to or on behalf of the Borrower to be used by the Borrower for the payment of any monthly installment, principal, interest or other charge payable under the terms of the Mortgage.

## **4201.8: Assumption of Mortgage (03/02/16)**

A Mortgage not owned by Freddie Mac with respect to which the original Borrower has conveyed the Mortgaged Premises to a new owner is eligible for purchase by Freddie Mac, provided that the new owner is obligated by a written assumption agreement to repay the indebtedness secured by the Mortgaged Premises and has been fully underwritten and qualified according to the requirements of Topics 5100-5500 and the provisions of any other Guide sections applicable to the particular Mortgage being assumed. For example, if the Mortgaged Premises is a Manufactured Home, the provisions of Chapter 5703 must be satisfied.

## 4201.9: Biweekly Mortgages and payment plans (05/01/19)

A biweekly Mortgage is a Mortgage on which the Borrower makes a principal and interest payment every two weeks pursuant to either the terms of the Note, a rider or a separate agreement.

A Mortgage originated with a biweekly payment schedule is eligible for sale to Freddie Mac only on a negotiated basis as a biweekly Mortgage.

The Seller may offer a biweekly payment plan to a Borrower as part of the Seller's origination process. If the plan is in effect or the Borrower has agreed to accept the plan, then the Mortgage is eligible for sale to Freddie Mac only on a negotiated basis as a biweekly Mortgage.

For Mortgages originated and delivered with biweekly payment schedules, Servicers should refer to Section 8303.15 and Exhibit 60, Loan-Level Reporting Data Description, for monthly investor reporting requirements and Section 8303.21 for requirements for Mortgages that become 120 days delinquent.

If the Servicer enters into a biweekly payment plan with the Borrower after the Mortgage has been sold to Freddie Mac, then the Servicer must comply with the requirements set forth in Section 8104.2.

## 4201.10: Wholesale Home Mortgages (08/29/18)

Freddie Mac will purchase Wholesale Home Mortgages under the terms of the Purchase Documents and this section.

For Wholesale Home Mortgages, the Correspondent or Mortgage Broker (or their authorized third parties) may perform all or some of the origination, processing, underwriting, packaging, funding and/or closing functions described in the Purchase Documents as obligations or requirements of the Seller. Although these functions may not be performed directly by the Seller, the Seller is responsible for compliance with all Purchase Documents requirements.

### (a) Representations and warranties

The Seller must represent and warrant with respect to each Wholesale Home Mortgage it sells to Freddie Mac that the Seller has management controls in place that:

- Ensure the Mortgage complies with the terms of the Purchase Documents
- Correspond to the scope and types of risks associated with its wholesale business. Factors to be considered include, but are not limited to, the:
  - Number of Correspondents and Mortgage Brokers the Seller uses

- ❑ Length of time the business relationship has been established
- ❑ Types of services provided by the Correspondent or Mortgage Broker

### **(b) Wholesale originations best practices**

Freddie Mac's *Quality Control and Fraud Prevention Resources* includes best business practices for wholesale lending. Sellers may find the *Wholesale Originations Best Practices* publication to be a useful, on-line resource in fulfilling Freddie Mac's requirements for Wholesale Home Mortgages stated in this section. Sellers can access any of the three components of the *Quality Control and Fraud Prevention Resources*: ***Quality Control Best Practices***, ***Wholesale Originations Best Practices*** and ***Fraud Prevention Best Practices*** on Freddie Mac's web site at [http://www.freddiemac.com/singlefamily/quality\\_control.html](http://www.freddiemac.com/singlefamily/quality_control.html). See Chapter 3201 for more information about Seller/Service's requirements relating to fraud prevention, detection and reporting.

### **(c) Delivery Instructions**

The Seller is required to deliver one of the following ULDD Data Points, as applicable, for each Wholesale Home Mortgage:

- *Loan Originator Type* of "Correspondent," or
- *Loan Originator Type* of "Broker"

## **4201.11: Location of the Mortgaged Premises (03/02/16)**

The Mortgaged Premises must be located in a State.

## **4201.12: General property insurance requirements (03/02/16)**

The requirements of Sections 8202.1 through 8202.10 for property and casualty insurance must be met at the time a Mortgage is sold to Freddie Mac and continually thereafter for as long as Freddie Mac owns an interest in the Mortgage.

## **4201.13: No circumstances adversely affecting value of Mortgage (03/02/16)**

No proceeding may be pending for condemnation of all or any part of the Mortgaged Premises. There may be no circumstances or conditions of which the Seller is aware involving the Mortgage, the Mortgaged Premises or the creditworthiness of the Borrower that would adversely affect the value or marketability of the Mortgage.

## **4201.14: Mortgages secured by Primary Residences (08/07/19)**

A Mortgage will not qualify to be an owner-occupied property Mortgage unless the Borrower is an individual or individuals, and at least one of the Borrowers is, as of the Delivery Date, occupying all or part of the Mortgaged Premises as a Primary Residence. For Manually Underwritten Mortgages and A-minus Mortgages, when the loan-to-value ratio is greater than 90%, each Borrower whose income or financial strength was used for qualification purposes must, as of the Delivery Date, occupy all or part of the Mortgaged Premises as a Primary Residence. Refer to Section 5103.1 for requirements when the Mortgage includes a non-occupying borrower. [Refer to Section 4408.2 for a special occupancy requirement for Mortgages made pursuant to employee relocation programs.](#)

## **4201.15: Second home Mortgages (04/03/19)**

Freddie Mac will purchase Mortgages secured by second homes under the terms of the Purchase Documents and this section.

### **(a) Eligibility requirements**

The following eligibility requirements apply to second home Mortgages:

- The Mortgage must be secured by a 1-unit property
- The Borrower must occupy the second home for some portion of the year
- The Borrower must keep the property available primarily (i.e., more than half of the calendar year) for the Borrower's personal use and enjoyment
- The Borrower may rent the property on a short-term basis provided that the property is not subject to any rental pools or agreements that require the Borrower to rent the property, give a management company or entity control over the occupancy of the property or involve revenue sharing between any owners and the developer or another party



- **The Mortgaged Premises must be** in such a location to function reasonably as a second home
- **The second home must be** suitable for year-round occupancy **with the following exception: a second home with seasonal limitations on year-round occupancy (e.g. lack of winter accessibility) is eligible provided the appraiser includes at least one comparable sale with similar seasonal limitations to demonstrate the marketability of the subject property. See Section 5601.2 for general property eligibility requirements.**
- The property must not be subject to any timesharing or other shared ownership arrangement

Freddie Mac's determination of whether a property is a second home is conclusive. A 2-unit property used as a second home is considered an Investment Property and must meet all of the requirements of Section 4201.16.

A Mortgage secured by a second home must be an Accept Mortgage, an A-minus Mortgage or a Manually Underwritten Mortgage with a minimum Indicator Score as set forth in Exhibit 25, Mortgages with Risk Class and/or Minimum Indicator Score Requirements, to be eligible for delivery.

#### **(b) Special underwriting requirements**

Each second home Mortgage must meet the following requirements:

- (i) For newly constructed homes that are purchase transactions, the Borrower may not be affiliated with or related to the builder, developer or the property seller
- (ii) Each Borrower individually and all Borrowers collectively must not be obligated on (e.g., Notes, land contracts and/or any other debt or obligation) more than 10 1- to 4-unit financed properties, including the subject property and the Borrower's Primary Residence, provided that, when the number of 1- to 4-unit financed properties (including the subject property and the Borrower's Primary Residence) is greater than six, the Mortgage must:
  - Be a Loan Product Advisor<sup>®</sup> Mortgage with a Risk Class of Accept, and
  - Have a minimum Indicator Score of 720

Examples of financed properties that do not have to be counted in these limitations include:

- Commercial real estate
- Multifamily (five or more units) real estate

- Timeshares
  - Undeveloped land
  - Manufactured homes not titled as real property (chattel lien), unless the property is situated on the land that is titled as real property
  - Property titled in the name of the Borrower's business provided that the Borrower, in his or her individual capacity, is not obligated on Notes, land contracts and/or any debt or obligation related to such property
  - Property titled in the name of a trust where the Borrower is a trustee, provided that the Borrower, in his or her individual capacity, is not obligated on Notes, land contracts and/or any debt or obligation related to such property
- (iii) The reserves requirements in Sections 5501.2 and 5501.3 must be met
- (iv) Rental income from the Borrower's second home may not be considered as stable monthly income in the credit qualification analysis
- (v) The monthly housing expense related to a Borrower's current Primary Residence must be used in computing the Borrower's monthly housing expense-to-income ratio
- (vi) The monthly payment amount (as described in Section 5401.2) on the second home must be considered in calculating the Borrower's monthly debt payment-to-income ratio

**(c) Other requirements**

Form 3890, Multistate Second Home Rider, is required for all Mortgages secured by second homes.

## **4201.16: Investment Property Mortgages (03/01/19)**

Freddie Mac will purchase Investment Property Mortgages under the terms of the Purchase Documents and this section.

**(a) Eligible Mortgages**

- (i) Each Investment Property Mortgage must comply with Section 4203.4
- (ii) Each Investment Property Mortgage must be an Accept Mortgage, an A-minus Mortgage or a Manually Underwritten Mortgage with a minimum Indicator Score as set forth in Exhibit 25, Mortgages with Risk Class and/or Minimum Indicator Score Requirements

- (iii) Mortgages with temporary subsidy buydowns are not eligible for delivery as Investment Property Mortgages
- (iv) Freddie Mac will purchase Investment Property Mortgages made to Borrowers who own more than one financed Investment Property, provided that the Investment Property Mortgage being sold to Freddie Mac is:
  - An eligible fixed-rate, level-payment Mortgage, or
  - A 7/1 or 10/1 ARM, and
  - Not an A-minus Mortgage

**(b) Special underwriting requirements**

An Investment Property Mortgage delivered to Freddie Mac must meet the following special underwriting requirements:

- (i) For newly constructed homes that are purchase transactions, the Borrower may not be affiliated with or related to the builder, developer or property seller. For these purposes, “affiliated with” means that the Borrower may not have an ownership interest in or employment with the builder, developer or property seller.
- (ii) Each Borrower individually and all Borrowers collectively must not be obligated on (e.g., Notes, land contracts and/or any other debt or obligation) more than 10 1- to 4-unit financed properties, including the subject property and the Borrower’s Primary Residence, provided that, when the number of 1- to 4-unit financed properties (including the subject property and the Borrower’s Primary Residence) is greater than six, the Mortgage must:
  - Be a Loan Product Advisor<sup>®</sup> Mortgage with a Risk Class of Accept, and
  - Have a minimum Indicator Score of 720

Examples of financed properties that do not have to be counted in these limitations include:

- Commercial real estate
- Multifamily (five or more units) real estate
- Timeshares
- Undeveloped land

- Manufactured homes not titled as real property (chattel lien), unless the property is situated on the land that is titled as real property
  - Property titled in the name of the Borrower's business provided that the Borrower, in his or her individual capacity, is not obligated on Notes, land contracts and/or any debt or obligation related to such property
  - Property titled in the name of a trust where the Borrower is a trustee, provided that the Borrower, in his or her individual capacity, is not obligated on Notes, land contracts and/or any debt or obligation related to such property
- (iii) The monthly housing expense related to the Borrower's current Primary Residence must be used in calculating the Borrower's monthly housing expense-to-income ratio
- (iv) Regardless of whether rental income from the Mortgaged Premises is used in qualifying, the reserves requirements in Sections 5501.2 and 5501.3 must be met
- (v) [Refer to Chapter 5306 for requirements related to rental income](#)
- (vi) Gift funds, gift of equity or grants, as described in Section 5501.3(c) are not permitted

**(c) Additional documentation requirement**

An Investment Property Mortgage must be originated using the 1-4 Family Rider, Form 3170. See Exhibit 5, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application, Section VIII for authorized changes to the 1-4 Family Rider for Investment Property Mortgages.

**(d) Credit Fees in Price for Investment Property Mortgages**

A special Credit Fee in Price will be assessed and billed to the Seller in conjunction with the sale of Investment Property Mortgages. The Seller must refer to Exhibit 19, Credit Fees in Price, for information on the Investment Property Mortgages Credit Fee in Price and other Credit Fees in Price. Credit Fees in Price are paid in accordance with the Credit Fee in Price provisions outlined in Chapter 6303.

**4201.17: Purchase requirements for Mortgages secured by properties with resale restrictions (11/05/18)**

[Effective November 5, 2018, the content of Section 4201.17 has been moved to Chapter 4406 and Section 4201.17 has been deleted.](#)

Freddie Mac will purchase Mortgages secured by properties subject to resale restrictions including, but not limited to, income-based resale restrictions and age-based resale restrictions (such as senior housing or units restricted to one or more occupants age 55 and over), if the requirements of Chapter 4406 are met.

## **4201.18: Impact of Contaminated Sites (03/02/16)**

If the Seller knows of the existence of a Contaminated Site in the neighborhood where the property is located, it must do all of the following:

- Inform the appraiser of such a site when ordering the appraisal (see Section 5601.3)
- Form an opinion on the impact that such a site may have on the investment quality of the Mortgage
- Document the Mortgage file with a description of the site and its location relative to the property and the Seller's opinion on the investment quality of the Mortgage

## **4201.19: Legal description requirements (03/02/16)**

For each Mortgage purchased by Freddie Mac, the legal description as stated in the Security Instrument and title insurance policy or other evidence of title must be in one of the following forms:

### **(a) Metes and bounds**

A metes and bounds description should comply with the following standards:

- The beginning point should be established by a monument located at the beginning point or by reference to a nearby monument
- The sides of the Mortgaged Premises must be described by the distances and bearings of each. In place of bearings, the interior angle method is acceptable if the beginning point is on a dedicated public street line or a fixed line on other property, or if the course of the first side can be otherwise properly fixed.
- The distances, bearings and angles should be taken from a recent instrument survey or recently recertified instrument survey by a licensed civil engineer or registered surveyor
- Curved courses should be described by data including the length of arc, the radius of circle for the arc and the chord distance and bearing. When a survey course is part of a dedicated public street or road line, the course may be described by indicating the distance and direction the course takes along the street line from the end of the previous

course, if commonly accepted by private institutional Mortgage investors in the area where the Mortgaged Premises is located.

- The legal description should be a single perimeter description of the entire plot. Division into parcels must be avoided unless serving a special purpose of the Mortgage. Division is necessary, however, if the plot is located on two sides of a public way. It is also customary in many areas to describe an easement appurtenant to a fee parcel by using a separate parcel description.

#### **(b) Lot and block**

A description composed of lots and/or blocks including a reference to a recorded map or plat that shows the lots or blocks is usually adequate.

When all of the lots or blocks in the description do not appear on the same recorded map or plat; however, a reference to the location of the apparently identical sides of lots or blocks in different recorded maps or plats, fixed in both maps or plats by the same monuments (a rare situation) is usually adequate.

#### **(c) Additional acceptable forms**

Although encountered in only a few cases, a description of a parcel bounded on all sides by dedicated streets or alleys can acceptably refer only to the bounding lines of the streets or alleys.

A description of registered property is acceptable if in the form required by the local Torrens Act.

#### **(d) Consistency of legal description**

The Mortgage, title insurance policy (or substitute evidence of title), survey, lease, mortgage insurance policy, property insurance policies and all other documents pertaining to the Mortgage or the Mortgaged Premises must each have a legal description consistent with that in the other documents.

## **4201.20: Blanket Mortgages (03/02/16)**

When the Mortgaged Premises consist of more than one parcel of real estate, the parcels must be adjoining and the Mortgage must be a valid First Lien on each parcel. In addition, only one parcel may contain a residence. For example, the Mortgage may be secured by one parcel of real estate with a residence and an adjoining parcel which contains either vacant land or a garage; but the adjoining parcel cannot contain another residence.

## **4201.21: Land Trusts (12/14/17)**

Effective December 14, 2017, this section is deleted. Refer to Section 5103.7 for Land Trust Mortgage eligibility requirements.

## **4201.22: Cooperative Share Loans (11/15/17)**

Cooperative Share Loans are eligible for purchase if permitted by the Seller's Purchase Documents. A Seller should contact its Freddie Mac representative to discuss how to obtain the applicable term of business.

## **4201.23: Escrow accounts (11/07/19)**

### **(a) Escrow requirements**

Freddie Mac does not require Escrow accounts except with respect to the collection of Borrower-paid mortgage insurance paid monthly as described in Section 4701.2 and when required by applicable law.

### **(b) Seller policy for not requiring Escrow accounts**

Sellers that sell Mortgages without Escrow accounts must establish and maintain a written policy for determining when Escrow accounts are not required. The Seller's determination that Escrow accounts are not required for a Mortgage must be based on the evaluation of the Borrower's ability to make all payments for the expenses to be paid under the Mortgage as they become due. These expenses include, but are not limited to, taxes, special assessments, ground rents and other charges that are or may become First Liens on the Mortgaged Premises, as well as property insurance premiums. Sellers may not waive the requirement for Escrow accounts with respect to collection of Borrower-paid mortgage insurance and when Escrows are required by law.

### **(c) Best practices**

Although not required, Freddie Mac encourages Sellers to require Escrows for the following Mortgages:

- Mortgages to Borrowers that are First-Time Homebuyers
- Home Possible<sup>®</sup> Mortgages
- HomeOne<sup>SM</sup> Mortgages
- Mortgages secured by 2- to 4-unit properties
- Mortgages secured by Manufactured Homes

- Second home Mortgages
- Investment Property Mortgage
- Mortgages where the Borrower has less than six months of reserves
- Refinance Mortgages where taxes were past due on the Mortgage being refinanced



# Chapter 4202: Responsible Lending

## 4202.1: Compliance with law (03/02/16)

The Mortgage and the Servicing of the Mortgage, Mortgage transaction and the Mortgaged Premises must be in compliance with all requirements of all federal, State and local laws, rules and regulations including, without limitations, truth-in-lending laws, licensing laws, doing-business laws, usury laws and anti-predatory lending and similar laws. Any right of rescission involving the Mortgage under such laws, rules or regulations must have expired.

## 4202.2: State anti-predatory lending laws and regulations (03/02/16)

Mortgages secured by Mortgaged Premises in the following States that are designated as “high-cost,” “high-risk” or similar Mortgages are not eligible for purchase by Freddie Mac:

- **Arkansas:** Mortgages with Note Dates on or after July 17, 2003 that are “high-cost home loans” under the Arkansas Home Loan Protection Act, A.C.A. § 23-53-101, et seq.
- **Colorado:** Mortgages with Note Dates on or after January 1, 2003 that are “covered loans” under the Consumer Equity Protection Act, C.R.S. 5-3.5-101, et seq.
- **Georgia:** Mortgages with Note Dates between October 1, 2002 and March 7, 2003 that are governed by the Georgia Fair Lending Act, O.C.G.A. § 7-6A-1, et seq., and Mortgages with Note Dates on and after March 7, 2003 that are “high-cost home loans”
- **Illinois:** Mortgages with Note Dates on or after January 1, 2004 that are “high-risk home loans” under the High-Risk Home Loan Act, 815 ILCS 137/1, et seq.
- **Indiana:** Mortgages with Note Dates on or after January 1, 2005 that are “high cost home loans” under Article 9 (Home Loan Practices) of the Indiana Code concerning trade regulations; consumer sales and credit, Burns Ind. Code Ann. § 24-9-1-1, et seq.
- **Kentucky:** Mortgages with Note Dates on or after June 25, 2003 that are “high-cost home loans” under the Kentucky Revised Statutes Chapter 360, KRS § 360.100
- **Maine:** Mortgages with Note Dates on or after September 13, 2003 that are “high rate, high fee mortgages” under Article 8-A (the Maine Consumer Credit Code – Truth-in-Lending), 9-A MRSA § 8-501, et seq.
- **Massachusetts:** Mortgages with Note Dates on or after November 7, 2004 that are “high cost home mortgage loans” under the Predatory Home Loan Practices Act, ALM GL ch. 183C, § 1, et seq.

- **New Jersey:** Mortgages with Note Dates on or after November 27, 2003 that are “high-cost home loans” under the New Jersey Home Ownership Security Act of 2002, N.J. Stat. § 46:10B-22, et seq.
- **New Mexico:** Mortgages with Note Dates on or after January 1, 2004 that are “high-cost home loans” under the Home Loan Protection Act, N.M. Stat. Ann. § 58-21A-1, et seq.
- **New York:** Mortgages with initial application dates after April 1, 2003 that are “high-cost home loans” under the New York Banking Law, NY CLS Bank § 6-l. In addition, Mortgages with Note Dates on or after September 1, 2008 that are “subprime home loans” under the New York Banking Law, NY CLS Bank § 6-m.
- **Oklahoma:** Mortgages with Note Dates on or after January 1, 2004 that are “subsection 10 mortgages” under Article 1, Part 3 of the Consumer Credit Code, 14A Okl. St. § 1-301
- **Rhode Island:** Mortgages with Note Dates on or after December 31, 2006 that are “high-cost home loans” under the Rhode Island Home Loan Protection Act, R.I. Gen. Laws § 34-25.2-1, et seq.
- **Tennessee:** Mortgages with Note Dates on or after January 1, 2007 that are “high-cost home loans” under the Tennessee Home Loan Protection Act, Tenn. Code Ann. § 45-20-101, et seq.

Such Mortgages are ineligible for purchase by Freddie Mac regardless of whether the lender and/or Seller/Servicer enjoys preemption based on its charter or whether the law provides for an exemption for particular lenders and/or Seller/Servicers based on their charters or for particular Mortgages based on their purchase by Freddie Mac or another entity.

In addition, the Seller/Servicer represents and warrants that:

- It has in place policies and procedures based on the requirements of each law identified above to ensure that it does not inadvertently deliver an ineligible Mortgage to Freddie Mac for purchase
- It has received representations and warranties from any person or entity from which the Seller purchased the Mortgage that they are not “high-cost,” “high-risk” or similar Mortgages under the laws identified above, and
- No person, with the intent to avoid the application or evade the provisions of one of the laws identified above, divided a loan transaction into separate parts (by creating a concurrent subordinate lien or otherwise) or performed any other subterfuge

### **4202.3: Predatory lending practices (03/02/16)**

The requirements in Subsection 4202.3(a) are effective for Mortgages with Application Received Dates **prior to January 10, 2014**.

Refer to Subsection 4202.3(b) for requirements for Mortgages with Application Received Dates on or after January 10, 2014.

**(a) Requirements effective for Mortgages with Application Received Dates prior to January 10, 2014**

Freddie Mac actively opposes predatory lending and has implemented a number of policies designed to combat it. Freddie Mac-approved Seller/Servicers should have policies designed to identify and avoid predatory lending practices.

To further implement certain Freddie Mac anti-predatory lending policies, when selling a Mortgage to Freddie Mac, a Seller represents and warrants:

- For Mortgages secured by a Primary Residence, points and fees charged in connection with the Mortgage sold to Freddie Mac do not exceed 5% of the original loan amount. For loans with a balance not exceeding \$20,000, a maximum of \$1,000 may be used in lieu of the 5% limitation.

For purposes of this representation and warranty, points and fees include:

- Origination fees
- Underwriting fees
- Broker fees
- Finder's fees
- Charges that a Seller imposes as a condition of making the loan, whether they are paid to the Seller or to a third party

For purposes of this representation and warranty, points and fees do not include:

- Bona fide discount points
- Fees paid for actual services rendered in connection with the Mortgage origination, such as attorney's fees, notary's fees, and fees paid for property appraisals, credit reports, surveys, title examinations and extracts, flood and tax certifications and home inspections
- The cost of mortgage insurance or credit-risk price adjustments
- The costs of title, property and flood insurance policies
- State and local transfer fees and taxes

- ❑ Escrow deposits for the future payment of taxes and insurance premiums, and
- ❑ Miscellaneous fees and charges that, in total, do not exceed one-quarter of 1% (0.25%) of the loan amount

In addition to the foregoing and in accordance with Guide requirements, for all Mortgages sold to Freddie Mac, Sellers must represent and warrant compliance with the requirements of Sections 1301.2, 4202.1, 4202.2, 4202.4, 4202.7, 4202.9, 4202.5 and 4301.2.

- For all Prepayment Penalty Mortgages eligible for sale to Freddie Mac, the Seller must represent and warrant compliance with the following requirements:
  - ❑ The terms of the prepayment penalty were adequately disclosed to the Borrower; and
  - ❑ There is no penalty assessed in the event of a Borrower default

In addition to the above representations and warranties, for a Prepayment Penalty Mortgage secured by a Primary Residence eligible for sale to Freddie Mac, the Seller must represent and warrant that:

- ❑ The Mortgage provided a benefit to the Borrower, such as a rate or fee reduction, for accepting the prepayment penalty; and
  - ❑ The Borrower was offered the choice of another Mortgage that did not include the prepayment penalty
- No Borrower who qualified for a lower-cost loan product has been “steered” to a higher-cost loan product. A Seller should offer or direct applicants who seek financing through the Seller’s higher-priced subprime or non-prime lending channel toward its standard Mortgage line if the applicants qualify for one of the standard products.

For additional information regarding Freddie Mac anti-predatory lending requirements, see the following locations:

<b>Topic</b>	<b>Location</b>
Compliance With Applicable Law	Section 1301.2
Anti-Predatory Lending Laws and Regulations	Section 4202.2
Credit Insurance — Single-Premium Credit Insurance	Section 4202.7
Home Ownership and Equity Protection Act of 1994 (HOEPA) Mortgages	Section 4202.4
Mandatory Arbitration	Section 4202.9
Higher-Priced Mortgage Loans and Higher-Priced Covered Transactions	Section 4202.5
General Requirements for All Refinance Mortgages — Mortgages Subject to the HOEPA are Ineligible for Purchase	Section 4301.2
Underwriting the Borrower	Topics 5100 – 5500
Credit Reporting Requirements	Section 8106.6

**(b) Requirements effective for Mortgages with Application Received Dates on or after January 10, 2014**

Freddie Mac actively opposes predatory lending and has implemented a number of policies designed to combat it. Freddie Mac-approved Seller/Service providers should have policies designed to identify and avoid predatory lending practices.

To further implement certain Freddie Mac anti-predatory lending policies, when selling a Mortgage to Freddie Mac, a Seller represents and warrants:

- Compliance with the requirements of Sections 1301.2, 4202.1, 4202.2, 4202.4, 4202.5, 4202.7, 4202.9, and 4301.2; and
- No Borrower who qualified for a lower-cost loan product has been “steered” to a higher-cost loan product. A Seller should offer or direct applicants who seek financing through the Seller’s higher-priced subprime or non-prime lending channel toward its standard Mortgage line if the applicants qualify for one of the standard products.

For additional information regarding Freddie Mac anti-predatory lending requirements, see the following locations:

<b>Topic</b>	<b>Location</b>
Compliance With Applicable Law	Section 1301.2
Anti-Predatory Lending Laws and Regulations	Section 4202.2
Home Ownership and Equity Protection Act of 1994 (HOEPA) Mortgages	Section 4202.4
Higher-Priced Mortgage Loans and Higher-Priced Covered Transactions	Section 4202.5
Credit Insurance — Single-Premium Credit Insurance	Section 4202.7
Mandatory Arbitration	Section 4202.9
General Requirements for All Refinance Mortgages — Mortgages Subject to the HOEPA are Ineligible for Purchase	Section 4301.2
Underwriting the Borrower	Topics 5100 - 5500
Credit Reporting Requirements	Section 8106.6

## **4202.4: HOEPA Mortgages (03/02/16)**

For Primary Residences, purchase transaction Mortgages and refinance Mortgages that exceed the thresholds under the Home Ownership and Equity Protection Act of 1994 (HOEPA) and its implementing regulations are ineligible for purchase by Freddie Mac.

## **4202.5: Higher-Priced Mortgage Loans and Higher-Priced Covered Transactions (11/01/18)**

**Effective for Mortgages with Application Received Dates on or after October 1, 2009 and prior to October 15, 2014**, Freddie Mac will purchase Higher-Priced Mortgage Loans (HPMLs), as defined in the Glossary, under the terms of the Purchase Documents and this section.

HPMLs eligible for sale to Freddie Mac must be one of the following Mortgage Products:

- A fixed-rate Mortgage

- A 7/1 or 10/1 ARM

HPMLs sold to Freddie Mac must not be:

- A Prepayment Penalty Mortgage
- An ARM with an Initial Period less than seven years

**For Mortgages with Application Received Dates on or after October 15, 2014**, Freddie Mac will purchase Higher-Priced Mortgage Loans (HPMLs) and Higher-Priced Covered Transactions (HPCTs), as defined in the Glossary, under the terms of the Purchase Documents and this section.

HPMLs and HPCTs eligible for sale to Freddie Mac must be one of the following Mortgage Products:

- A fixed-rate Mortgage
- An ARM with an Initial Period of five, seven or ten years

For additional information regarding Freddie Mac HPML and HPCT requirements, see the following locations:

<b>Topic</b>	<b>Location</b>
Compliance with applicable law	Sections 1301.2 and 4202.1
Freddie Mac Relief Refinance Mortgages <sup>SM</sup> and Enhanced Relief Refinance Mortgages <sup>SM</sup>	Chapters 4302, 4303 and 4304
Eligible ARMs; Underwriting Requirements	Sections 4401.1 and 4401.8

## **4202.6: Points and fees limitation (03/02/16)**

**Effective for Mortgages with Application Received Dates on or after January 10, 2014**, Mortgages with points and fees exceeding 3% of the total loan amount (or such other applicable limits for lower balance Mortgages) as specified under the Truth-in-Lending Act and its implementing regulations, 12 C.F.R. 1026.43(e)(3), will not be eligible for sale to Freddie Mac. Sellers must use the points and fees calculation that is required for qualified mortgages under the Truth-in-Lending Act and its implementing regulations, 12 C.F.R. 1026.32(b) to determine compliance with applicable requirements.

However, Mortgages that exceed the points and fees thresholds stated above will be eligible for sale to Freddie Mac if the following conditions are met:

- Such Mortgages are exempt from Regulation Z, 12 C.F.R. 1026.43(a) or are not subject to the Truth-in-Lending Act; and
- The points and fees do not exceed 5% of the total loan amount. Sellers must use the points and fees calculation that is required for high-cost Mortgages under the Home Ownership and Equity Protection Act of 1994 and its implementing regulations, 12 C.F.R. 1026.32(b).

**Mortgages with Application Received Dates prior to January 10, 2014** are not subject to the requirements in this section.

## **4202.7: Credit insurance (03/02/16)**

Freddie Mac will not purchase or securitize any Mortgage if the Borrower obtained a prepaid single-premium credit-life, credit disability, credit unemployment or credit property insurance policy in connection with the origination of the Mortgage, regardless of whether the premium was financed in the Mortgage amount or paid from the Borrower's funds. This prohibition does not apply to credit insurance products where premiums are calculated, earned and paid on a monthly or other regular periodic basis or to prepaid hazard, flood or mortgage insurance policies.

## **4202.8: Mortgages with private transfer fee covenants (03/02/16)**

Mortgages on properties encumbered by private transfer fee covenants prohibited by 12 C.F.R. Part 1228 are ineligible for purchase by Freddie Mac if those covenants were created on or after February 8, 2011.

In addition, the Seller/Servicer represents and warrants that:

- It has controls in place to ensure that it does not inadvertently deliver an ineligible Mortgage to Freddie Mac as described above, and
- If applicable, it has received representations and warranties from any person or entity from which the Seller purchased the Mortgage that the property securing the Mortgage is not encumbered by private transfer fee covenants created on or after February 8, 2011

## **4202.9: Mandatory arbitration (03/02/16)**

Freddie Mac will not purchase any Mortgage if any of the Mortgage documents – including the Note, any Note addendum, the Security Instrument or any Security Instrument rider – contain a



“mandatory arbitration” clause, that is, a clause that obligates the Borrower to submit to arbitration any dispute arising out of or relating in any way to the mortgage transaction.

Freddie Mac’s Uniform Instruments do not provide for mandatory arbitration, and the addition of a mandatory arbitration clause is not an authorized change to the Uniform Instruments. No ancillary Mortgage document may contain a mandatory arbitration provision.

# Chapter 4203: Maximum Loan Amounts and LTV, TLTV and HTLTV Ratios

## 4203.1: Value (10/02/19)

### (a) Loan Product Advisor<sup>®</sup> Mortgages and Non-Loan Product Advisor Mortgages

For a purchase transaction, “value” is the lesser of the appraised value of the Mortgaged Premises on the Note Date or the purchase price of the Mortgaged Premises.

For a purchase transaction involving a newly constructed home, multiple contracts may be combined to determine the purchase price of the Mortgaged Premises (for example, a new home purchase contract and a new swimming pool contract may be added together to establish the purchase price).

For a refinance, “value” is the appraised value of the Mortgaged Premises.

For certain Loan Product Advisor Mortgage transactions, Freddie Mac may accept the “value” to be the Seller-provided estimate of value or the purchase price as the basis for the underwriting of the Mortgage. See Section 5601.9(c) for more information on automated collateral evaluation.

The value used to determine the loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios for Freddie Mac Enhanced Relief Refinance<sup>®</sup> Mortgages must be determined in accordance with the requirements in Section 4304.7.

For the value used to determine the LTV, TLTV and HTLTV ratios for Community Land Trust Mortgages, see Section 4502.8.

For the value used to determine the LTV, TLTV and HTLTV ratios for Mortgages subject to resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, see Section 4406.1(g)(ii).

### (b) New York State mortgage insurance requirements

Solely for the purpose of determining whether mortgage insurance is required or should be canceled, for Loan Product Advisor and Non-Loan Product Advisor Mortgages, the “value” of Mortgaged Premises located in the State of New York, is the appraised value of the Mortgage Premises on the Note Date.

(This definition of the “value” of Mortgaged Premises located in the State of New York applies only to the above-stated mortgage insurance requirements, and is not applicable for any other purposes under the terms of the Purchase Documents.)

**(c) Construction Conversion and Renovation Mortgages**

The value used to determine the LTV, TLTV and HTLTV ratios for Construction Conversion and Renovation Mortgages, must be determined in accordance with the requirements in Section 4602.10.

**(d) Mortgages secured by energy and/or water efficient properties**

The value used to determine the LTV, TLTV and HTLTV ratios for GreenCHOICE Mortgages<sup>SM</sup>, must be determined in accordance with the requirements in Section 4606.2.

## **4203.2: Calculating LTV, TLTV and HTLTV ratios (07/11/16)**

**Loan Product Advisor**<sup>®</sup> calculates the loan-to-value (LTV) ratio, total LTV (TLTV) ratio, and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio based on the data submitted by the Seller.

For Non-**Loan Product Advisor** Mortgages:

- The LTV ratio is obtained by dividing the First Lien Mortgage amount by value, as defined in Section 4203.1
- The TLTV ratio is obtained by dividing the sum of the First Lien Mortgage amount and the disbursed amount of the HELOC and any other secondary financing by value, as defined in Section 4203.1
- The HTLTV ratio is obtained by dividing the sum of the First Lien Mortgage amount and the total HELOC credit line limit and any other secondary financing by value, as defined in Section 4203.1

To determine if a Mortgage meets LTV, TLTV or HTLTV ratio requirements, round each ratio up to the next whole number.

Freddie Mac will calculate the LTV ratio for each Mortgage it purchases based on data delivered by the Seller. Freddie Mac will calculate the LTV ratio to two decimal places and round the result of that calculation up to the next whole number. For example, 94.01% will be rounded up to 95%.

## 4203.3: Maximum original loan amounts for Home Mortgage purchases (01/01/19)

The following maximum original loan amounts\* apply to Home Mortgages with Funding or Settlement Dates on or after January 1, 2019. Except for the Mortgage Products, offerings and characteristics listed below, the loan amount used to determine compliance with the original loan amount limits is the original loan amount:

Number of Units	Maximum Original Loan Amount	Properties in Alaska, Guam, Hawaii or U.S. Virgin Islands
1	\$484,350	\$726,525
2	\$620,200	\$930,300
3	\$749,650	\$1,124,475
4	\$931,600	\$1,397,400

\* Mortgages with higher loan amounts may be eligible for sale provided they meet the requirements of Chapter 4603.

For the Mortgage Product, offering or characteristic listed below, the loan amount used to determine compliance with the original loan amount limits is stated in the following chart:

Mortgage Product, offering or characteristic	Loan amount to be used to determine compliance with maximum loan amounts
Seller-Owned Modified Mortgages (as described in Chapter 4402 and Section 6302.27)	The loan amount of the Mortgage as stated in the original Note
Seller-Owned Converted Mortgages (as described in Chapter 4402 and Section 6302.19)	The loan amount of the Mortgage as stated in the ARM Note
Construction Conversion Mortgages and Renovation Mortgages originated using Integrated Documentation (as described in Chapter 4602 and Section 6302.28)	The loan amount of the Interim Construction Financing as stated in the integrated Note for the Interim Construction Financing and Permanent Financing

<b>Mortgage Product, offering or characteristic</b>	<b>Loan amount to be used to determine compliance with maximum loan amounts</b>
Construction Conversion Mortgages and Renovation Mortgages originated using Modification Documentation (as described in Chapter 4602 and Section 6302.28)	The higher of (i) the loan amount of the Interim Construction Financing as stated in the Note for the Interim Construction Financing or (ii) the loan amount of the Permanent Financing as stated in the Construction Conversion Modification Agreement
Construction Conversion Mortgages and Renovation Mortgages originated using Separate Documentation (as described in Chapter 4602 and Section 6302.28)	The loan amount of the Permanent Financing as stated in the Note for the Permanent Financing
Mortgages with future advances made before the Delivery Date consolidated with the outstanding principal amount (as described in Section 4101.11(a))	The loan amount of the Mortgage as stated in the original Note (which must be equal to or greater than the consolidated principal amount)
Mortgages with a principal curtailment made before the Delivery Date (as described in Section 6302.32)	The loan amount of the Mortgage as stated in the Note
Mortgages with financed mortgage insurance premiums (as described in Section 4701.2)	The loan amount of the Mortgage as stated in the Note (which includes the financed mortgage insurance premium)

For the Mortgage Products, offerings and characteristics listed in the chart above, the loan amount for purposes of determining compliance with the maximum loan amount limits provided in this section may be different from the amount delivered in the ULDD Data Point *Note Amount* and from the amount used to calculate the LTV ratio. See Chapter 6302 for delivery instructions.

## **4203.4: Maximum LTV, TLTV and HTLTV ratios (02/01/19)**

The maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios for the following may differ from those ratios identified in this section and may be found in the Sections listed below:

- Mortgages secured by a Manufactured Home – Section 5703.3(e)
- Home Possible<sup>®</sup> Mortgages – Section 4501.10

- Freddie Mac HomeOne<sup>SM</sup> Mortgages – Chapter 4605
- Mortgages to Borrowers with a credit history that includes a previous Mortgage foreclosure, a conveyance of a deed-in-lieu of foreclosure, or a short sale – Section 5202.5(a)
- Mortgages that use a Streamlined Project Review – Section 5701.4
- Community Land Trust Mortgages – Section 4502.7
- **Freddie Mac Enhanced Relief Refinance<sup>®</sup> Mortgages** – Section 4304.3

<b>PURCHASE AND "NO CASH-OUT" REFINANCE MORTGAGES (Fixed-Rate and ARMs)</b>	
<b>Property Type</b>	<b>Maximum LTV/TLTV/HTLTV ratio</b>
1-unit Primary Residence	95%
2-unit Primary Residence	85%
3- and 4-unit Primary Residences	80%
Second home	90%
1-unit Investment Property	85%
2- to 4-unit Investment Property	75%

<b>CASH-OUT REFINANCE MORTGAGES (Fixed-Rate and ARMs)</b>	
<b>Property Type</b>	<b>Maximum LTV/TLTV/HTLTV ratio</b>
1-unit Primary Residence	80%

**CASH-OUT REFINANCE MORTGAGES  
(Fixed-Rate and ARMs)**

<b>Property Type</b>	<b>Maximum LTV/TLTV/HTLTV ratio</b>
2- to 4-unit Primary Residence	75%
Second home	75%
1-unit Investment Property	75%
2- to 4-unit Investment Property	70%

Note: The minimum Indicator Score requirements for Mortgages sold to Freddie Mac can be found in Exhibit 25, Mortgages with Risk Class and/or Minimum Indicator Score Requirements.

# Chapter 4204: Secondary Financing and Other Financing Arrangements

## 4204.1: Mortgages with secondary financing (10/02/19)

### (a) General requirements

Secondary financing is all financing that is subordinate in lien priority to the First Lien Mortgage. Freddie Mac will purchase First Lien Mortgages with secondary financing under the terms of the Purchase Documents and this section. Terms of any secondary financing must be disclosed to the appraiser and to the MI. The terms of the secondary financing that must be disclosed include, but are not limited to, the Note Rate and the institution or individual providing the financing. The Seller may not indicate a value needed to support the transaction, or provide any information to the appraiser about an expected loan-to-value (LTV) ratio.

Except as specifically stated in Section 4204.2 with respect to Affordable Seconds<sup>®</sup>, the terms of secondary financing must not permit the provider or another party to share in the appreciation of the Mortgaged Premises (equity sharing).

Secondary financing is not eligible for sale to Freddie Mac.

For special requirements for Affordable Seconds, see Section 4204.2.

### (b) Special requirements for new secondary financing

Secondary financing originated concurrently with the First Lien Mortgage (i.e., the First Lien Mortgage and the junior lien are originated on the same day) must meet the following requirements:

#### ■ Maturity date

The maturity date or amortization basis of the junior lien must not be less than five years after the Note Date of the First Lien Mortgage delivered to Freddie Mac, unless the junior lien is fully amortizing or a Home Equity Line of Credit (HELOC). In addition, the junior lien must not contain a call provision within the five-year period, unless the junior lien is a HELOC.

If the secondary financing is an Employer Assisted Homeownership (EAH) Benefit, the terms of the secondary financing may not require repayment in full unless:

1. The Borrower terminates his or her employment for any reason, or
2. The employer terminates the Borrower's employment for any reason other than long-term disability, the elimination of the employee's position or reduction-in-force



### ■ **Scheduled payments**

The terms of the secondary financing must provide for regular monthly payments sufficient to meet the interest due; interest may not accrue.

If the secondary financing is an EAH Benefit and the monthly payment of principal and interest or interest only begins on or after the 61st monthly payment under the First Lien Mortgage or if repayment of the principal is due only upon sale or default, the amount of the monthly payment may be excluded from the monthly housing expense-to-income ratio and monthly debt payment-to-income ratio. Otherwise, the required monthly payment must be included in both the ratios.

### ■ **Documentation requirements**

The Seller must include a copy of the following documentation in the Mortgage file:

- Note or other evidence of subordinate lien terms
- Settlement/Closing Disclosure Statement or an alternative form required by law that evidences the fees and costs paid by the Borrower at closing in connection with the secondary financing
- For HELOCs, the HELOC agreement indicating all fees and costs paid by the Borrower at closing, and the maximum permitted credit advance

### **(c) Special requirements for existing secondary financing**

Freddie Mac will purchase First Lien refinance Mortgages with existing junior liens (including HELOCs) that are not paid off from the proceeds of the refinance Mortgage provided that:

- Evidence of subordination of outstanding secondary financing is retained in the Mortgage file
- The junior lien has scheduled payments sufficient to meet the interest due

### **(d) Credit Fees in Price and other delivery instructions for Mortgages with secondary financing**

A special Credit Fee in Price will be assessed and billed to the Seller in conjunction with the sale of certain Mortgages with secondary financing. The Seller must refer to Exhibit 19, Credit Fees in Price, for information on the Secondary Financing Credit Fee in Price and other Credit Fees in Price. Credit Fees in Price are paid in accordance with the Credit Fee in Price provisions outlined in Chapter 6303.

See Section 6302.34 for delivery instructions for Mortgages with secondary financing.

The Secondary Financing Credit Fee in Price will not be assessed on a Mortgage with an Affordable Second. Affordable Seconds are described in Section 4204.2.

## **4204.2: Special requirements for Affordable Seconds® (10/02/19)**

Affordable Seconds® must comply with the requirements of Section 4204.1(a) and the following requirements regardless of whether they are originated concurrently (i.e., the First Lien Mortgage and the Affordable Second are originated on the same day) or are being subordinated to the First Lien Mortgage in a refinance transaction.

### **■ Source**

An Affordable Second must be provided by an Agency under an established, ongoing, documented secondary financing or financial assistance program.

With respect to the subject Mortgage, the Agency must not:

- Be the Seller or have participated in any aspect of the Mortgage origination process
- Be affiliated with, under contract to, or financed (directly or indirectly) by the Seller or any party that participated in the Mortgage origination process

For these purposes, “affiliated with” means that the Agency and the Seller or other party are related to each other as a consequence of one entity directly or indirectly controlling the other party, being controlled by the other party or being under common control with that party.

The source of the Affordable Second must not be the property seller or another interested party to the transaction.

### **■ Eligible First Lien Mortgages**

The First Lien Mortgage must be:

- A fixed-rate Mortgage or an ARM with an initial fixed-rate period of five years or greater
- A purchase transaction or a “no cash-out” refinance, and
- Secured by a 1- to 4-unit Primary Residence

### **■ Maturity date**

The terms of the Affordable Second must not require a balloon payment due before the maturity or payment in full of the First Lien Mortgage.

If the Affordable Second is an Employer Assisted Homeownership (EAH) Benefit, the terms of the secondary financing may not require repayment in full unless:

- The Borrower terminates his or her employment for any reason, or
- The employer terminates the Borrower's employment for any reason other than long-term disability, the elimination of the employee's position or reduction-in-force

■ **Scheduled payments**

The interest rate of the Affordable Second must not be more than 2% higher than the interest rate of the First Lien Mortgage. Interest accruals, which are added to principal, may not increase the total loan-to-value (TLTV) ratio beyond the maximum TLTV ratio allowed for the First Lien Mortgage at any time during the term of the First Lien Mortgage.

If monthly payments on the Affordable Second are required and begin before the 61<sup>st</sup> monthly payment under the First Lien Mortgage, such monthly payments must be included in the Borrower's monthly housing expense-to-income ratio and monthly debt payment-to-income ratio. If monthly payments on the Affordable Second begin on or after the 61<sup>st</sup> monthly payment under the First Lien Mortgage or if repayment of the entire Affordable Second amount is due only upon sale or default, the amount of the Affordable Second monthly payment may be excluded from both ratios.

■ **Loan Product Advisor<sup>®</sup>**

When submitting a Mortgage with an Affordable Second to Loan Product Advisor<sup>®</sup>, the Seller may enter the amount of the Affordable Second in the "Total Gift Fund" field of Loan Product Advisor instead of entering it into the "Subordinate Amount" field, provided that:

- The Affordable Second does not require a payment before the Due Date of the 61<sup>st</sup> monthly payment, and
- It meets all the other requirements for an Affordable Second stated in Section 4204.2

Except for entering the Affordable Second amount into Loan Product Advisor as a gift, the Seller must include the Affordable Second as secondary financing in all circumstances, including:

- Calculating the TLTV ratio for delivery
- Complying with the delivery requirements in Section 6302.34

## ■ Participation in appreciation (equity sharing)

When the terms of an Affordable Second permit the Agency to share in the appreciation of the Mortgaged Premises, the following requirements must be met:

- At the time of origination of the Affordable Second, the Agency's share of appreciation, as a percentage, must not exceed the principal amount of the Affordable Second divided by value, as defined in Section 4203.1 ("the percentage of the Affordable Second"), except as stated below. For example, if the Affordable Second amount is 5% of value, the maximum share of appreciation is 5%.
- The terms of the Affordable Second may permit the provider a share of appreciation exceeding the percentage of the Affordable Second if all of the following requirements are met:
  - The Agency must not charge interest on the Affordable Second
  - The Agency's share of appreciation must not exceed 75%
  - The Agency's share of appreciation must be reduced to the percentage of the Affordable Second, or below, within the first five years
  - The terms of the Affordable Second must allow the Borrower to recover all of the following before the Agency is able to share in the appreciation:
    - The Down Payment paid from Borrower funds
    - Customary costs incurred by the Borrower for selling the property
    - Costs for improvements to the property that were allowed by the Agency or under the Agency's program
    - The payments of principal of the First Lien Mortgage

## ■ Land Use Restrictions

Any Land Use Restrictions included in the Affordable Second documentation must:

- Be subject to and subordinate to the First Lien Mortgage, and
- Terminate upon payment in full of the Affordable Second, or
- Satisfy the requirements of Section 4201.17

- **Financing structure**

The Affordable Second financing cannot be a HELOC.

- **Documentation requirements**

The Seller must include a copy of the following documentation for the Affordable Second in the Mortgage file:

- Note or other evidence of terms for the Affordable Second
- Settlement/Closing Disclosure Statement or an alternative form required by law that evidences the fees and costs paid by the Borrower at closing in connection with a new Affordable Second
- For refinance transactions, evidence of subordination of an existing Affordable Second

## **4204.2: Affordable Seconds<sup>®</sup> (Future effective date 03/01/20)**

### **(a) Special requirements for Affordable Seconds**

Affordable Seconds<sup>®</sup> must comply with the requirements of Section 4204.1(a) and the following requirements regardless of whether they are originated concurrently (i.e., the First Lien Mortgage and the Affordable Second are originated on the same day) or are being subordinated to the First Lien Mortgage in a refinance transaction. [A checklist for Affordable Seconds is available as an additional resource at \*\*https://sf.freddiemac.com/content/\\_assets/resources/pdf/factsheets/affordable\\_seconds\\_guidelines\\_factsheet.pdf\*\*.](https://sf.freddiemac.com/content/_assets/resources/pdf/factsheets/affordable_seconds_guidelines_factsheet.pdf)

[For special requirements for Affordable Seconds used to provide financial assistance for subsidizing the property's sales price, see Section 4204.2\(b\).](#)

#### **(i) Source**

##### **(A) General requirements**

An Affordable Second must be provided by an Agency under an established, ongoing, documented secondary financing or financial assistance program.

With respect to the subject Mortgage, the Agency must not:

- Be the Seller or have participated in any aspect of the Mortgage origination process, [other than to assess the Borrower's ability to meet the requirements of the program and to fund the Affordable Second](#)

- Be affiliated with, under contract to, or financed (directly or indirectly) by the Seller or any party that participated in the Mortgage origination process **such as the property seller, builder, developer or real estate agent**

For these purposes, “affiliated with” means that the Agency and the Seller or other party are related to each other as a consequence of one entity directly or indirectly controlling the other party, being controlled by the other party or being under common control with that party.

The source of the Affordable Second must not be the property seller or another interested party to the transaction **except as provided in Sections 4204.2(a)(i)(B) and 4204.2(a)(i)(C) below.**

### **(B) Special requirements for Seller-funded Affordable Seconds**

A Seller may be the source of an Affordable Second if the following requirements are met:

- The Seller must:
  - Be a depository institution
  - Have an established Affordable Seconds program that supports Community Reinvestment Act (CRA) mandates
  - Not participate in the appreciation of the Mortgaged Premises
- The Affordable Second:
  - Is not funded in any way through the first lien Mortgage transaction, including differential pricing in rate, discount points or fees for individual loans
  - May be forgivable or repayable
  - May be used toward the minimum Down Payment requirement
- The First Lien Mortgage must be a:
  - Purchase transaction Mortgage secured by a 1-unit Primary Residence
  - Home Possible<sup>®</sup> Mortgage submitted to Loan Product Advisor<sup>®</sup> in accordance with Chapter 5101 and must receive a risk classification of Accept
  - Retail Mortgage

See Section 6302.34(b)(iv) for special delivery instructions for Home Possible Mortgages with Seller-funded Affordable Seconds.

**(C) Special requirements for Mortgages secured by properties subject to income-based resale restrictions**

For Mortgages secured by properties subject to income-based resale restrictions:

- The source of the Affordable Second may be a government agency or a non-profit entity that acts as the program administrator for the government agency. The non-profit entity may also act as the property seller on behalf of the government agency.
- The source of the Affordable Second may be a non-profit entity that is also the property seller but is not affiliated with a government agency; provided, however, that the Seller must obtain Freddie Mac’s prior written approval to sell the related First Lien Mortgages to Freddie Mac by contacting the Seller’s Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE.

See Section 6302.34(b)(iv) for special delivery instructions for Mortgages secured by properties subject to income-based resale restrictions with Affordable Seconds for which the source is a non-profit entity that is also the property seller but not affiliated with a government agency.

**(ii) Eligible First Lien Mortgages**

The First Lien Mortgage must be:

- A fixed-rate Mortgage or an ARM with an initial fixed-rate period of five years or greater
- A purchase transaction or a “no cash-out” refinance, and
- Secured by a 1- to 4-unit Primary Residence

**(iii) Maturity date**

The terms of the Affordable Second must not require a balloon payment due before the maturity or payment in full of the First Lien Mortgage.

If the Affordable Second is an Employer Assisted Homeownership (EAH) Benefit, the terms of the secondary financing may not require repayment in full unless:

- The Borrower terminates his or her employment for any reason, or

- The employer terminates the Borrower's employment for any reason other than long-term disability, the elimination of the employee's position or reduction-in-force

**(iv) Scheduled payments**

The interest rate of the Affordable Second must not be more than 2% higher than the interest rate of the First Lien Mortgage. Interest accruals, which are added to principal, may not increase the total loan-to-value (TLTV) ratio beyond the maximum TLTV ratio allowed for the First Lien Mortgage at any time during the term of the First Lien Mortgage.

If monthly payments on the Affordable Second are required and begin before the 61<sup>st</sup> monthly payment under the First Lien Mortgage, such monthly payments must be included in the Borrower's monthly housing expense-to-income ratio and monthly debt payment-to-income ratio. If monthly payments on the Affordable Second begin on or after the 61<sup>st</sup> monthly payment under the First Lien Mortgage or if repayment of the entire Affordable Second amount is due only upon sale or default, the amount of the Affordable Second monthly payment may be excluded from both ratios.

**(v) Loan Product Advisor**

When submitting a Mortgage with an Affordable Second to Loan Product Advisor, the Seller may enter the amount of the Affordable Second in the "Total Gift Fund" field of Loan Product Advisor instead of entering it into the "Subordinate Amount" field, provided that:

- The Affordable Second does not require a payment before the Due Date of the 61<sup>st</sup> monthly payment, and
- It meets all the other requirements for an Affordable Second stated in Section 4204.2

Except for entering the Affordable Second amount into Loan Product Advisor as a gift, the Seller must include the Affordable Second as secondary financing in all circumstances, including:

- Calculating the TLTV ratio for delivery
- Complying with the delivery requirements in Section 6302.34



**(vi) Participation in appreciation (equity sharing)**

Agencies and subsidy providers of an Affordable Second may participate in appreciation if the requirements in this section are met. For-profit entities may not participate in appreciation.

When the terms of an Affordable Second permit the Agency or subsidy provider to share in the appreciation of the Mortgaged Premises, the following requirements must be met:

- At the time of origination of the Affordable Second, the Agency's or subsidy provider's share of appreciation, as a percentage, must not exceed the principal amount of the Affordable Second divided by value, as defined in Section 4203.1 ("the percentage of the Affordable Second"), except as stated below. For example, if the Affordable Second amount is 5% of value, the maximum share of appreciation is 5%.
- The terms of the Affordable Second may permit the Agency or subsidy provider a share of appreciation exceeding the percentage of the Affordable Second if all of the following requirements are met:
  - The Agency or subsidy provider must not charge interest on the Affordable Second
  - The share of appreciation must not exceed 75% unless the Affordable Second provider is a subsidy provider or program administrator managing an income-based resale restriction program and the Seller confirms that:
    - All of the special requirements for Mortgages secured by properties subject to income-based resale restrictions in Section 4406.2 are met; and
    - The subsidy provider or program administrator has processes in place to allow the Borrower to receive a share of the proceeds of subsequent sales in instances where the subsidized resale price of the property increases at resale
- The terms of the Affordable Second must allow the Borrower to recover all of the following before the Agency or subsidy provider is able to share in the appreciation:
  - The Down Payment paid from Borrower funds
  - Customary costs incurred by the Borrower for selling the property
  - The payments of principal of the First Lien Mortgage
- The right of the Agency or subsidy provider to share in the appreciation must be clearly subordinate to the First Lien Mortgage

**(vii) Financing structure**

The Affordable Second financing cannot be a HELOC.

**(viii) Documentation requirements**

The Seller must include a copy of the following documentation for the Affordable Second in the Mortgage file:

- Note or other evidence of terms for the Affordable Second
- Settlement/Closing Disclosure Statement or an alternative form required by law that evidences the fees and costs paid by the Borrower at closing in connection with a new Affordable Second
- For refinance transactions, evidence of subordination of an existing Affordable Second

**(ix) Special delivery instructions**

See Section 6302.34(b)(iv)(B) for special delivery instructions for Mortgages with Affordable Seconds, including special requirements for Mortgages with Affordable Seconds from sources permitted under Sections 4204.2(a)(i)(B) and 4204.2(a)(i)(C).

**(b) Special requirements for properties subject to income-based resale restrictions and Affordable Seconds used to subsidize the property's sales price**

An Affordable Second can be used to provide financial assistance by subsidizing the property's sales price in certain affordable housing programs, and as a result, the programs may impose income-based resale restrictions. The difference between the market sale price and the resale-restricted price represents the subsidy amount provided by the Affordable Second and creates the subsidized sales price. The subsidy provider for the Affordable Second may have the preemptive option to purchase the home and/or transfer this option to an eligible buyer.

The Mortgage terms for the Affordable Second typically provide for either no payments or deferred payments and the entire outstanding balance may be forgiven at some specified point in time. The terms of the Affordable Second Mortgage may not, however, restrict Freddie Mac's sale or transfer of a property once Freddie Mac has acquired title to the property as an REO.

When an Affordable Second is used to subsidize the property's sales price and income-based resale restrictions are imposed, the Affordable Second must not be used toward the Borrower's Down Payment or Closing Costs.

## 4204.3: Interested party contributions (07/06/17)

Effective July 6, 2017, the contents of this section are moved to Section 5501.5.

## 4204.4: Temporary subsidy buydown plans (11/15/17)

Freddie Mac will purchase Mortgages with temporary subsidy buydown plans (buydown plans) under the terms of the Purchase Documents and this section. Buydown plans allow the Borrower to benefit from temporary subsidies of the monthly payment of principal and interest.

### (a) Eligibility

Buydown plans are not permitted for Mortgages with the following characteristics:

- 6-month ARMs; 1/1 ARMs; and 3/1 ARMs
- Cash-out refinance Mortgages
- “No cash-out” refinance Mortgages with a buydown plan funded from lender credit derived from an increase in the interest rate
- Investment Property Mortgages
- Mortgages secured by Manufactured Homes

Home Possible<sup>®</sup> Mortgages with buydown plans must meet the requirements of this section and Section 4501.5.

For any Mortgage with a buydown plan, the initial interest rate may not be more than three percentage points below the Note Rate. Also, the buydown plan may not extend for more than three years after the first scheduled payment date.

### (b) Special underwriting requirements for Limited Buydown Mortgages

For a Limited Buydown Mortgage, the initial interest rate is:

- Temporarily reduced to no more than two percentage points below the Note Rate
- Increased by no more than one percentage point annually for no more than two years

Property Type	Fixed-Rate, 7/1 and 10/1 ARMs, and 7/6-Month and 10/6-Month ARMs	5/1, 3/3 and 5/5 ARMs
1-unit Primary Residence and second home	Yes	Yes
2-unit Primary Residence	Yes	Yes
3- to 4-unit Primary Residence	Yes	No

**Borrower qualification:**

- For fixed-rate Mortgages, the Borrower must be qualified using monthly payments calculated at the Note Rate
- For ARMs, the Borrower must be qualified using monthly payments calculated in accordance with Section 4401.8
- If reserves are required, the reserves must be calculated using the Note Rate

**(c) Special underwriting requirements for Extended Buydown Mortgages**

Freddie Mac will purchase Extended Buydown Mortgages with initial interest rates that are:

- Temporarily reduced no more than three percentage points below the Note Rate
- Increased by no more than one percentage point annually for more than two but no more than three years

Property Type	Fixed-Rate, 7/1 and 10/1 ARMs, and 7/6-Month and 10/6-Month ARMs	5/1 and 5/5 ARMs
1-unit Primary Residence and second home	Yes	Yes
2-unit Primary Residence	Yes	Yes
3- to 4-unit Primary Residence	Yes	No

**Borrower qualification:**

- For fixed-rate Mortgages, the Borrower must be qualified using monthly payments calculated at the Note Rate
- For ARMs, the Borrower must be qualified using monthly payments calculated in accordance with Section 4401.8
- If reserves are required, the reserves must be calculated using the Note Rate

**(d) Delivery requirements for Mortgages with a buydown plan**

See Section 6302.18 for information on the delivery and pooling requirements for Mortgages with a buydown plan.

**(e) Special documentation requirements for Mortgages with buydown plans**

**(i) Application of buydown funds**

The Borrower must agree in writing that the buydown funds in the buydown account will be automatically applied each month to reduce the monthly payment of principal and interest to the extent provided under the subsidy buydown agreement. The buydown agreement must provide that the Borrower will not be relieved of the obligation to make the full monthly Mortgage payments required by the terms of the Mortgage Note if, for any reason, the buydown funds are not available or the buydown funds are not paid.

The Mortgage file must contain a copy of the executed buydown agreement and must clearly show the Seller's calculations of the total cost of the temporary subsidy buydown, any interested party contribution and the annual percentage increase in the Borrower's monthly principal and interest payment.

## **(ii) Custodial Account requirements for buydowns**

Each subsidy buydown must be fully funded at origination. See Sections 8302.1(b) and 8302.4(b) for Custodial Account requirements for buydown plans.

The buydown agreement must state that the Borrower will not assign, transfer or close the account, or withdraw buydown funds, except as permitted by the terms of the buydown agreement.

## **(iii) References**

No references to the buydown plan are permitted in the Note and Security Instruments.

## **(iv) Interest rate and monthly payments**

The interest rate and monthly payments shown in the Note must be calculated without reference to the temporary buydown subsidy. In no event may the temporary subsidy buydown agreement change the terms of the Note or Mortgage.

## **(v) Servicing requirements**

If the Mortgage is foreclosed, the funds in the buydown account must be used to reduce the Mortgage debt. If the Mortgage is paid in full, the funds must be distributed in accordance with the buydown agreement. If the property is sold and the Mortgage is assumed by the purchaser, the funds may continue to be used to reduce the Mortgage payments under the original terms of the buydown agreement.

## **4204.5: Shared equity plans (07/06/17)**

Freddie Mac does not approve individual shared equity plans. Freddie Mac will, however, consider purchasing Mortgages using such plans if the following requirements are met:

- The Seller must obtain a Mortgage application, financial statements and credit reports for both the Owner-Occupant and owner-investor
- The Freddie Mac credit guidelines are satisfied
- The shared equity plan is a written agreement, a copy of which is retained in the Mortgage file

The Seller warrants the following:

1. A minimum **Down Payment** of at least 5% was made by the Owner-Occupant from Borrower personal funds as described in Section 5501.3(b)

2. The owner-investor made an additional **Down Payment** of at least 5%
3. Both the Owner-Occupant and owner-investor signed the Note and Security Instrument
4. Both the Owner-Occupant and owner-investor are individuals, i.e., not corporations, limited partnerships, partnerships or trusts
5. No agreement requiring sale of the property or buyout of either owner's interest may be in effect within seven years of the date of the Note and Security Instrument
6. The seller of the property or other interested party to the transaction (such as a builder or a real estate broker or agent) is not a party to the agreement
7. The Seller or the Servicer is able to service the Mortgage according to all the requirements of the Guide

# Chapter 4205: Government funded, guaranteed or insured Mortgages

## 4205.1: Section 502 GRH Mortgages (07/06/17)

### (a) Overview

Freddie Mac will purchase Section 502 GRH Mortgages in accordance with the provisions of this chapter and the Purchase Documents.

The Seller should be familiar with Freddie Mac's definitions in the Glossary for:

- Section 502 GRH Mortgage
- RHS

The following additional terms apply for purposes of this section:

- **Lender Agreement:** The current RHS Agreement for Participation in Single Family Guaranteed/Insured Loan Programs of the United States Government Lender Agreement — Form RD 1980-16 executed by the Seller
- **Guaranteed Regulations:** The RD Instructions 1980D of Title 7, Part 1980, Subpart D of the Code of Federal Regulations, collectively with the forms, agreements, manuals and other material and documents issued by RHS, as may be modified by RHS from time to time
- **Conditional Commitment:** The current Conditional Commitment for Single Family Housing Loan Guarantee — Form RD 1980-18
- **Lender Record Change:** The current Guaranteed Rural Housing Lender Record Change — Form RD 1980-11
- **Loan Guarantee:** The current RHS guarantee issued on Form RD 1980-17

Each Section 502 GRH Mortgage must be originated in compliance with all of the requirements of the Guaranteed Regulations and the Lender Agreement, unless these requirements are either:

- Modified or waived in writing by RHS, and Freddie Mac has approved those modifications or waivers, or
- Specifically restricted or modified by this chapter



## **(b) Eligible Mortgages**

A Section 502 GRH Mortgage must be:

- An assumable or nonassumable first-lien secured by a Primary Residence
- A purchase transaction or “no cash-out” refinance of existing Section 502 GRH Mortgage
- A 30-year fully amortizing fixed-rate Mortgage that is not a Seasoned Mortgage
- A Non-Loan Product Advisor Mortgage

Section 502 GRH Mortgages must be sold to Freddie Mac with recourse, within the meaning of Section 6201.7(a).

The Seller must obtain Freddie Mac’s written approval, which must be expressly included in the Seller’s Purchase Documents, to sell Section 502 GRH Mortgages. The Seller should request this written approval by calling its account manager or (800) FREDDIE.

## **(c) Loan limits**

No Section 502 GRH Mortgage may have an original principal balance in excess of the maximum principal loan amount allowed under the RHS Guaranteed Regulations, or in excess of the maximum loan amounts for conventional Mortgages stated in Section 4203.3, whichever is less. A Section 502 GRH Mortgage may not be a super conforming Mortgage.

## **(d) Requirements**

Each Section 502 GRH Mortgage must comply with the provisions of the Guide, except that if there are Guaranteed Regulations applicable to the following matters, the Guaranteed Regulations will apply:

- Borrower underwriting
- Loan-to-value (LTV) ratios and total LTV (TLTV) ratios
- Sources of funds for Down Payment, Closing Costs and reserves
- Financing concessions and temporary subsidy buydown plans
- Secondary financing
- Property eligibility
- Title insurance

- Property insurance, and
- Mortgage insurance

Each Section 502 GRH Mortgage must comply with the Guaranteed Regulations for LTV/TLTV ratios, and the LTV/TLTV ratios must not exceed 115%, as calculated under the requirements in Section 4203.2.

**(e) Special RHS documentation instructions**

- Loan Guarantee

Freddie Mac will purchase Section 502 GRH Mortgages prior to the receipt of the Loan Guarantee if:

- RHS has issued its Conditional Commitment and the conditions precedent to the issuance of the Loan Guarantee stated in the Guaranteed Regulations and the Conditional Commitment have been satisfied
- The Seller has delivered the Guaranteed Loan Closing Report, current Form RD 1980-19, to RHS and has paid the RHS Loan Guarantee fee
- As of the Delivery Date, the Seller represents and warrants that there is no basis for RHS to fail to issue the Loan Guarantee and that it has not been notified by RHS that the Loan Guarantee has been denied

- Lender Record Change

The Seller must complete and execute the Lender Record Change and submit it to the appropriate RHS Servicing Office within 15 calendar days after the Delivery Date of each Section 502 GRH Mortgage. For purposes of completing the Lender Record Change, the Seller is the “Selling Lender,” Freddie Mac is the “Purchasing (Holding) Lender,” and the Seller is the “Lender’s Servicing Agent.” Freddie Mac’s lender identification number is 52-0904874. Leave the “Purchasing Lender Agency Assigned Branch No.” blank.

**(f) Mortgage file contents**

In addition to the documents required in Chapters 3401 and 3301, the Mortgage file for each Section 502 GRH Mortgage must contain:

- A Conditional Commitment
- A Loan Guarantee
- A Lender Record Change

### **(g) Special Seller warranties**

The Seller warrants to Freddie Mac, as of the Delivery Date of each Section 502 GRH Mortgage, that:

- The Seller has obtained a determination from RHS that the Seller is eligible to participate as an originating lender for Section 502 GRH Mortgages
- The Seller has executed the Lender Agreement that is and will remain in full force and effect
- The Loan Guarantee by RHS of the Section 502 GRH Mortgage is in full force and in effect as of the Delivery Date
- The Seller has complied and will continue to comply with the RHS Guaranteed Regulations, the RHS Lender Agreement and all other applicable RHS guidelines, regulations and requirements

### **(h) Mortgage instruments**

If the Section 502 GRH Mortgage is assumable, it must be originated on Mortgage instruments approved by the FHA for FHA-insured assumable fixed-rate Mortgages with all applicable riders and addenda required by FHA.

If a Section 502 GRH Mortgage is not assumable, it must be originated on the then current Fannie Mae/Freddie Mac Uniform Instruments including all applicable riders required in Section 4101.2 for the jurisdiction in which the Mortgaged Premises are located.

For all Section 502 GRH Mortgages, the monthly payment due date stated in the Note must be the first day of the month.

### **(i) Delivery instructions**

See Section 6302.15 for delivery and pooling requirements for Section 502 GRH Mortgages sold to Freddie Mac.

### **(j) Credit Fees in Price**

Assumable and nonassumable Section 502 GRH Mortgages must be sold to Freddie Mac with recourse, within the meaning of Section 6201.7(a). The Seller must refer to Exhibit 19, Credit Fees in Price, and/or its negotiated terms of business for Credit Fees in Price applicable to these Mortgages.

Credit Fees in Price are paid in accordance with the Credit Fee in Price provisions stated in Chapter 6303.

## 4205.2: Home Possible<sup>®</sup> Mortgages with RHS Leveraged Seconds (10/29/18)

### (a) Overview

Freddie Mac will purchase a Home Possible Mortgage with an RHS Leveraged Second in accordance with the provisions of this chapter and the Purchase Documents. Freddie Mac will not purchase the RHS Leveraged Second.

The Seller should be familiar with Freddie Mac's definition in the Glossary for RHS Leveraged Second. The following additional terms apply for the purposes of this section:

- Second Loan Documents are all of the following RHS documents:
  - Promissory Note, Form RD 1940-16 (Rev. 10-96)
  - Real Estate [Deed of Trust] or [Mortgage] for [the State in which the Mortgaged Premises are located], Form RHS 3550-14 (Rev. 10-96)
  - Subsidy Repayment Agreement, Form RD 3550-12 (Rev.10-96)
  - Interest Credit Agreement (Section 502 RHS Loans), Form FmHA 1944-6 (Rev. 12-95), and
  - Agreement with Prior Lienholder, Form FmHA 1927-8 (Rev. 1-92)
- Second Loan Regulations are the provisions applicable to:

Section 502 direct leveraged Mortgages originated by RHS contained in Part 3550 of Title 7 of the Code of Federal Regulations and the RHS Direct Single Family Housing Loans and Grants Field Service Handbook and Centralized Servicing Center Handbook collectively with the forms, agreements, manuals and other material and documents issued by RHS, as may be modified by RHS from time to time.

### (b) Eligible Mortgages

The Home Possible Mortgage purchased by Freddie Mac must be:

- A first-lien, purchase transaction, 30-year fully amortizing fixed-rate Mortgage
- Secured by a 1-unit Primary Residence

**(c) Maximum loan-to-value (LTV) and total LTV (TLTV) ratio limits**

The maximum LTV ratio of the Home Possible Mortgage is 50% and the maximum TLTV ratio, including the RHS Leveraged Second and all other secondary financing, is the lesser of 95% or the maximum allowed under the second loan regulations.

**(d) RHS requirements**

The Seller must comply with all Freddie Mac requirements for Home Possible Mortgages. Freddie Mac may allow the Borrower underwriting and qualification flexibilities with Home Possible Mortgages that are not permitted for the first Mortgage under the Second Loan Regulations. In the following areas, the Seller must comply with the provisions of the Second Loan Regulations pertaining to the first Mortgage even in situations where the underwriting and qualification requirements for Home Possible Mortgages are more flexible.

- Temporary subsidy buydown plans
- Maximum allowable qualifying ratios
- Borrower income limits
- Amount and source of funds for the Down Payment and Closing Costs
- Borrower reserves
- Rural designation as defined by RHS
- Property inspection
- Homeownership education

Financing concessions, if used as a source of funds, must be limited to such Closing Costs as are customary in the market where the Mortgaged Premises are located.

**(e) Additional documentation**

In addition to documentation required for the Home Possible Mortgage, the Mortgage file must contain:

- A Borrower's Certification of Eligibility, Form RD 1944.59 (Rev. 10-96)
- Copies of the executed Second Loan Documents and any other documents executed by the Borrower in connection with the RHS Leveraged Second

**(f) Special Seller warranties**

The Seller warrants that the RHS Leveraged Second:

- Has been closed and all proceeds advanced to the Borrower or at the Borrower's designation, prior to the Delivery Date of the Home Possible Mortgage
- At all times after the Note Date of the Home Possible Mortgage, the debt obligation and lien or other restriction on the Mortgaged Premises, of the RHS Leveraged Second and any recorded Second Loan Document are subordinate to the Home Possible Mortgage
- Was originated on the Second Loan Documents. Any changes or modifications to the Second Loan Documents must be approved by Freddie Mac.
- Was originated by RHS pursuant to the Second Loan Regulations in effect on the closing date of the RHS Leveraged Second. Any waivers or modifications to the RHS Second Loan Regulations with respect to an individual Borrower must be approved by Freddie Mac.
- Was originated by a Seller approved by RHS

In addition, the Borrower must be underwritten and approved by the RHS Field Office for the RHS Leveraged Second.

**(g) Delivery instructions**

See Section 6302.14 for delivery and pooling requirements for Home Possible Mortgages with RHS Leveraged Seconds sold to Freddie Mac.

**(h) Credit Fees in Price**

The Seller must refer to Exhibit 19, Credit Fees in Price, for information on Credit Fees in Price for a Home Possible Mortgage with an RHS Leveraged Second. Credit Fees in Price are paid in accordance with the Credit Fee in Price provisions stated in Chapter 6303.

See Section 4501.14 for information regarding Credit Fees in Price applicable to Home Possible Mortgages.

## **4205.3: Section 184 Native American Mortgages (06/03/19)**

### **(a) Overview**

Freddie Mac will purchase Section 184 Native American Mortgages in accordance with the provisions of this chapter and the Purchase Documents.

The Seller should be familiar with Freddie Mac's definition in the Glossary for Section 184 Native American Mortgages. Additionally, the following terms apply for purposes of this section:

- An Indian is any person recognized as being Indian or Alaska Native by an Indian Tribe, the federal government or any State and includes the term "Native American"
- An Indian Tribe is any Indian or Alaska Native tribe, band, rancheria, colony, pueblo, nation or other organized group or community of Indians or Alaska Natives recognized as eligible for services provided to Indians or Alaska Natives by the U.S. Secretary of the Interior because of its status as such an entity, or that is an eligible recipient under Chapter 67 of Title 31, of the U.S. Code
- The Section 184 Regulations are the Indian Housing Loan Guarantee Program Processing Guidelines, dated February 2003, collectively with the forms, agreements, manuals and other material and documents issued by HUD, and as may be modified in writing by HUD from time to time

### **(b) Eligible Mortgages and ineligible Mortgages**

Each Section 184 Native American Mortgage must:

- Be a first-lien, purchase transaction, fully amortizing, assumable, fixed-rate Mortgage
- Have an original UPB within the maximum loan amount allowed under the Section 184 Regulations, or the maximum loan amount for conventional Mortgages stated in Section 4203.3, whichever is less
- Be a Non-Loan Product Advisor Mortgage

Each Section 184 Native American Mortgage must not be:

- A Seasoned Mortgage
- Originated in connection with other FHA/VA programs, such as Section
- 203(k) of the National Housing Act

- A super conforming Mortgage
- A Community Land Trust Mortgage
- A Mortgage secured by property subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, where the property value must be determined in accordance with Section 4406.1(g)(ii)

Each Section 184 Native American Mortgage must be: sold to Freddie Mac with recourse, within the meaning of Section 6201.7(a).

The Seller must obtain Freddie Mac's approval to sell Section 184 Native American Mortgages. The Seller should request this approval by calling its account manager or (800) FREDDIE.

**(c) Compliance with Freddie Mac's requirements**

Each Section 184 Native American Mortgage must comply with the provisions of the Guide, except that if there are Section 184 Regulations applicable to the following matters, the Section 184 Regulations apply:

- Eligible Borrowers
- Borrower underwriting
- Loan-to-value (LTV) ratio and total LTV (TLTV) ratio
- Source of funds for the Down Payment and Closing Costs
- Reserves
- Secondary financing
- Temporary subsidy buydown plans
- Interested party contributions
- Appraisals
- Mortgage and property insurance
- Mortgage instruments

**(d) Title status report**



When the title to the Mortgaged Premises is an unrestricted fee simple, the provisions of Chapter 4702 apply. When title to the Mortgaged Premises is other than unrestricted fee simple, the Seller must obtain a title status report and any other documentation required by the Section 184 Regulations. The Seller must record the Security Instrument, and all other Mortgage documents required to be recorded, in accordance with the terms of the Section 184 Regulations.

**(e) Mortgage file documentation**

In addition to the documents required by Chapters 3401 and 3301, the Mortgage file must contain the following documents:

- Documentation of the land status and court system that has jurisdiction over the property
- The Indian Loan Guarantee Certificate (HUD Form 53039)

**(f) Special Seller warranties**

The Seller represents and warrants with respect to each Section 184 Native American Mortgage that:

- The HUD guarantee on each Section 184 Native American Mortgage is in full force and effect as of the Delivery Date and will not be canceled while Freddie Mac has an ownership interest in the Mortgage
- Each Section 184 Native American Mortgage was originated in compliance with all the requirements of the Section 184 Regulations, unless those requirements were modified or waived in writing by HUD and the Bureau of Indian Affairs and Freddie Mac approved the modifications and waivers
- The Borrower's Indian Tribe received authorization from HUD to participate in the Mortgage loan program described in the Section 184 Regulations and adopted, and is enforcing, a legal and administrative framework and procedures for foreclosure, evictions, establishing priority of liens and leasing, that meets the requirements of the Section 184 Regulations
- The HUD guarantee fee was paid
- The Seller received the Indian Loan Guarantee Certificate (HUD Form 53039) endorsed for guarantee by an authorized agent of the Assistant Secretary for Public and Indian Housing

**(g) Delivery instructions**

See Section 6302.13 for delivery and pooling requirements for Section 184 Native American Mortgages sold to Freddie Mac.

#### **(h) Credit Fees in Price**

Each Section 184 Native American Mortgage must be sold to Freddie Mac with recourse, within the meaning of Section 6201.7(a). The Seller should refer to Exhibit 19, Credit Fees in Price, and/or their negotiated terms of business for Credit Fees in Price applicable to these Mortgages.

Credit Fees in Price are paid in accordance with the Credit Fee in Price provisions stated in Chapter 6303.

## **4205.4: FHA/VA Mortgages (11/05/18)**

#### **(a) General requirements**

FHA/VA Mortgages eligible for purchase must have the following characteristics:

- Each Mortgage is a fixed-rate, level payment, fully amortizing, first-lien FHA Mortgage or VA Mortgage
- The following Mortgages may not be delivered:
  - Graduated-payment Mortgages
  - ARMs
  - Super conforming Mortgages
  - Home Improvement Loans
  - Multifamily Mortgages
  - Community Land Trust Mortgages
  - Mortgages secured by property subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, where the property value must be determined in accordance with Section 4406.1(g)(ii)
  - Second Mortgages
- Each Mortgage meets all requirements applicable to the program under which it is insured or guaranteed

- Each Mortgage meets the requirements set forth in the Guide, except to the extent that (i) the requirements of the Guide are inconsistent with the requirements of the program under which the Mortgage is insured or guaranteed or (ii) the requirements of the Guide are specifically modified by this chapter
- Each Mortgage is sold to Freddie Mac with recourse, within the meaning of Section 6201.7(a)
- See Section 6302.12 for delivery and pooling requirements for FHA/VA Mortgages sold to Freddie Mac

The Seller must file a Mortgage Record Change (Form HUD-92080) with HUD to report the sale of an FHA Mortgage and provide HUD with required information on the Seller or selling mortgagee, on Freddie Mac or purchase or holding mortgagee, and on the Servicer. The HUD Mortgage number for Freddie Mac is 92304-0999-4.

The Seller must obtain Freddie Mac's approval before selling FHA/VA Mortgages to Freddie Mac by calling either its Freddie Mac representative or (800) FREDDIE.

**(b) Additional requirements**

Notwithstanding any requirements applicable to the program under which an FHA/VA Mortgage is insured or guaranteed:

- No Mortgage may have an original maturity in excess of 30 years
- No FHA Mortgage may have an original principal balance in excess of the maximum principal amount as determined under the National Housing Act or in excess of the maximum loan amounts for conventional Mortgages in Section 4203.3, whichever is less
- The original principal balance of a VA Mortgage may not exceed the maximum loan amount for a conventional 1-unit Home Mortgage as described in Section 4203.3
- Each Mortgage must be covered by a paid-up Mortgage title insurance policy written by a title insurer and in a form acceptable to the Secretary of HUD or the VA Administrator, as applicable. Such policy may not be subject to any exceptions other than those previously approved by the Secretary of HUD or the VA Administrator. The protection and benefits of such policy in the amounts required by HUD and the VA must run to Freddie Mac and to the Secretary of HUD or the VA Administrator, as applicable. With respect to any FHA Mortgage on a property formerly held by HUD, a title insurance policy is not required if the Secretary of HUD is obligated to:
  - ❑ Waive any objection to title by reason of any lien or other adverse interest that was senior to the FHA Mortgage on the date such FHA Mortgage was filed for record, or
  - ❑ Accept an assignment of the FHA Mortgage if the mortgagee is unable to complete foreclosure because of a defect in the FHA Mortgage instrument, a defect in the FHA Mortgage transaction or a defect in the title which existed at or before the time the FHA Mortgage was filed for record

Prior encumbrances on the Mortgaged Premises are not acceptable unless such encumbrances were previously approved by the FHA or VA and, as determined by Freddie Mac, do not detract from the value of the Mortgaged Premises or affect the First Lien priority or the marketability of the Mortgage or the Mortgaged Premises.

Notwithstanding any requirements applicable to Mortgages generally under the Guide, the following classes of requirements do not apply to FHA or VA Mortgages offered for sale to Freddie Mac:

- Property appraisal
- Credit underwriting
- Mortgage insurance
- Owner-occupancy

All Mortgages must be originated on Mortgage instruments approved by the FHA or the VA, as applicable.

Notwithstanding the modification made in this section with respect to the document delivery requirements of the Guide, the Seller must submit such other documents as Freddie Mac may request for any FHA or VA Mortgage delivered pursuant to the Purchase Documents.

#### **(c) Mortgage file requirements**

In addition to the documentation specified in the Guide, the Mortgage file retained by the Seller for FHA/VA Mortgages must contain the following documents:

- The Mortgage application of the original Borrower and, if available and applicable, that of the current Borrower  
  
The credit report on the original Borrower and, if available and applicable, on the current Borrower
- The original FHA or VA commitment and, if available and applicable, the FHA Escrow Commitment Certificate and related documents
- With respect to VA Mortgages, the VA Certificate of Reasonable Value
- The FHA Mortgage Insurance Certificate or VA Loan Guaranty Certificate, as applicable
- Any other documents that are required to be retained by federal or State laws, statutes or regulations

#### **(d) Special Seller warranties**

For all FHA/VA Mortgages, the Seller further represents and warrants that:

# Chapter 4301: Refinance Mortgages

## 4301.1: Refinance Mortgages (03/02/16)

A refinance Mortgage is either:

1. A Mortgage the proceeds of which are used to pay off an existing Mortgage or Mortgages secured by the Mortgaged Premises with the cancellation of the existing promissory note(s) and the execution of a new promissory note and a new Security Instrument, or
2. A Mortgage secured by Mortgaged Premises previously owned free and clear by the Borrower

A Mortgage the proceeds of which are used to pay off an Interim Construction Financing must meet requirements of Chapter 4602 for Construction Conversion and Renovation Mortgages, including, but not limited to, how the transaction type (purchase or refinance) is determined.

Freddie Mac will purchase refinance Mortgages under the terms of the Purchase Documents and this chapter.

Freddie Mac offers three types of refinance Mortgages:

- A “no cash-out” refinance
- A cash-out refinance
- A special purpose cash-out refinance

Within these types, Freddie Mac has special requirements for refinancing certain Mortgages currently owned by Freddie Mac.

## 4301.2: General requirements for all refinance Mortgages (06/15/16)

For all refinance Mortgages:

- The refinance Mortgage must comply with Section 4203.4
- When an existing Mortgage will be satisfied as a result of a refinance transaction, one of the following requirements must be met:

- ❑ At least one Borrower on the refinance Mortgage was a Borrower on the Mortgage being refinanced; or
- ❑ At least one Borrower on the refinance Mortgage held title to and resided in the Mortgaged Premises as a Primary Residence for the most recent 12-month period and the Mortgage file contains documentation evidencing that the Borrower, either:
  - Has been making timely Mortgage payments, including the payments for any secondary financing, for the most recent 12-month period; or
  - Is a Related Person to a Borrower on the Mortgage being refinanced; or
- ❑ At least one Borrower on the refinance Mortgage inherited or was legally awarded the Mortgaged Premises (for example), in the case of divorce, separation or dissolution of a domestic partnership)

A Living Trust may be made irrevocable by a Settlor's death. To be an eligible Borrower at the time of the refinance transaction, the Borrower must continue to be a Living Trust that meets Freddie Mac's revocability and, as applicable, other eligibility requirements.

In addition, a refinance Mortgage that exceeds the thresholds under the Home Ownership and Equity Protection Act of 1994 and its implementing regulations is ineligible for purchase by Freddie Mac.

See Section 6302.16 for delivery and pooling requirements for refinance Mortgages sold to Freddie Mac.

## **4301.3: Refinance practices (03/02/16)**

### **(a) Allowable refinance practices**

A Seller/Servicer may present refinance or payoff information to any Borrower who requests such information. A Seller/Servicer may also conduct broad-based refinance advertising, telephone or other campaigns directed at broad categories of Borrowers such as:

- All Borrowers who have Mortgages in the Servicing portfolio (including those Mortgages owned by the Servicer as well as those it services for others)
- All Borrowers who have Mortgage coupons above a certain level
- All Borrowers who have certain Mortgage products, such as conventional fixed-rate Mortgages or ARMs
- All Borrowers whose Mortgages are secured by Mortgaged Premises located in certain geographical areas

## **(b) Unacceptable refinance practices**

In advertising or implementing refinance terms, a Seller/Servicer may not intentionally target Freddie Mac-owned Mortgages. A Seller/Servicer also may not segregate Mortgages in its own portfolio from those sold to Freddie Mac for different treatment in terms of refinance advertising, offers or practices.

A Seller may not deliver any Mortgage to Freddie Mac obtained from a Mortgage Broker or Correspondent if the Seller has knowledge or reason to believe that the Mortgage Broker or Correspondent, as the case may be, has received an application to refinance or has agreed to refinance the Mortgage (even if the agreement is not in writing). It is likewise unacceptable to sell or deliver a Mortgage to Freddie Mac if the Seller has knowledge or reason to believe that the Borrower has entered into, or has agreed to enter into, a refinancing arrangement (even if the agreement is not in writing).

Freddie Mac expects the Seller/Servicer to monitor the prepayment levels of its Mortgages, particularly refinance Mortgages. If the Seller/Servicer becomes aware of circumstances likely to result in unusually high prepayment rates on Mortgages purchased from it by Freddie Mac, it must notify its Freddie Mac Account Manager immediately. If requested to do so by Freddie Mac, the Seller/Servicer is obligated to cooperate fully and promptly with Freddie Mac personnel and to provide adequate information in trying to determine the reason and a solution for any such high prepayment rates. Freddie Mac reserves the right to initiate on its own an investigation of high prepayment rates of a particular Seller/Servicer.

A Seller/Servicer must incorporate adequate controls in its origination and refinancing procedures to prevent unacceptable refinance practices by the Seller/Servicer or any of its Mortgage Brokers and Correspondents.

A Seller may not sell or deliver a Mortgage to Freddie Mac without full and accurate disclosure of all material information about the Mortgage (see Sections 6201.16, 4201.1, 4201.13 and 8101.8). Any information related to refinancing or proclivity for refinancing is considered material information to Freddie Mac. A Seller/Servicer that has any questions about compliance with Freddie Mac requirements should contact its Freddie Mac Account Manager (or other designated Freddie Mac personnel) to ensure compliance with Freddie Mac's requirements and to facilitate full and accurate disclosure of all pertinent information.

A Seller/Servicer that (i) engages in unacceptable refinance practices, (ii) knowingly sells or delivers Mortgages to Freddie Mac from Mortgage Brokers or Correspondents it knew, or should have known, were engaging in unacceptable refinance practices, or (iii) fails to maintain proper controls for such Mortgages being sold or delivered to Freddie Mac, will be subject to any or all of the remedies available to Freddie Mac at law or in equity and pursuant to this Guide and relevant Purchase Documents. Those remedies include, but are not limited to, disqualification, suspension and/or requiring the Seller/Servicer to make Freddie Mac whole for losses, including losses associated with repurchases at par for Mortgages purchased at premium prices and/or losses associated with claims made by security investors.

With respect to claims by such investors, the disposition of such claims is solely within the discretion of Freddie Mac.

When a Seller originates a cash-out refinance Mortgage or a purchase transaction Mortgage with the intention of refinancing that Mortgage as a “no cash-out” refinance Mortgage prior to sale to Freddie Mac, the “no cash-out” refinance Mortgage is ineligible for sale to Freddie Mac.

## **4301.4: “No cash-out” refinance Mortgages (06/19/19)**

A “no cash-out” refinance Mortgage must meet the applicable requirements in Sections 4301.2 and 4203.4.

A “no cash-out” refinance Mortgage is a Mortgage for which the proceeds may be used only to:

- Pay off the first Mortgage, regardless of its age; for Construction Conversion Mortgages and Renovation Mortgages, the amount of the Interim Construction Financing secured by the Mortgaged Premises is considered an amount used to pay off the first Mortgage
- Pay off any junior liens secured by the Mortgaged Premises, that were used in their entirety to acquire the subject property
- Pay related Closing Costs
- Disburse cash out to the Borrower (or any other payee) up to the greater of 1% of the new refinance Mortgage or \$2,000
- Pay off the outstanding balance of a land contract or contract for deed if the requirements in Section 4404.1 are met
- Pay off a Property Assessed Clean Energy (PACE) or PACE-like obligation, subject to the additional requirements in Section 4301.8
- Pay off the existing Mortgage debt and finance energy and/or water efficiency improvements, subject to the additional requirements in Section 4606.4
- For CHOICERenovation<sup>SM</sup> Mortgages, pay off the existing Mortgage debt and finance renovations subject to the additional requirements in Section 4607.8(b)

In the event there are remaining proceeds from the “no cash-out” refinance Mortgage after the proceeds are applied as described above:

- The Mortgage amount must be reduced, or
- The excess amount must be applied as a principal curtailment to the new refinance Mortgage at closing and must be clearly reflected on the Settlement/Closing Disclosure Statement



Under no circumstances may cash disbursed to the Borrower (or any other payee) exceed the maximum permitted for “no cash-out” refinance Mortgages.

**(a) Secondary financing**

The Borrower is not required to satisfy outstanding junior liens secured by the Mortgaged Premises, provided that the junior lien meets the requirements of Section 4204.1 and/or 4204.2, as applicable.

**(b) Special documentation requirements**

If a junior lien was paid off as part of the “no cash-out” refinance transaction, the Seller must maintain documentation in the Mortgage file demonstrating that the full amount of the lien was used for the purchase of the subject property.

**(c) Delivery and pooling**

See Section 6302.16 for delivery and pooling requirements for “no cash-out” refinance Mortgages.

See Section 6302.35 for delivery and pooling requirements if a principal curtailment is applied to the “no cash-out” refinance Mortgage at closing.

## **4301.5: Cash-out refinance Mortgages (10/31/18)**

A cash-out refinance Mortgage must meet the applicable requirements in Sections 4203.4 and 4301.2.

A cash-out refinance Mortgage must be an Accept Mortgage, an A-minus Mortgage or a Manually Underwritten Mortgage with a minimum Indicator Score set forth in Exhibit 25, Mortgages with Risk Class and/or Minimum Indicator Score Requirements, to be eligible for delivery.

A cash-out refinance Mortgage is a Mortgage in which the use of the loan amount is not limited to specific purposes.

A Mortgage placed on a property previously owned free and clear by the Borrower is always considered a cash-out refinance Mortgage.

At least one Borrower must have been on the title to the subject property for at least six months prior to the Note Date, except as specified below.

If none of the Borrowers have been on the title to the subject property for at least six months prior to the Note Date of the cash-out refinance Mortgage, the following requirement(s) must be met:

- At least one Borrower on the refinance Mortgage inherited or was legally awarded the subject property (for example, in the case of divorce, separation or dissolution of a domestic partnership)

**OR**, all of the following:

- The Settlement/Closing Disclosure Statement **or an alternative form required by law** from the purchase transaction must reflect that no financing secured by the subject property was used to purchase the subject property. A recorded trustee's deed or equivalent documentation may be used when a Settlement/Closing Disclosure Statement **or an alternative form required by law** was not used for the purchase transaction.
- The preliminary title report for the refinance transaction must reflect the Borrower as the owner of the subject property and must reflect that there are no liens on the property
- The source of funds used to purchase the subject property must be fully documented
- If funds were borrowed to purchase the subject property, those funds must be repaid and reflected on the Settlement/Closing Disclosure Statement for the refinance transaction
- The amount of the cash-out refinance Mortgage must not exceed the sum of the original purchase price and related Closing Costs as documented by the Settlement/Closing Disclosure Statement **or an alternative form required by law** for the purchase transaction, less any gift funds used to purchase the subject property. A recorded trustee's deed or equivalent documentation may be used when a Settlement/Closing Disclosure Statement **or an alternative form required by law** was not used for the purchase transaction.
- There must have been no affiliation or relationship between the buyer and seller of the purchase transaction

**(a) Credit Fees in Price for cash-out refinance Mortgages**

A special Credit Fee in Price will be assessed and billed to the Seller in conjunction with the sale of certain cash-out refinance Mortgages. The Seller must refer to Exhibit 19, Credit Fees in Price, for information on the Cash-Out Refinance Mortgages Indicator Score/Loan-to-Value Credit Fee in Price and other Credit Fees in Price. Credit Fees in Price are paid in accordance with the Credit Fee in Price provisions outlined in Chapter 6303.

**(b) Delivery and pooling**

See Section 6302.16 for delivery and pooling requirements for cash-out refinance Mortgages.

## **4301.6: Special purpose cash-out refinance Mortgages (07/06/17)**

A cash-out refinance Mortgage where the owner of a property uses the proceeds of the refinance transaction to buy out the equity of a co-owner is a special purpose cash-out refinance Mortgage. A special purpose cash-out refinance Mortgage must meet the applicable requirements of Section 4301.2, the loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio requirements for cash-out refinance Mortgages in Sections 4203.4, 5703.3, and 4603.3, and the minimum Indicator Score requirements in Exhibit 25, Mortgages with Risk Class and/or Minimum Indicator Score Requirements.

The loan amount of a special purpose cash-out refinance Mortgage is limited to amounts used to buy out the equity of the co-owner, which may include:

- Paying off the first Mortgage, regardless of age
- Paying off junior liens secured by the Mortgaged Premises
- Paying related Closing Costs

In addition, the following conditions must be met:

- The Borrower and the co-owner receiving the buy-out proceeds must have jointly owned the property for a minimum of 12 months prior to the initial loan application (parties who inherited an interest in the property are exempt from this requirement)
- The Borrower and the co-owner receiving the buy-out proceeds must provide evidence that they occupied the subject property as their Primary Residence (parties who inherited an interest in the property are exempt from this requirement)
- The Borrower and the co-owner receiving the buy-out proceeds must provide a written agreement, signed by all parties, stating the terms of the property transfer and the disposition of the proceeds from the refinancing transaction
- The Borrower who retains sole ownership of the property may not receive any of the proceeds from the refinance transaction

**(a) Secondary financing**

The Borrower is not required to satisfy outstanding junior liens secured by the Mortgaged Premises provided that the junior lien meets the requirements of Section 4204.1 and/or 4204.2, as applicable.

**(b) Special documentation requirements**

The Seller must retain the following in the Mortgage file:

- Documentation evidencing that the Borrower and the co-owner jointly occupied the Mortgaged Premises as their Primary Residence, if applicable
- A copy of the written agreement stating the terms of property transfer and the disposition of the refinance proceeds

### **(c) Credit Fees in Price**

The cash-out refinance Credit Fee in Price indicated on Exhibit 19, Credit Fees in Price, will not be assessed or billed to a Seller for a special purpose cash-out refinance Mortgage.

### **(d) Delivery and pooling**

See Section 6302.16 for delivery and pooling requirements for special purpose cash-out refinance Mortgages.

## **4301.7: Texas Equity Section 50(a)(6) Mortgages (06/03/19)**

### **(a) Eligibility to sell and service Texas Equity Section 50(a)(6) Mortgages**

Unless otherwise notified in writing, Sellers are eligible to deliver Texas Equity Section 50(a)(6) Mortgages.

The Servicer must be eligible to service Texas Equity Section 50(a)(6) Mortgages in accordance with Section 8104.1 and related Servicing provisions.

### **(b) Eligible Mortgages**

A Texas Equity Section 50(a)(6) Mortgage must be a conventional First Lien Mortgage that is a:

- Fixed-rate Mortgage, or
- 1/1, 3/1, 5/1, 7/1 or 10/1 ARM

A Texas Equity Section 50(a)(6) Mortgage must be a cash-out refinance Mortgage, as described in Section 4301.5, or a “no cash-out” refinance Mortgage as described in Section 4301.4, depending on the applicable facts.

A Texas Equity Section 50(a)(6) Mortgage may not be a special purpose cash-out refinance Mortgage.

The generally accepted commercial terms used to describe Mortgages originated under Article XVI of the Texas Constitution (“cash-out refinance,” “rate-term refinance”) may not correspond to the meaning given the same or comparable terms when used in Chapter 4301. Sellers must understand the distinctions between Freddie Mac’s refinance definitions in Chapter 4301 and the provisions of Section 50(a)(6) and determine when Section 50(a)(6) applies, regardless of the definitions of cash-out and “no cash out” refinance transactions used in Chapter 4301.

The Seller is responsible for determining whether the proposed refinance of a Mortgage secured by the Borrower's homestead in the State of Texas is a Mortgage that must be originated pursuant to Section 50(a)(6) of Article XVI of the Texas Constitution.

**(c) Mortgaged Premises; appraisal; fair market value**

Each Mortgage must be secured by a Mortgaged Premises that is:

- A 1-unit Primary Residence
- Located in the State of Texas, and
- The Borrower's homestead

A Living Trust that meets the eligibility requirements of Section 5103.5 may be a Borrower for a Texas Equity Section 50(a)(6) Mortgage if the Living Trust meets the requirements for a "qualifying trust" under Texas law for purposes of owning residential property that qualifies for the homestead exemption.

The Seller must provide an appraisal that meets Freddie Mac requirements and complies with Section 50(a)(6)(Q)(ix) and Section 50(h) of Article XVI of the Texas Constitution.

The Seller and the owner of the homestead must execute a written acknowledgment of the "fair market value" of the homestead property as of the date the extension of credit is made. The appraisal report must be attached to the acknowledgment.

**(d) LTV and TLTV Ratios**

The maximum loan-to-value (LTV) and total LTV (TLTV) ratios for Texas Equity Section 50(a)(6) Mortgages must not exceed 80% and must be lower if necessary to comply with the provisions of Sections 4203.4 and 4301.4 for "no cash out" and cash out refinances, as applicable.

**(e) Texas Equity Uniform Instruments and other documents**

Texas Equity Section 50(a)(6) Mortgages must be originated using the most recent version of the following special Fannie Mae/Freddie Mac Texas Home Equity Uniform Instruments:

**(i) Note**

- Texas Home Equity Note (Fixed Rate - First Lien) - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3244.1 01/01 (rev. 01/18)
- Texas Home Equity Fixed/Adjustable Rate Note – One-Year Treasury Index (First Lien) Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3522.44 01/01 (rev. 01/18)

- Texas Home Equity Fixed/Adjustable Rate Note—WSJ One-Year Libor (First Lien) Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3528.44 1/04 (rev. 01/18)

**(ii) Security Instrument**

Texas Home Equity Security Instrument (First Lien) - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3044.1 01/01 (rev. 01/18)

**(iii)Rider**

- Texas Home Equity Fixed/Adjustable Rate Rider – One-Year Treasury Index (First Lien) Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3182.44 01/01 (rev.06/16)
- Texas Home Equity Fixed/Adjustable Rate Rider – WSJ One-Year Libor (First Lien) Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3187.44 01/04 (rev. 06/16)

**(iv)Borrower Affidavit**

Texas Home Equity Affidavit and Agreement (First Lien) - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3185 01/01 (rev. 01/18). The affidavit must be recorded together with the Security Instrument and any applicable riders.

**(v) Condominium Rider**

Texas Home Equity Condominium Rider - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3140.44 01/01, if the property is a Condominium Unit

**(vi)Planned Unit Development (PUD) Rider**

Texas Home Equity Planned Unit Development Rider - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3150.44 01/01, if the property is in a PUD.

Seller may access the Fannie Mae/Freddie Mac Texas Home Equity Uniform Instruments at <http://www.freddiemac.com/singlefamily/guide/?tab=2&tog>.

The Seller must prepare, obtain and/or provide any and all other documentation that the Seller determines is necessary to originate Texas Equity Section 50(a)(6) Mortgages in compliance with all applicable laws.

**(f) Special representations and warranties**

Seller represents and warrants that:

1. Neither the Seller nor its Correspondents or Mortgage Brokers has been found by any federal regulatory agency to have engaged in the practice of refusing to make loans

because the applicants for the loans reside in a certain area or the property proposed to secure the loans is located in a certain area

2. All refinance Mortgages that fall within the provisions of Section 50(a)(6) of the Article XVI of the Texas Constitution have been originated as Texas Equity Section 50(a)(6) Mortgages and comply with Section 50(a)(6) of Article XVI and related provisions of the Texas Constitution, as amended, and all other applicable laws

In connection with this representation and warranty, Freddie Mac recommends that the Seller obtain advice from Texas legal counsel that confirms that the Seller's lending and servicing policies, procedures, and practices are in compliance with Section 50(a)(6) of Article XVI of the Texas Constitution, all other applicable Texas Constitutional provisions, statutes, court decisions, regulations and rules and applicable State and federal law.

3. The estate or interest in the Mortgaged Premises is vested in the Borrower. There is no defect in the Borrower's title to the Mortgaged Premises
4. The Mortgage is a valid and enforceable First Lien on the Mortgaged Premises

#### **(g) Specific remedies**

Any action taken, or not taken, in connection with the origination of a Texas Equity Section 50(a)(6) Mortgage that results in any of the following (even if such action is a result of lender's effort to cure a failure to comply with the provision of the Section 50(a)(6)) is a breach of the representations and warranties in this Section 4301.7 and Freddie Mac shall be entitled to any of the remedies stated in Section 3601.1, including the right to require the Seller to repurchase the Mortgage immediately upon Freddie Mac's request, at a price determined in accordance with Section 3602.4:

- A forfeiture of any principal or interest due under the Mortgage
- The invalidation of the Mortgage as a First Lien
- The abatement of accrual of interest and the Borrower's obligations under the Mortgage
- A reduction in the principal amount of the Mortgage
- Any modification of the amount, interest rate, term or other provision of the Mortgage

#### **(h) Delivery and pooling**

See Section 6302.16 for delivery and pooling requirements for Texas Equity Section 50(a)(6) Mortgages.

#### **(i) Related provisions**

In addition to the requirements in this section, other requirements related to Texas Equity Section 50(a)(6) Mortgages are described in the following locations:

<b>Topic</b>	<b>Location</b>
Delivery Requirements	Section 6302.16
Refinance Mortgages	Chapter 4301
Title Insurance	Section 4702.1, 4702.3 and 4702.5
Special Servicing	Sections 8104.1, 8201.1 and 9206.13

## **4301.8: Refinance of Mortgages secured by properties subject to an energy retrofit loan (10/02/19)**

For the purposes of the Guide, a Property Assessed Clean Energy (PACE) or PACE-like obligation (either referred to as a “PACE obligation”) refers to any energy retrofit loan that is:

- Used to finance energy efficiency improvements, and
- Repaid through a property tax assessment

For the “no-cash out” refinance of Mortgages secured by properties subject to PACE obligations that result in or provide for First Lien priority and where the PACE obligations are paid off with the Mortgage proceeds, the following requirements apply:

- The new refinance Mortgage must be originated in accordance with the requirements of Section 4301.4
- The Mortgage being refinanced must be owned in whole or in part or securitized by Freddie Mac
- The PACE obligation must be paid in full
- The Mortgage file must include evidence that the obligation being paid off is a PACE obligation that results in or provides for First Lien priority
- The Seller must deliver the Mortgage in accordance with the special delivery instructions for a Freddie Mac-owned “no cash-out” refinance Mortgage in Section 6302.16(b)(ii)

For the cash-out refinance of Mortgages secured by properties subject to PACE obligations and where the PACE obligations are paid off with the Mortgage proceeds, the following requirements apply:

- The new refinance Mortgage must be originated in accordance with the requirements of Section 4301.5



- If the PACE obligation results in or provides First Lien priority, the PACE obligation must be paid in full with the Mortgage proceeds

Mortgages secured by properties that are energy efficient and are also subject to PACE obligations may be eligible for purchase under the provisions of Chapter 4606.

## **Chapter 4302: Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Same Servicer**

Effective October 2, 2019, Chapter 4302 is deleted.

### **4302.1: Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Same Servicer: General requirements and allowable refinance practices (10/02/19)**

Effective October 2, 2019, Section 4302.1 is deleted.

### **4302.2: Requirements for Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Same Servicer (10/02/19)**

Effective October 2, 2019, Section 4302.2 is deleted.

### **4302.3: Delivery and pooling requirements for Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Same Servicer (10/02/19)**

Effective October 2, 2019, Section 4302.3 is deleted.

### **4302.4: Credit Fees in Price and other assessments and credits for Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Same Servicer (10/02/19)**

Effective October 2, 2019, Section 4302.4 is deleted.

## **4302.5: Other Guide provisions related to Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Same Servicer (10/02/19)**

Effective October 2, 2019, Section 4302.5 is deleted.

## **Chapter 4303: Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Open Access**

Effective October 2, 2019, Chapter 4303 is deleted.

### **4303.1: Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Open Access (10/02/19)**

Effective October 2, 2019, Section 4303.1 is deleted.

### **4303.2: Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Open Access: Eligibility requirements, eligible Mortgages and ineligible Mortgages (10/02/19)**

Effective October 2, 2019, Section 4303.2 is deleted.

### **4303.3: Requirements for Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Open Access (10/02/19)**

Effective October 2, 2019, Section 4303.3 is deleted.

### **4303.4: Delivery and pooling requirements for Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Open Access (10/02/19)**

Effective October 2, 2019, Section 4303.4 is deleted.

### **4303.5: Credit Fees in Price and other assessments and credits for Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Open Access (10/02/19)**

Effective October 2, 2019, Section 4303.5 is deleted.

## **4303.6: Other Guide provisions related to Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Open Access (10/02/19)**

Effective October 2, 2019, Section 4303.6 is deleted.

# Chapter 4304: Freddie Mac Enhanced Relief Refinance<sup>®</sup> Mortgages

## 4304.1: General eligibility requirements for Enhanced Relief Refinance<sup>®</sup> Mortgages (06/03/19)

### (a) The Mortgage being refinanced

#### (i) Eligibility of the Mortgage being refinanced

The Mortgage being refinanced must:

- Have a Note Date on or after October 1, 2017
- Be a First Lien, conventional Mortgage currently owned by Freddie Mac, in whole or in part, or securitized by Freddie Mac
- Be seasoned for at least 15 months (that is, at least 15 months must have passed between the Note Date of the Mortgage being refinanced to the Note Date of the Enhanced Relief Refinance<sup>®</sup> Mortgage)

The Mortgage being refinanced must have a Mortgage payment history that indicates the following:

- The Mortgage has not been 30 days delinquent in the most recent six months; and
- The Mortgage has not been 30 days delinquent more than once in the most recent 12 months, and
- The Mortgage has not been 60 or more days delinquent in the most recent 12 months

The Mortgage being refinanced must not be:

- A Freddie Mac Relief Refinance Mortgage<sup>SM</sup>
- A Mortgage subject to an outstanding repurchase request
- A Mortgage subject to recourse, indemnification or another negotiated credit enhancement, except as described in Section 4304.8

**(ii) Representations and warranties related to the eligibility of the Mortgage being refinanced**

For Loan Product Advisor<sup>®</sup> Mortgages that receive *Eligible* “Purchase Eligibility” on the Feedback Certificate, the Seller is not required to represent and warrant that the Mortgage being refinanced meets the eligibility requirements in Section (a)(i) above, with the following exceptions:

- The Seller is required to represent and warrant that the Mortgage is seasoned at least 15 months by the Note Date of the Enhanced Relief Refinance Mortgage; and
- The Seller remains responsible for determining whether the payment history requirements are met after the date of the last Loan Product Advisor submission

**(iii) Modified Mortgages**

If the Mortgage being refinanced was considered for and/or received a Freddie Mac modification, the Mortgage is eligible to be refinanced as an Enhanced Relief Refinance Mortgage, provided the requirements of this chapter are met, including the Mortgage payment history requirements above.

The current contractually-obligated payment terms under the Note, including the most recent modification of the Note, if any, must be used for the purpose of determining whether the Enhanced Relief Refinance Mortgage meets the Borrower benefit requirements in Section 4304.1(b)(vi) below.

**(b) The Enhanced Relief Refinance Mortgage**

**(i) Eligibility date**

Enhanced Relief Refinance Mortgages must have Application Received Dates on or after November 1, 2018.

**(ii) Negotiated provisions**

Negotiated underwriting provisions, and special negotiated Mortgage products or offerings stated in the Purchase Documents may be used in conjunction with this offering unless the provisions, products or offerings conflict with the requirements of this chapter, in which case the requirements of this chapter will apply.

**(iii) Eligible Mortgage products**

The Enhanced Relief Refinance Mortgage must be:

- A conventional fixed-rate Mortgage

- A conventional 5/5, 5/1, 7/1 or 10/1 ARM, provided that the Mortgage being refinanced is an ARM, except that a Mortgage secured by a Manufactured Home must not be a 5/5 or a 5/1 ARM

The Enhanced Relief Refinance Mortgage may be a super conforming Mortgage.  
The Enhanced Relief Refinance Mortgage must not be:

- A Mortgage with a temporary subsidy buydown plan
- Originated pursuant to Section 50(a)(6) of Article XVI of the Texas Constitution. Refer to Section 4301.7 for additional information regarding Texas Equity Section 50(a)(6) Mortgages.
- A Community Land Trust Mortgage. Refer to Chapter 4502 for additional information regarding Community Land Trust Mortgages
- Secured by a property subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, where the property value must be determined in accordance with Section 4406.1(g)(ii)

#### **(iv) Use of Mortgage proceeds**

The proceeds of the Enhanced Relief Refinance Mortgage must be used only to:

- Pay off the first Mortgage (amount including only the UPB and interest accrued through the date the Mortgage being refinanced is paid off)
- Pay related Closing Costs not to exceed \$5,000
- Disburse cash to the Borrower not to exceed \$250

In the event there are remaining proceeds from the Enhanced Relief Refinance Mortgage after the proceeds are applied as described above:

- The Mortgage amount must be reduced, or
- The excess amount must be applied as a principal curtailment to the Enhanced Relief Refinance Mortgage at closing and must be clearly reflected on the Settlement/Closing Disclosure Statement

Under no circumstances may cash disbursed to the Borrower exceed \$250.



## **(v) Secondary financing**

An existing junior lien:

- Must be subordinate to the Enhanced Relief Refinance Mortgage and must meet requirements for secondary financing set forth in Chapter 4204. An increase in the current unpaid principal amount of any junior lien is prohibited to curtail the Enhanced Relief Refinance Mortgage or to pay related Closing Costs, and no new secondary financing is permitted.
- May be an Affordable Second<sup>®</sup> meeting the requirements of the Seller's Purchase Documents. The Affordable Second must be subordinate to the Enhanced Relief Refinance Mortgage. Refer to Section 6302.38 for special delivery requirements for Enhanced Relief Refinance Mortgages with an Affordable Second.
- May be refinanced simultaneously with the existing First Lien if the junior lien is being refinanced for one of the following purposes:
  - A reduction in the interest rate of the junior lien
  - To replace an ARM, an interest-only junior lien, or a junior lien with a balloon or call option with a fixed-rate, fully amortizing junior lien
  - A reduction in the amortization term of the junior lien
  - A reduction in the monthly payment of the junior lien

The UPB of the new junior lien may not be more than the UPB, at the time of payoff, of the junior lien being refinanced.

If the junior lien being refinanced is a fixed-rate junior lien, the new junior lien may not be an ARM.

## **(vi) Borrower benefit**

The Enhanced Relief Refinance Mortgage must be originated for one of the following purposes:

- A reduction in the interest rate of the First Lien Mortgage
- To replace an ARM with a fixed-rate Mortgage
- A reduction in the amortization term of the First Lien Mortgage

- A reduction in the monthly principal and interest payment of the First Lien Mortgage

**(vii) Required use of Form 65, Uniform Residential Loan Application**

Form 65 must be completed for all Enhanced Relief Refinance Mortgages. Form 65A, Statement of Assets and Liabilities, may be used to supplement Form 65, if needed. The final Form 65 and Form 65A, if used, must be complete, legible, dated and signed by all Borrowers signing the Note.

Refer to Section 4101.1 for requirements regarding Form 65.

**(c) Delivery requirements**

See Section 6302.40 for delivery requirements and Exhibit 17S for available Mortgage products and associated MBS pools for Enhanced Relief Refinance Mortgages.

## 4304.2: Underwriting Enhanced Relief Refinance<sup>®</sup> Mortgages (11/01/18)

The Enhanced Relief Refinance<sup>®</sup> Mortgage must be:

- Submitted to Loan Product Advisor<sup>®</sup> in accordance with the requirements of Chapter 5101, or
- Manually underwritten in accordance with the requirements of this chapter

See Section 4304.5 for additional requirements for Mortgages that must be manually underwritten regardless of Loan Product Advisor Risk Class.

## 4304.3: Minimum and maximum LTV, TLTV and HTLTV ratios for Enhanced Relief Refinance<sup>®</sup> Mortgages (11/01/18)

**(a) Minimum loan-to-value ratios**

The following minimum loan-to-value (LTV) ratios apply to Enhanced Relief Refinance<sup>®</sup> Mortgages:

Occupancy	Number of units	Minimum LTV ratio
Primary Residence	1-unit (including	97.01%

Occupancy	Number of units	Minimum LTV ratio
	Manufactured Homes)	
	2-unit	85.01%
	3- and 4-unit	80.01%
<b>Second Home</b>	1-unit (including Manufactured Homes)	90.01%
<b>Investment Property</b>	1-unit	85.01%
	2- to 4-unit	75.01%

There are no minimum limits for total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios.

**(b) Maximum LTV/TLTV/HTLTV ratios**

For adjustable-rate Enhanced Relief Refinance Mortgages, the maximum LTV ratio is 105%

For fixed-rate Enhanced Relief Refinance Mortgages, there is no maximum LTV ratio.

There are no maximum TLTV and HTLTV ratios.

## **4304.4: Borrower eligibility for Enhanced Relief Refinance<sup>®</sup> Mortgages (11/01/18)**

**(a) Borrower creditworthiness**

A credit report must be obtained; however, for Loan Product Advisor<sup>®</sup> Mortgages and Manually Underwritten Mortgages, a Borrower will be presumed to be creditworthy for the Enhanced Relief Refinance<sup>®</sup> Mortgage in accordance with Chapter 4603, Topics 5100 through 5500, and Chapter 5703 and additionally in accordance with the underwriting requirements of Chapter 4201, for Mortgages secured by a second home or an Investment Property, including the requirements regarding number of financed properties, if all of the requirements of this chapter are met.

Except as stated in Section 4304.5, there is no minimum Indicator Score required for eligibility of the Enhanced Relief Refinance Mortgage. However, the Seller must identify and deliver an Indicator Score for all Enhanced Relief Refinance Mortgages in accordance with the requirements of Section 5203.2(f). Unless a minimum Indicator Score is required, if the Seller determines that there is no usable Credit Score due to insufficient information or

inaccurate information, the Mortgage is eligible for purchase as an Enhanced Relief Refinance Mortgage (refer to Sections 5203.2(f) and 6302.11 for Indicator Score delivery requirements).

Notwithstanding the requirements in Topic 5300, the Seller is not required to establish a minimum history of receiving income or make a determination that the income can be expected to continue for at least the next three years.

Except as stated in Section 4304.5, there is no maximum debt payment-to-income ratio and verification of any funds needed to complete the Mortgage transaction or for reserves is not required.

### **(b) Source of income**

Except as stated below, verification of the income source for at least one Borrower is required.

- For employed income, a verbal verification of employment is required and such verification must meet the applicable requirements of Topic 5300, including Chapter 5302
- For self-employed income, verification of existence of the business is required and such verification must meet the applicable requirements of Topic 5300
- For income other than employed or self-employed income, verification of the source of income is required. The income source must be an eligible source of income under Topics 5100 through 5500.

In lieu of verifying an income source as stated above, the Seller may verify 12 months' reserves (using the monthly payment amount, as described in Sections 5501.2 and 5501.3). Eligible sources of funds that can be used for reserves in this instance are limited to funds in the Borrower's depository accounts, securities or retirement accounts that meet the requirements in Section 5501.3(b). The Seller must obtain and maintain in the Mortgage file the most recent monthly or quarterly account statement. The Seller does not need to meet the documentation requirements of Sections 5501.3(b) and (c).

### **(c) Change in Borrowers**

The Borrower(s) obligated on the Note on the Enhanced Relief Refinance Mortgage must be the same as the Borrower(s) obligated on the Note on the Mortgage being refinanced, except that a Borrower obligated on the Note of the Mortgage being refinanced may be omitted from the Note of the Enhanced Relief Refinance Mortgage, provided that:

- The Mortgage file contains evidence that the remaining Borrower has been making the Mortgage payments, including the payments for any secondary financing, for the most recent 12-month period;

- The remaining Borrower(s) qualifies for the Mortgage based on the requirements in Section 4304.5; or
- In the case of death, the Seller obtains and retains in the Mortgage file documentation of the Borrower's death

In all cases, at least one Borrower(s) from the Mortgage being refinanced must be retained.

**(d) Living Trusts**

A Living Trust may be made irrevocable by a Settlor's death. To be an eligible Borrower at the time of the refinance transaction, the Borrower must continue to be a Living Trust that meets Freddie Mac's revocability and, as applicable, other eligibility requirements.

## **4304.5: Additional underwriting requirements for certain Enhanced Relief Refinance<sup>®</sup> Mortgages (11/01/18)**

**(a) Applicability of this section**

The following Mortgages are subject to the additional underwriting requirements provided in Section 4304.5(b) below:

- A Mortgage for which the principal and interest payment increases by more than 20% of the current contractually obligated payment under the Note. There is no limitation on the amount of the increase in the Borrower's principal and interest payment;
- An Enhanced Relief Refinance<sup>®</sup> Mortgage that is either a Higher-Priced Covered Transaction (HPCT) or Higher-Priced Mortgage Loan (HPML); or
- A Mortgage for which a Borrower obligated on the Note on the Mortgage being refinanced is omitted from the Note of the Enhanced Relief Refinance Mortgage, and the remaining Borrower(s) qualifies for the Mortgage according to the requirements stated below

**(b) Additional underwriting requirements**

The Seller must manually underwrite the Mortgage to ensure the following additional requirements are met regardless of the Loan Product Advisor<sup>®</sup> Risk Class:

- The Mortgage must have a minimum Indicator Score of 620. If no Borrower has a usable Credit Score, the Mortgage does not have an Indicator Score and the Mortgage is not eligible for delivery as an Enhanced Relief Refinance Mortgage.

- The Seller must verify the source of funds needed for closing. When using funds in the Borrower’s depository accounts, securities or retirement accounts, the Seller must obtain and maintain in the Mortgage file the most recent monthly or quarterly account statement. The Seller does not need to meet the documentation requirements of Section 5501.3(b) and (c). All other asset types (other than depository accounts, securities and retirement accounts) must meet Streamlined Accept documentation requirements in Section 5501.3(b) and (c).
- The Mortgage must have a maximum debt payment-to-income (“DTI”) ratio of 45%. The DTI ratio must be calculated using the credit report and verified income.
- When Hardest Hit Fund (HHF) program funds are used in accordance with Section 4304.6 and repayment of funds is required, the verified payment must be included in the monthly DTI ratio, unless repayment of funds is due only upon sale or default
- The Seller must verify the income source and amount and, at a minimum, meet the following documentation requirements in lieu of meeting Streamlined Accept or Standard Documentation requirements in Topic 5300, except as specifically stated below, and regardless of the Documentation Level returned by Loan Product Advisor:

Income sources	Minimum documentation requirements
<b>Employment income (primary or secondary)</b> <b>Bonus</b> <b>Overtime</b> <b>Tip income</b> <b>Automobile allowance</b>	<ul style="list-style-type: none"> <li>■ Year-to-date (YTD) paystub, salary voucher or written verification of employment (VOE) documenting at least 30 days of income; and</li> <li>■ 10-day pre-closing verification (10-day PCV), as described in Section 5302.2(d)</li> </ul>
<b>Commission income</b>	<ul style="list-style-type: none"> <li>■ YTD paystub, salary voucher or written VOE documenting at least 30 days of income; or</li> <li>■ Complete individual federal tax returns covering the most recent one-year period;</li> </ul> <p>And</p> <ul style="list-style-type: none"> <li>■ 10-day pre-closing verification (10-day PCV), as described in Section 5302.2(d)</li> </ul>
<b>Mortgage differential</b>	Provide a copy of the agreement from the employer stating the amount of the payments

Income sources	Minimum documentation requirements
<b>Military base income</b> <b>Military entitlements income</b> <b>Military Reserve and National Guard income</b>	YTD Leave and Earnings Statement (LES) or written VOE documenting at least 30 days of income and a 10-day pre-closing verification (10-day PCV), as described in Section 5302.2(d).  In lieu of a verbal VOE, an LES dated no more than 30 days prior to Note Date may be provided.
<b>Seasonal employment</b>	<ul style="list-style-type: none"> <li>■ YTD paystub, salary voucher or written VOE documenting at least 30 days of income; and</li> <li>■ 10-day pre-closing verification (10-day PCV), as described in Section 5302.2(d)</li> </ul>
<b>Income while on temporary leave from current employment</b>	The Seller may use the Borrower's gross monthly income amount that was received prior to the temporary leave provided that the following documentation is obtained: <ul style="list-style-type: none"> <li>■ A paystub or a written VOE documenting pre-leave income; and</li> <li>■ A written statement signed by the Borrower confirming the Borrower's intent to return to the current employer</li> </ul> The Seller must receive no evidence of information from the Borrower's employer indicating that the Borrower does not have the right to return to work after the leave period.
<b>Self-employed (all types; primary and secondary)</b>	<ul style="list-style-type: none"> <li>■ Complete signed individual federal tax return for the most recent year; and</li> <li>■ Verification of the current existence of the business through a third-party source obtained either no more than 120 calendar days prior to Note Date or after the Note Date but prior to the Delivery Date</li> </ul>
<b>Notes receivable</b>	Copy of the note and most recent one-month bank statement or other equivalent documentation evidencing receipt of the income

Income sources	Minimum documentation requirements
<b>Dividend and interest</b> <b>Capital gains</b> <b>Royalty payments</b>	Copy of complete individual federal income tax returns for the most recent one-year period; evidence of sufficient assets to support the qualifying income for dividend/interest income and capital gains
<b>Trust income</b>	Copy of the Trust Agreement
<b>Retirement income</b> <b>Retirement account distributions as income</b> <b>Survivor and dependent benefit income</b> <b>Long-term disability income</b> <b>Social Security Supplemental Security Income</b> <b>Homeownership Voucher Program</b> <b>Public assistance income (including unemployment compensation)</b> <b>Foster care income</b>	<ul style="list-style-type: none"> <li>■ A copy of the award letter, 1099 or other third-party documentation showing income type, source, amount; or</li> <li>■ Most recent one-month bank statement or other equivalent documentation evidencing receipt of the income</li> </ul>
<b>Alimony</b> <b>Separate maintenance</b> <b>Child support</b>	Copy of the signed court order, legally binding separation agreement and/or final divorce decree, and evidence of receipt of the total documented amount for the most recent one month
<b>Housing or parsonage allowance</b>	<ul style="list-style-type: none"> <li>■ A written VOE, a letter from the employer or paystubs reflecting the amount of the housing or parsonage allowance and the terms under which it is paid; or</li> <li>■ Evidence of one month receipt of the housing allowance</li> </ul>
<b>Tax exempt income</b>	The most recent complete individual federal tax returns or other documentation evidencing that the income, or a portion of the income, is nontaxable. Only the nontaxable portion of income may be grossed up.



Income sources	Minimum documentation requirements
Rental income	An executed lease agreement or the most recent complete individual federal tax returns
Mortgage Credit Certificate (MCC)	A copy of the MCC

When using assets as a basis for repayment of obligations, and when restricted stock and/or restricted stock units are used to qualify, the Seller must follow the applicable documentation requirements in Topic 5300.

When using restricted stock and/or restricted stock unit income to qualify, the Seller must comply with the applicable requirements in Topic 5300.

See Section 5102.3(a) for written verification requirements, Section 5302.2(d) for 10-day PCV requirements and Section 5302.3 for verbal VOE and third-party employment and/or income verification requirements.

Refer to Section 5302.5 for IRS Form 4506-T requirements.

## 4304.6: Incentives and contributions for Enhanced Relief Refinance<sup>®</sup> Mortgages (06/06/19)

### (a) Seller contributions

The Seller must comply with lender incentive requirements in Section 5501.6(b).

In addition, the Seller may provide a contribution towards the payoff of the Mortgage being refinanced, provided that:

- No repayment is required; and
- The contribution is reflected on the Settlement/Closing Disclosure Statement

The contribution is not considered cash out to the Borrower provided it does not result in cash disbursed to the Borrower exceeding \$250.00, as required in Section 4304.1(b).

### (b) Hardest Hit Fund program

Hardest Hit Fund (HHF) program funds provided by a state Housing Finance Agency (“HFA”) may be used to pay down the outstanding balance on a Mortgage being refinanced

at the time of closing, and to pay Closing Costs for the Enhanced Relief Refinance<sup>®</sup> Mortgage, as long as the funds do not result in a lien on the property. The Mortgage file must contain documentation verifying the terms and conditions under which the HHF program funds are provided to the Borrower. The HHF program funds must be reflected on the Settlement/Closing Disclosure Statement.

## **4304.7: Property eligibility and valuation for Enhanced Relief Refinance<sup>®</sup> Mortgages (11/01/18)**

### **(a) Eligible Mortgaged Premises**

Each Enhanced Relief Refinance<sup>®</sup> Mortgage must be secured by Mortgaged Premises that are:

- 1- to 4-unit Primary Residences,
- Second homes, or
- 1- to 4-unit Investment Properties

The Mortgaged Premises must be an attached or detached dwelling, a Manufactured Home, a unit in a Condominium Project or Planned Unit Development, or, if the Seller is permitted to deliver Cooperative Share Loans under its Purchase Documents, a Cooperative Unit.

For Mortgages secured by Condominium Units or Cooperative Share Loans, the Seller is not required to evaluate if the Condominium or Cooperative Project meets the project eligibility requirements set forth in Chapter 5701 or for Cooperative Share Loans, in the Seller's Purchase Documents, provided that:

- The Seller represents and warrants that the project is not located in a Condominium or a cooperative hotel (i.e., a Cooperative Project that is operated and managed as a commercial hotel or similar transient housing and has hotel type service), houseboat project, timeshare project, or a project with segmented ownership; and
- The project has insurance that meets the applicable insurance requirements of Chapter 8202

For Mortgages secured by Manufactured Homes and Leasehold Estates the Seller must ensure the property meets the eligibility requirements identified in Chapters 5703 and 5704, respectively.

## **(b) Property valuation requirements for the Enhanced Relief Refinance Mortgage**

With respect to the determination of property value for an Enhanced Relief Refinance Mortgage, the Seller has the two options identified below. The Seller's regulatory agency may require an appraisal report in instances where Freddie Mac does not; in such event, the Seller must comply with any relevant requirements of regulatory agencies that mandate an appraisal.

### **■ Option One: Home Value Explorer® (HVE®)**

The Seller may determine the value of the Mortgaged Premises using a point value estimate from HVE. For detailed information on HVE, visit <http://www.freddiemac.com/hve/hve.html>.

The Seller that receives a point value estimate and other data generated by HVE (HVE data) directly from Freddie Mac (as opposed to an authorized HVE distributor or reseller) to originate an Enhanced Relief Refinance Mortgage will be deemed to have agreed to the terms and conditions relating to use of data generated by HVE as set forth in Sections 2401.1 and 2402.7.

The following requirements must be met for the Seller to use an HVE point value estimate to determine property value for the Enhanced Relief Refinance Mortgage:

- The property must be a 1- or 2-unit dwelling
- The property must be an attached or detached dwelling, or a unit in a Condominium Project or PUD
- The property must not be subject to resale restrictions, a Manufactured Home, dwelling on a leasehold estate, or if the Seller is permitted to deliver Cooperative Share Loans under its Purchase Documents, a Cooperative Unit
- The HVE point value estimate must have a Forecast Standard Deviation that is no greater than 0.20 (corresponding to a Confidence Score of "H" (high) or "M" (medium))
- The Seller must maintain the HVE point value estimate for the Enhanced Relief Refinance Mortgage and any information necessary to evidence compliance with the HVE requirements. Upon Freddie Mac's request, the Seller must provide Freddie Mac with a copy of this HVE documentation.
- As of the Note Date of the Enhanced Relief Refinance Mortgage, the HVE point value estimate may not be more than 120 days old

If the above requirements are met and the Seller uses the HVE point value estimate to determine value:

- ❑ The Seller is relieved of representations and warranties regarding the value, condition and marketability of the Mortgaged Premises
- ❑ The Seller represents and warrants that all information provided by the Seller for the purpose of obtaining the HVE point value estimate, including the address of the Mortgaged Premises, is true, complete and accurate

If the above requirements for use of the HVE point value estimate are not met, the Seller must determine the value of the Mortgaged Premises in accordance with Option Two described below.

For special delivery instructions related to the delivery of Mortgages for which the Seller determines property value using the HVE point value estimate refer to Section 6302.40.

■ **Option Two: New appraisal**

The Seller must obtain an interior and exterior inspection appraisal that meets the requirements of the Seller's Purchase Documents. Once obtained, it must be used for the purposes of establishing the property value and determining the property eligibility.

The Seller is responsible for the representations and warranties regarding the value; however, the Seller is relieved of the representations and warranties regarding condition and marketability of the Mortgaged Premises. Notwithstanding the requirements of Section 5601.12(e), Freddie Mac will accept appraisal reports with a Uniform Appraisal Dataset (UAD) condition rating of C5 or C6 and/or a UAD quality rating of Q6 completed on an "as-is" basis; the appraisal does not have to be completed "subject to" needed repairs being completed.

Notwithstanding the provisions of Section 5601.8(a), if the Settlement Date is more than 120 days after the Note Date, the Seller is not required to warrant that the value of the subject property at the time of the Settlement Date is not less than the appraised value.

**(c) Properties affected by disasters**

For Enhanced Relief Refinance Mortgages secured by properties in areas affected by disasters, repairs to a property damaged as the result of a disaster will not be required prior to the Settlement Date as long as the Mortgage meets the insurance requirements in Chapter 8202.

This flexibility for Enhanced Relief Refinance Mortgages does not impact Servicing requirements. Seller/Servicers must ensure that the Mortgaged Premises are covered by insurance meeting the requirements in Chapter 8202, and in accordance with the terms of the Security Instrument and applicable law.

## 4304.8: Mortgage insurance and credit enhancements for Enhanced Relief Refinance<sup>®</sup> Mortgages (11/01/18)

### (a) Mortgage insurance

The following provisions apply to an Enhanced Relief Refinance<sup>®</sup> Mortgage that has a loan-to-value (LTV) ratio greater than 80%:

- If the Mortgage being refinanced has mortgage insurance coverage, then the same percentage of mortgage insurance coverage must be maintained for the Enhanced Relief Refinance Mortgage on the entire UPB
- If the Mortgage being refinanced does not have mortgage insurance coverage, then no mortgage insurance coverage is required for the Enhanced Relief Refinance Mortgage

The Seller/Servicer must comply with any requirements established by the applicable mortgage insurer to transfer and/or maintain the existing mortgage insurance coverage.

Refer to Section 6302.40 for special delivery requirements for Enhanced Relief Refinance Mortgages related to mortgage insurance.

### (b) Mortgages with recourse and indemnification

An Enhanced Relief Refinance Mortgage that is a refinance of a Mortgage with recourse or indemnification is eligible to be delivered to Freddie Mac if:

1. The Seller of the Enhanced Relief Refinance Mortgage is also the Servicer on the Mortgage being refinanced;
2. The Mortgage is delivered with recourse or indemnification; and
3. The Mortgage meets the requirements in the table below:

If...	Then...
<ul style="list-style-type: none"> <li>■ The Mortgage being refinanced was sold to Freddie Mac with recourse or indemnification <b>for the life of the Mortgage</b>, or</li> <li>■ The Mortgage was credit enhanced with recourse or indemnification <b>for the life of the Mortgage</b> after it was sold to Freddie Mac</li> </ul>	<p>The Enhanced Relief Refinance Mortgage must be sold to Freddie Mac with recourse or indemnification, as applicable, <b>for the life of the Mortgage</b></p>
<ul style="list-style-type: none"> <li>■ The Mortgage being refinanced was sold to Freddie Mac with recourse or indemnification <b>for a term that is less than the life of the Mortgage</b>, or</li> <li>■ The Mortgage was credit enhanced with recourse or indemnification <b>for a term that is less than the life of the Mortgage after it was sold to Freddie Mac</b></li> </ul>	<p>The Enhanced Relief Refinance Mortgage must be sold to Freddie Mac with recourse or indemnification, as applicable, <b>that extends for three years after the Settlement Date of the Enhanced Relief Refinance Mortgage</b></p>

If...	Then...
<p>Any Enhanced Relief Refinance Mortgage sold to Freddie Mac with recourse or indemnification that extends for three years after the Settlement Date, as required in (ii) above, is 30 days or more delinquent on the date that is three years after the Settlement Date</p>	<p>The Seller's recourse or indemnification obligation with respect to the delinquent Mortgage will not expire and will continue until the earliest of:</p> <ul style="list-style-type: none"> <li>■ The date on which the delinquent Mortgage becomes and remains current for a period of 12 consecutive scheduled monthly payments from the date of the last Delinquency</li> <li>■ The final sale or disposition of any real property securing a delinquent Mortgage (including, delivery of the property to the Seller or retention of the property by the Borrower pursuant to Freddie Mac's loss mitigation activities), and payment in full to Freddie Mac upon its sale or disposition</li> <li>■ The payment in full of the delinquent Mortgage</li> <li>■ The repurchase of the delinquent Mortgage by the Seller according to the repurchase procedures in the Guide. The repurchase price of each delinquent Mortgage will be calculated in accordance with Section 3602.5.</li> </ul>

**(c) Mortgages with pool insurance or another negotiated credit enhancement**

If the Mortgage being refinanced has Mortgage pool insurance or another negotiated credit enhancement, it is eligible for refinancing provided the LTV ratio of the Enhanced Relief Refinance Mortgage is less than or equal to 80%. Enhanced Relief Refinance Mortgages with LTV ratios greater than 80% that are refinances of Mortgages with pool insurance or another negotiated credit enhancement are eligible to be delivered to Freddie Mac only if they are delivered with the same credit enhancement and the Seller of the Enhanced Relief Refinance Mortgage is the Servicer of the Mortgage being refinanced.

## **4304.9: Cash adjustor under fixed-rate Cash for Freddie Mac Enhanced Relief Refinance<sup>®</sup> Mortgages (11/01/18)**

For fixed-rate Enhanced Relief Refinance<sup>®</sup> Mortgages which have loan-to-value (LTV) ratios greater than 105% and which are sold under fixed-rate Cash, Freddie Mac may apply a cash adjustor. The cash adjustor values will be provided in Loan Selling Advisor<sup>®</sup> and may change at any time at Freddie Mac's discretion. The cash adjustor values are determined as of the commitment date. Because the cash adjustor value will not be included in the contract product price at time of commitment, it must be applied by the Seller to a particular Mortgage at commitment.

Freddie Mac will net the cash adjustor amount against the contract product price displayed in Loan Selling Advisor once the Seller allocates a Mortgage to the contract.



# Chapter 4305: Purchase Transaction Mortgages

## 4305.1: General requirements for all purchase transaction Mortgages (10/02/19)

### (a) Purchase transaction Mortgages

A purchase transaction Mortgage is a Mortgage the proceeds of which are used to:

- Acquire the Mortgaged Premises, or
- Acquire the Mortgaged Premises and finance improvements to the property as permitted under the Seller's Purchase Documents, or
- Pay off an Interim Construction Financing in accordance with requirements of Chapter 4602 for Construction Conversion and Renovation Mortgages, or
- Pay off the outstanding balance under a land contract or contract for deed in accordance with requirements of Chapter 4404

### (b) Cash back on purchase transaction Mortgages

The Borrower may receive cash back, or a principal curtailment may be made, only as a result of the following:

- Reimbursement for the overpayment of costs, fees and charges paid by the Borrower in connection with the purchase transaction Mortgage. Examples of such overpayments include, but are not limited to, an earnest money deposit exceeding the required down payment amount, a fee paid at loan application that is covered by a financing concession (as described in Section 5501.5(b)) at loan closing, a Closing Cost that is reduced after closing, or gift funds given at loan closing and exceeding the amount needed for closing
- In jurisdictions where real estate taxes are paid in arrears, receipt of funds from the property seller for real estate taxes that cover a period prior to the Note Date
- Refunds mandated by federal laws or regulations

The minimum Borrower contribution, if applicable, must be met at closing (See Sections 5501.3(b)(i) and 4501.10). If the projected cash back, as described above, results in the Borrower not meeting the minimum Borrower contribution at closing, the excess amount of the cash back must be applied as a principal curtailment.

Any cash back or principal curtailment, as described above, must be reflected on the Settlement/Closing Disclosure Statement. In instances of reimbursement for the overpayment of costs, fees and charges, and/or refunds mandated by federal law or regulation, the Mortgage file must include documentation supporting the amount and the reason for the reimbursement and/or refund.

# Chapter 4401: ARMs

## 4401.1: Eligible ARMs (03/02/16)

Freddie Mac will purchase rate-capped ARMs that are fully amortizing First Lien Mortgages with an original maturity not exceeding 30 years. For Higher-Priced Mortgage Loan and Higher-Priced Covered Transaction requirements, see the Glossary and Section 4202.5.

Many of the sections of this chapter have charts that set forth specific requirements for eligible ARM products, such as the Index and Lookback Period applicable to each ARM product, the Initial Cap and Periodic Cap of each ARM product and the Uniform Instruments to be used in connection with the origination of each ARM product. Exhibit 17S, Available Mortgage Products, provides a consolidated summary of certain information contained in the charts of this chapter regarding eligible ARM products.

## 4401.2: Eligible ARM products (11/15/17)

ARMs eligible for purchase by Freddie Mac have an Initial Period followed by subsequent Note Rate adjustments that occur on a periodic basis, as specified in the Note. The following chart shows, for each eligible ARM product, the applicable Initial Period and the subsequent adjustment period.

<b>Eligible ARM Product</b>	<b>Initial Period*</b>	<b>Periodic Adjustments (Subsequent to the Initial Period)</b>
1/1 ARM	12 months	12 months
3/3 ARM	36 months	36 months
5/5 ARM	60 months	60 months
3/1 ARM	36 months	12 months
5/1 ARM	60 months	12 months
7/1 ARM	84 months	12 months

10/1 ARM	120 months	12 months
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\* The Initial Period may be shorter or longer than the number of months specified. See Section 4401.5 for the time frame within which the first Interest Change Date must occur.

## 4401.3: Eligible ARM Index and Lookback Period (05/17/19)

ARMs eligible for purchase by Freddie Mac are subject to periodic Note Rate adjustments based on the value of an Index at a specified time, as set forth in the Note. The time interval for establishing the Index value is referred to as the Lookback Period. The following chart shows the Indices applicable to each eligible ARM product and the Lookback Period used to establish the Index values.

The Settlement Date for a LIBOR-Indexed ARM may not be more than six months after the Note Date.

Eligible ARM Product	Index	Lookback Period
1/1 ARM	1-Yr Weekly CMT*	45 days
	1-Yr LIBOR**	45 days
3/3 ARM	3-Yr Weekly CMT	45 days
5/5 ARM	5-Yr Weekly CMT	45 days
3/1 ARM	1-Yr Weekly CMT	45 days
	1-Yr LIBOR	45 days
5/1 ARM	1-Yr Weekly CMT	45 days
	1-Yr LIBOR	45 days
7/1 ARM	1-Yr Weekly CMT	45 days

Eligible ARM Product	Index	Lookback Period
	1-Yr LIBOR	45 days
10/1 ARM	1-Yr Weekly CMT	45 days
	1-Yr LIBOR	45 days

\* CMT = Constant Maturity Treasury

\*\* LIBOR = London Interbank Offered Rate

## 4401.4: General ARM requirements (11/15/17)

### (a) Due Date

The Due Date must occur on the first day of the month.

### (b) Payment Change Date

The Payment Change Date must occur on the first day of the month following each Interest Change Date.

### (c) Calculation of monthly payment amount

The monthly payment amount that is calculated following each Interest Change Date must be sufficient to amortize the UPB fully over the remaining term of the ARM.

### (d) Margin

For 1/1 ARMs, 3/1 ARMs and 3/3 ARMs, the Margin must be less than 400 basis points. For all other ARMs, there is no maximum Margin. For more information on Margins, refer to:

- Section 6102.4 for ARMs sold under WAC ARM Cash
- Section 6201.3 for ARMs sold under WAC ARM Guarantor.

### (e) Lifetime Ceiling

The Lifetime Ceiling must equal the sum of the Note Rate at origination plus the Life Cap stated in the Note, as described in Section 4401.5(c).

### (f) Lifetime Floor

For ARMs with Lifetime Floors, the Lifetime Floor must equal the Margin stated in the Note, as specified in Section 4401.5(c).

## **4401.5: ARM Note Rate change requirements (07/25/18)**

ARMs eligible for purchase by Freddie Mac must comply with the requirements of this Section 4401.5 regarding the timing of, and Periodic Caps for, Interest Change Dates and how adjustments to the Note Rate are made. In all cases, Note Rate adjustments must comply with the terms of the Note and with applicable law.

### **(a) Interest Change Date**

Each Interest Change Date, stated in the Note, must occur on the first day of the month.

The following chart shows the time frame within which the first Interest Change Date must occur, and the number of months between all subsequent Interest Change Dates:

<b>Eligible ARM Product</b>	<b>1<sup>st</sup> Interest Change Date Period Between 1<sup>st</sup> Payment Due Date and 1<sup>st</sup> Interest Change Date</b>	<b>Subsequent Interest Change Dates Period Between Interest Change Dates After 1<sup>st</sup> Interest Change Date</b>
1/1 ARM	6-18 months	12 months
3/3 ARM	30-42 months	36 months
5/5 ARM	54-66 months	60 months
3/1 ARM	30-42 months	12 months
5/1 ARM	54-66 months	12 months
7/1 ARM	78-90 months	12 months
10/1 ARM	114-126 months	12 months

### **(b) Calculation of adjustments**

The new Note Rate must be calculated in accordance with the terms of the Note. Additionally, the following requirements must be met:

- The sum of the current Index value plus the Margin must be rounded to the nearest one-eighth of 1% (0.125%)
- Due to the fractional nature of the LIBOR Index, the Index value must be truncated to the third decimal place before adding the Margin
- For LIBOR-Indexed ARMs, the Seller must inform the Borrower in writing on or before the Note Date and in each Note Rate adjustment notice that the LIBOR Index value used to calculate the new Note Rate for each Interest Change Date is the average LIBOR values for six-month or one-year US dollar denominated deposits, as applicable, as published in the print edition of *The Wall Street Journal*

**(c) Limits on Note Rate adjustments**

Each ARM Note must specify limits on the periodic adjustments (the Lifetime Ceiling, the Lifetime Floor and the Periodic Cap) to the Note.

1. The Note Rate may not exceed the Lifetime Ceiling or be less than the Lifetime Floor, which must equal the Margin as required by Section 4401.4(f)
2. The Note Rate at the first Interest Change Date may not exceed the value of the Note Rate at origination plus the Initial Cap or be less than the value of the Note Rate at origination minus the Initial Cap
3. Adjustments on subsequent Interest Change Dates are subject to the Periodic Cap

For information on underwriting requirements for ARMs and permissible “teaser rates,” see Section 4401.8.

**(d) Applicable caps for eligible ARM products**

The following chart shows (in percentage points) the applicable Initial Cap, Periodic Cap and Life Cap for ARM products eligible under WAC ARM Cash:

Eligible ARM Product	Index	Initial Cap	Periodic Cap	Life Cap
1/1 ARM	1-Yr Weekly CMT*	1%	1%	6%

Eligible ARM Product	Index	Initial Cap	Periodic Cap	Life Cap
	1-Yr Weekly CMT	2%	2%	6%
	1-Yr LIBOR**	2%	2%	6%
3/1 ARM	1-Yr Weekly CMT	2%	2%	6%
	1-Yr LIBOR	2%	2%	5 or 6%
5/1 ARM	1-Yr Weekly CMT	2%	2%	5%
	1-Yr LIBOR	2%	2%	5 or 6%
7/1 ARM	1-Yr Weekly CMT	5%	2%	5%
	1-Yr LIBOR	5%	2%	5%
10/1 ARM	1-Yr Weekly CMT	5%	2%	5%
	1-Yr LIBOR	5%	2%	5%

\* CMT = Constant Maturity Treasury

\*\* LIBOR = London Interbank Offered Rate

The following chart shows (in percentage points) the applicable Initial Cap, Periodic Cap and Life Cap for ARM products eligible under the WAC ARM Guarantor program:

Eligible ARM Product	Index	Initial Cap	Periodic Cap	Life Cap
1/1 ARM	1-Yr Weekly CMT*	1%	1%	Less than or equal to 6%
	1-Yr Weekly CMT	2%	2%	Less than or equal to 6%



<b>Eligible ARM Product</b>	<b>Index</b>	<b>Initial Cap</b>	<b>Periodic Cap</b>	<b>Life Cap</b>
	1-Yr LIBOR**	2%	2%	Less than or equal to 6%
3/3 ARM	3-Yr Weekly CMT	2%	2%	Less than or equal to 6%
5/5 ARM	5-Yr Weekly CMT	2%	2%	Less than or equal to 6%
3/1 ARM	1-Yr Weekly CMT	2%	2%	Less than or equal to 6%
	1-Yr LIBOR	2%	2%	Less than or equal to 6%
5/1 ARM	1-Yr Weekly CMT	2%	2%	Less than or equal to 6%
	1-Yr LIBOR	2%	2%	Less than or equal to 6%
7/1 ARM	1-Yr Weekly CMT	Same as Life Cap	2%	Less than or equal to 6%
	1-Yr Weekly CMT	2%	2%	Less than or equal to 6%
	1-Yr Weekly CMT	3%	2%	Less than or equal to 6%
	1-Yr Weekly CMT	5%	2%	Less than or equal to 6%

Eligible ARM Product	Index	Initial Cap	Periodic Cap	Life Cap
	1-Yr LIBOR	2%	2%	Less than or equal to 6%
	1-Yr LIBOR	5%	2%	Less than or equal to 6%
10/1 ARM	1-Yr Weekly CMT	Same as Life Cap	2%	Less than or equal to 6%
	1-Yr Weekly CMT	2%	2%	Less than or equal to 6%
	1-Yr Weekly CMT	3%	2%	Less than or equal to 6%
	1-Yr Weekly CMT	5%	2%	Less than or equal to 6%
	1-Yr LIBOR	2%	2%	Less than or equal to 6%
	1-Yr LIBOR	5%	2%	Less than or equal to 6%

\* CMT = Constant Maturity Treasury

\*\* LIBOR = London Interbank Offered Rate

## 4401.6: Mortgage insurance requirements for ARMs (03/02/16)

The Seller must provide mortgage insurance on all ARMs in accordance with Section 4701.1.

## 4401.7: Title insurance requirements for ARMs (03/02/16)

The Seller must provide title insurance in accordance with Chapter 4702.

## 4401.8: Underwriting requirements for ARMs (11/15/17)

### (a) Special ARM qualifications

For 1/1 ARMs, 3/3 ARMs, 5/5 ARMs, 3/1 ARMs, 5/1 ARMs that are less than one year old at the time of delivery, the initial Note Rate cannot be more than three percentage points below the fully-indexed rate. For purposes of this Section 4401.8, the fully-indexed rate is the sum of the Margin plus a value of the applicable Index at any time within 90 days preceding the Note Date, rounded to the nearest one-eighth of 1% (0.125%).

### (b) Calculating Borrower ratios for ARMs

For all ARMs, the Borrower must be qualified as follows:

ARM Type	Borrower Qualified at
1/1 ARM 3/1 ARM 3/3 ARM 5/1 ARM 5/5 ARM	No less than the greater of the Note Rate plus two percentage points or the fully-indexed rate
7/1 ARM 10/1 ARM	For Mortgages with Application Received Dates prior to <b>January 10, 2014</b> , no less than the Note Rate.  For Mortgages with Application Received Dates on or after <b>January 10, 2014</b> , no less than the: <ul style="list-style-type: none"> <li>■ Note Rate for Mortgages that are not Higher-Priced Covered Transactions (HPCTs) or Higher-Priced Mortgage Loans (HPMLs)</li> <li>■ Greater of the Note Rate or the fully-indexed rate for Mortgages that are HPCTs or HPMLs</li> </ul>

**(c) Buydowns**

For ARMs that are Financed Permanent Buydown Mortgages and ARMs with temporary subsidy buydown plans, the Borrower must be qualified in accordance with the requirements of this section.

For additional buydown provisions related to ARMs, refer to Section 4204.4 for ARMs with temporary subsidy buydown plans and Chapter 4601 for Financed Permanent Buydown Mortgages.

**4401.9: Credit Fees in Price for ARMs (04/24/17)**

A special Credit Fee in Price will be assessed and billed to the Seller in conjunction with the sale of certain ARMs. The Seller must refer to Exhibit 19, Credit Fees in Price, for information on the ARM Credit Fee in Price and other Credit Fees in Price.

Credit Fees in Price are paid in accordance with the Credit Fee in Price provisions outlined in Chapter 6303.

# Chapter 4402: Seller-Owned Converted and Seller-Owned Modified Mortgages

## 4402.1: Common requirements for Seller-Owned Converted and Seller-Owned Modified Mortgages (07/11/16)

### (a) Eligible Mortgages

#### (i) Requirements related to the Mortgage prior to conversion or modification

Prior to conversion or modification, the Mortgage must have had the following characteristics:

- The Mortgage must have been secured by a First Lien on a 1- to 4-unit Primary Residence or a 1-unit second home
- The occupancy type of the Mortgage Premises must not have changed since the Note Date or since the Effective Date of Permanent Financing if the Mortgage was originated as a Construction Conversion or Renovation Mortgage
- The Mortgage met all Freddie Mac's eligibility and underwriting requirements on the Note Date or on the Effective Date of Permanent Financing if the Mortgage was originated as a Construction Conversion or Renovation Mortgage
- The loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios did not exceed the limits in Section 4203.4 as of the Note Date or as of the Effective Date of Permanent Financing if the Mortgage was originated as a Construction Conversion or Renovation Mortgage
- The principal balance of the Mortgage has not increased since the Note Date, or since the Effective Date of Permanent Financing if the Mortgage was originated as a Construction Conversion or Renovation Mortgage, and the loan amount of the Mortgage prior to modification did not exceed the maximum loan amount in Section 4203.3 in effect on the Note Date (The Mortgage may not be a super conforming Mortgage)
- The Mortgage was not in default and otherwise meets the requirements in Section 4201.7
- The Mortgage was a conventional, fully amortizing Mortgage and the Mortgage had an original amortization term no greater than 30 years from the Note Date or from the

Effective Date of Permanent Financing if the Mortgage was originated as a Construction Conversion or Renovation Mortgage

- The Mortgage was not an interest-only Mortgage prior to conversion or modification

**(ii) Eligibility of the Seller-Owned Converted or Seller-Owned Modified Mortgage**

A Seller-Owned Converted or Seller-Owned Modified Mortgage must have the following characteristics:

- The Mortgage meets all Freddie Mac's eligibility and underwriting requirements in effect on the Delivery Date
- The current LTV, TLTV and HLTUV ratios do not exceed the limits in Section 4203.4 as of the Delivery Date. The current ratios are calculated by dividing the UPB of the Mortgage as of the Delivery Date by the value as defined in Section 4203.1.
- The Mortgage must comply with the maximum original loan amounts stated in Section 4203.3 in effect on the Settlement Date. (The Mortgage may not be a super conforming Mortgage.)
- The Seller may not have assessed a prepayment penalty in connection with the conversion or modification of the Mortgage
- The Borrowers are the same as the Borrowers on the Mortgage prior to conversion or modification, except that a Borrower who contributed no qualifying income, assets or reserves to the Mortgage may have been removed
- The Mortgage is a conventional, fully amortizing Mortgage and the Mortgage term may not extend beyond 30 years from the Note Date or from the Effective Date of Permanent Financing if the Mortgage was originated as a Construction Conversion or Renovation Mortgage

A Mortgage originated as a Construction Conversion or Renovation Mortgage is a Seller-Owned Modified Mortgage if:

- The terms of the Permanent Financing have been modified or if an ARM, converted to a fixed-rate Mortgage, after the Effective Date of Permanent Financing; and
- It meets the requirements of this Chapter 4402, and
- It is not a Home Possible® Mortgage or a Mortgage secured by a Manufactured Home

## **(b) Special underwriting requirements**

- Except as modified by this chapter, the Seller is required to manually underwrite and requalify each Borrower using Freddie Mac's eligibility and underwriting requirements in accordance with Topics 5100 through 5500 as in effect as of the Delivery Date. In addition, Mortgages secured by second homes must meet the requirements of Section 4201.15.
- The Mortgage must comply with the minimum Indicator Score requirements set forth in Exhibit 25 for an applicable Mortgage product, and must meet the requirements of Topics 5100 through 5500. If no Borrower has a usable Credit Score and as a result, the Mortgage does not have an Indicator Score, the Mortgage is not eligible for purchase
- A Seller-Owned Converted or Seller-Owned Modified Mortgage is not eligible to be submitted to Loan Product Advisor<sup>SM</sup> for evaluation
- The Seller-Owned Converted or Seller-Owned Modified Mortgage will not receive any representation and warranty relief relating to the evaluation of the Mortgage through Loan Product Advisor and any previous relief provided is of no force and effect in connection with the Mortgage
- The Seller-Owned Converted or Seller-Owned Modified Mortgage eligibility and underwriting requirements must be based on the loan purpose as of the Note Date

## **(c) Special documentation requirements**

The Seller must maintain in the Mortgage file:

- All documentation required by the Purchase Documents as of the Note Date or as of the Effective Date of Permanent Financing if the Mortgage was originated as a Construction Conversion or Renovation Mortgage
- All documentation associated with the conversion or modification of the Mortgage
- The Mortgage payment history of the Mortgage for the 12-month period prior to the Delivery Date (or the full length of Mortgage payment history, if less than 12 months) documented by a new credit report or a Servicer generated payment history
- Credit, employment and income documentation required to requalify each Borrower in accordance with the Standard Documentation requirements in Topic 5300 for the Seller-Owned Converted or Seller-Owned Modified Mortgage including, but not limited to:
  - New Uniform Residential Loan Application
  - New credit report meeting the requirements of Section 5203.1
  - Verification of income and employment

- Any other documentation required as of the Delivery Date (e.g., the Indicator Score). If Freddie Mac required a minimum Indicator Score for the Mortgage at time of origination, the Seller must note this Indicator Score in addition to the Indicator Score required for delivery under this chapter on the Form 1077, Uniform Underwriting and Transmittal Summary.

Underwriting documentation must be obtained within 120 days prior to the modification or Conversion Date.

**(d) Property value warranty requirements**

The Seller must provide a new appraisal with an effective date no more than 120 days prior to the modification or Conversion Date. The appraisal must meet Freddie Mac requirements. The Seller warrants that the property value has not declined since the effective date of the most recent appraisal if the Mortgage was originated as a Construction Conversion or Renovation Mortgage. The new appraisal must not be used to determine the original LTV, TLTV and HLLTV ratios for the Mortgage or the current LTV, TLTV and HLLTV ratios as of the Delivery Date.

**(e) Planned Unit Development, leasehold estate and condominium warranty requirements**

For Mortgages secured by Condominium Units, the Seller must underwrite the Condominium Project, and based on such evaluation, must represent and warrant that the Condominium complies with the requirements set forth in Chapter 5701.

Mortgages secured by leasehold estates must meet the special warranties set forth in Chapter 5704 as applicable.

Mortgages secured by Planned Unit Developments must meet the special warranties set forth in Chapter 5702 as applicable.

**(f) Mortgage insurance requirements**

- For a Mortgage that had an LTV ratio greater than 80% on the Note Date or on the Effective Date of Permanent Financing if the Mortgage was originated as a Construction Conversion or Renovation Mortgage, and has a current LTV ratio greater than 80%, the required level of mortgage insurance coverage will be determined by the requirements in this Guide as of the Note Date or as of the Effective Date of Permanent Financing if the Mortgage was originated as a Construction Conversion or Renovation Mortgage
- The Seller is not required to increase existing mortgage insurance coverage to comply with Section 4701.1 if Freddie Mac's minimum coverage amounts have increased between the (i) Note Date or the Effective Date of Permanent Financing if the Mortgage was originated as a Construction Conversion or Renovation Mortgage, and (ii) the Delivery Date



- The Seller/Servicer must warrant that conversion or modification has not altered or impaired the coverage under the mortgage insurance policy. If the Seller/Servicer cannot warrant that the insurance policy has not been impaired, the Seller/Servicer must obtain an endorsement which brings the policy into compliance with the requirements of Section 4701.1.
- Lender-paid mortgage insurance is permitted
- The custom mortgage insurance option described in Section 4701.1 and financed mortgage insurance premiums described in Section 4701.2(a) are not permitted

**(g) Form 1077, Uniform Underwriting and Transmittal Summary**

On Form 1077, or on another document in the Mortgage file, the Seller must state that the loan is a Seller-Owned Converted Mortgage or a Seller-Owned Modified Mortgage. If applicable, Seller must state that the Mortgage was originated as a Construction Conversion or Renovation Mortgage.

**(h) Title insurance**

The Mortgage must meet the title insurance requirements of Chapter 4702. The Seller/Servicer must warrant that conversion or modification has not altered or impaired coverage under the title insurance policy or attorney’s opinion of title.

**(i) Quality control**

If the Mortgage is selected for Freddie Mac’s post funding quality control, the Seller/Servicer must provide the original underwriting file and the underwriting file required to requalify the Borrower at the time of conversion or modification.

## **4402.2: Special requirements for Seller-Owned Converted Mortgages (11/05/18)**

**(a) Overview**

Credit related waivers to Guide requirements negotiated elsewhere in the Purchase Documents may apply to Seller-Owned Converted Mortgages unless the credit related waivers, provisions, products or offerings conflict with the requirements of this Chapter, in which case, the requirements of this Chapter will apply unless expressly stated otherwise in the Purchase Documents.

## **(b) Eligible Mortgages**

- A Seller-Owned Converted Mortgage may be secured by a 1- to 4-unit Investment Property
- A Community Land Trust Mortgage is not eligible for sale as a Seller-Owned Converted Mortgage
- A Mortgage secured by property subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, where the property value must be determined in accordance with Section 4406.1(g)(ii) is not eligible for sale as a Seller-Owned Converted Mortgage
- A Mortgage with a temporary subsidy buydown plan is not eligible for sale as a Seller-Owned Converted Mortgage. If the original Mortgage included a temporary subsidy buydown, any remaining funds in the buydown account at time of conversion must be distributed in accordance with the buydown agreement
- The Seller must warrant that all the original Note and Security Instrument terms for converting the Mortgage to a fixed rate of interest have been met
- The Seller-Owned Converted Mortgage Note must be negotiable, and the entire indebtedness must be fully enforceable against the Borrower and secured by a First Lien on the Mortgaged Premises
- The Seller-Owned Converted Mortgage Note must have a fixed rate of interest with level monthly principal and interest payments
- A fully enforceable due-on-sale clause, such as contained in Freddie Mac's current fixed-rate Uniform Instruments, must be in effect after conversion to fixed-rate

## **(c) Special underwriting requirements**

In addition to the underwriting requirements in Section 4402.1(b), a Seller-Owned Converted Mortgage secured by a 1- to 4-unit Investment Property must meet the requirements of Section 4201.16.

## **(d) Delivery requirements**

See Section 6302.19 for delivery and pooling requirements for Seller-Owned Converted Mortgages.

## **4402.3: Uniform Instruments and nonstandard documents for Seller-Owned Converted Mortgages (03/02/16)**

The original convertible ARM may have been originated using Uniform Instruments in accordance with Section 4101.2 or nonstandard documents. Documentation for the Seller-Owned Converted Mortgage should consist of the following:

- The original Security Instrument and Convertible Adjustable Rate Rider; and
- A document evidencing the conversion of the ARM to a fixed-rate Mortgage; the conversion document must be recorded if necessary to establish that the Seller-Owned Converted Mortgage is a First Lien. The Seller may use the Freddie Mac Multistate Agreement to Convert, Freddie Mac Uniform Instrument Form 3180, to evidence the ARM conversion. If the Seller uses a loan instrument other than the Agreement to Convert, the Seller represents and warrants that the instrument, when completed, contains substantially identical provisions to the Freddie Mac Agreement to Convert and is appropriate for use to evidence the conversion of the Convertible ARM; and
- Either:
  - The original Convertible Adjustable Rate Note with the document evidencing the conversion attached, or
  - A new fixed-rate Note

If a new Note is executed, the Seller must use the Fannie Mae/Freddie Mac Fixed-Rate Note as required by Section 4101.2.

If the Seller-Owned Converted Mortgage is documented with the original documents and a document evidencing the ARM conversion, the following requirements apply:

### **(a) Original Security Instrument and Convertible Adjustable Rate Rider**

The original Security Instrument and Convertible Adjustable Rate Rider must be either:

- The version of the Fannie Mae/Freddie Mac Uniform Security Instrument for the State in which the Mortgaged Premises are located in effect on the Note Date, with either the Fannie Mae or Freddie Mac Uniform Convertible Adjustable Rate Rider, or
- A nonstandard document that contains provisions comparable to the provisions of the version of the Fannie Mae/Freddie Mac Uniform Security Instrument in effect on the Note Date for the State in which the Mortgaged Premises are located, including the provisions relating to:

- Default and foreclosure rights
- The use of hazard insurance proceeds, condemnation, and hazardous waste
- No waivers of homestead rights, dower or similar marital rights
- Matters that affect the security for the Mortgage, including charges and liens and property preservation
- Borrower Mortgage payment and escrow obligations
- Rights of the lender in the event of Borrower bankruptcy

**(b) Original Convertible Adjustable Rate Note**

The original Convertible Adjustable Rate Note must be either:

- The applicable version of the Fannie Mae or Freddie Mac Uniform Convertible Adjustable Rate Note in effect on the Note Date, or
- A nonstandard Convertible Adjustable Rate Note, provided the Convertible Adjustable Rate Note contains provisions that are consistent with the provisions in the Fannie Mae or Freddie Mac Convertible Adjustable Rate Note for ARMs originated on the Note Date. The Seller must review the Convertible Adjustable Rate Note for consistency, including the provisions relating to the following, and determine that:
  - The late payment fee does not exceed the maximum fee allowed by State law and this Guide
  - There are no provisions allowing skipped payments, a grace period following a partial payment or a grace period for other hardship or other reasons
  - There are no waivers of homestead rights, dower or similar marital rights

**(c) Seller-Owned Converted Mortgages originated as a Construction Conversion or Renovation Mortgage**

For a Seller-Owned Converted Mortgage that was originated as a Construction Conversion or Renovation Mortgage, the conversion of Interim Construction Financing to Permanent Financing must have occurred prior to the conversion from a Convertible ARM to a fixed-rate Mortgage and must have been documented in accordance with Section 4602.3. The conversion from a Convertible ARM to a fixed-rate Mortgage must be documented in accordance with this Section 4402.3.

## **4402.4: Special requirements for Seller-Owned Modified Mortgages (11/05/18)**

### **(a) Overview**

Credit-related waivers to the Guide requirements negotiated elsewhere in the Purchase Documents shall not apply to Seller-Owned Modified Mortgages.

### **(b) Ineligible Mortgages**

A Seller-Owned Modified Mortgage may not have been originated as:

- A Home Possible® Mortgage
- An Affordable Merit Rate® Mortgage
- A Mortgage using an Automated Valuation Model (AVM)
- A Freddie Mac HomeOne<sup>SM</sup> Mortgage
- A Community Land Trust Mortgage
- A Mortgage secured by property subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, where the property value must be determined in accordance with Section 4406.1(g)(ii)

### **(c) Special requirements**

The Mortgage must only be modified for the purpose of a reduction in interest rate of the First Lien Mortgage.

### **(d) Delivery requirements**

See Section 6302.27 for delivery and pooling requirements for Seller-Owned Modified Mortgages.

## **4402.5: Uniform Instruments for Seller-Owned Modified Mortgages (03/02/16)**

Documentation for a Seller-Owned Modified Mortgage should consist of all of the following:

### **(a) Security Instrument**

The Security Instrument with all applicable riders. The Security Instrument must be either:

- The version of the Fannie Mae/Freddie Mac Uniform Security Instrument for the State in which the Mortgaged Premises are located in effect on the Note Date, or
- A nonstandard document that has been modified to conform to the current Fannie Mae/Freddie Mac Uniform Security Instrument for the State in which the Mortgaged Premises are located

### **(b) Note**

The promissory note must be either:

- The original Fannie Mae/Freddie Mac Uniform Fixed-Rate Note with the loan modification agreement attached, or
- A new Note; a new Note must be used if the Seller-Owned Modified Mortgage is not a fixed-rate Mortgage. If a new Note is executed, Seller must use the applicable Uniform Instrument Note as required by Section 4101.2 for the modified Mortgage Product.

### **(c) Loan Modification Agreement**

A document evidencing the loan modification. The loan modification agreement must be recorded if necessary to establish that the Seller-Owned Modified Mortgage is a First Lien.

The loan modification agreement must contain the following information with respect to the modifications on the Seller-Owned Modified Mortgage:

- The effective date of the loan modification
- The current outstanding principal balance on the Seller-Owned Modified Mortgage
- Whether the interest rate on the Seller-Owned Modified Mortgage is a fixed or adjustable interest rate
- The yearly interest rate on the Seller-Owned Modified Mortgage
- Amount of monthly payments on the Seller-Owned Modified Mortgage
- Date the monthly payments on the Seller-Owned Modified Mortgage begin
- The maturity date of the Seller-Owned Modified Mortgage

If the original Mortgage is either (i) a fixed-rate Mortgage originated on the Fannie Mae/Freddie Mac Uniform Fixed-Rate Note and after modification will remain a fixed-rate Mortgage, or (ii) a Mortgage that is being modified to a fixed-rate Mortgage using the Fannie Mae/Freddie Mac Uniform Fixed-Rate Note, the Seller may use the Freddie Mac Multistate Loan Modification to a Fixed Interest Rate, Freddie Mac Uniform Instrument Form 5161 as the loan modification agreement. If Seller uses a different instrument to evidence the loan modification for a fixed-rate Seller-Owned Modified Mortgage, the Seller represents and warrants that the instrument, when completed, contains substantially identical provisions to the Freddie Mac Loan Modification to a Fixed Interest Rate and is appropriate for use to evidence the modification of the Mortgage.

**(d) Seller-Owned Modified Mortgages originated as a Construction Conversion or Renovation Mortgage**

For a Seller-Owned Modified Mortgage that was originated as a Construction Conversion or Renovation Mortgage, the conversion of Interim Construction Financing to Permanent Financing must have occurred prior to the modification and must have been documented in accordance with Section 4602.3. The modification of the Permanent Financing that occurs after the Effective Date of Permanent Financing must be documented in accordance with this Section 4402.5.

# Chapter 4403: Mortgages with Capitalized Balances

## 4403.1: Mortgages with capitalized balances (06/03/19)

### (a) Overview

Mortgages having principal balances that include capitalization of interest, taxes, hazard insurance premiums and/or late charges are eligible for purchase under certain conditions.

The following Mortgages are not eligible for sale as Mortgages with capitalized balances:

- Community Land Trust Mortgages
- Mortgages secured by properties subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, where the property value must be determined in accordance with Section 4406.1(g)(ii)

### (b) General requirements

By delivery of Mortgages with capitalized balances, the Seller represents and warrants the following requirements have been met as of the Delivery Date:

1. Capitalization is permitted under the Mortgage documents and applicable State law
2. The Note is negotiable, and the entire indebtedness, including all amounts capitalized, is fully enforceable against the Borrower and secured by a First Lien
3. The UPB of the Mortgage, including all amounts capitalized, does not exceed the original loan amount as reflected in the Note
4. No capitalization will occur after the Purchase Contract Date of Acceptance
5. The Mortgage is fully amortizing in substantially equal monthly installments of principal and interest over a period of up to 10, 15, 20 or 30 years, respectively (depending on whether the Mortgage is to be included in a 10-, 15-, 20- or 30-year Pool) following the Delivery Date. If, as a result of the capitalization, the Note maturity date could have exceeded the maximum term to maturity for the related Pool after delivery to Freddie Mac or could have resulted in a balloon payment at maturity, the Seller must have reamortized the Mortgage before delivery to Freddie Mac. For each Mortgage that has been reamortized or for which the stated maturity date has been extended, the Seller makes the following additional representations and warranties:



- Each affected Borrower has been informed of the capitalization, and
- If such Borrower's Mortgage contains a stated maturity date, that capitalization will result in installments becoming due after such stated maturity date or an increase in the monthly payment

6. All computations of maturity dates are correct

**(c) Delivery requirements**

Refer to Section 6302.22 for delivery requirements for Mortgages with capitalized balances.

# Chapter 4404: Land Contract; Contract for Deed

## 4404.1: Land contract; contract for deed (06/05/19)

When the proceeds of a Mortgage are used to pay the outstanding balance under a land contract or contract for deed, the Mortgage may be considered either a purchase or a “no cash-out” refinance Mortgage if the requirements in this section are met.

A copy of the executed land contract or contract for deed must be included in the Mortgage file.

### (a) Purchase

For the transaction to be considered a purchase transaction:

- The land contract or contract for deed must have been executed less than 12 months prior to the Application Received Date
- All of the loan proceeds must be used to pay the outstanding balance under the land contract or contract for deed and no loan proceeds may be disbursed to the Borrower
- The loan-to-value (LTV) ratio must be calculated using the lesser of the following:
  - The current appraised value of the Mortgaged Premises, or
  - The total acquisition cost (the purchase price indicated in the original land contract or contract for deed, plus any cost the Borrower has expended for rehabilitation, renovation, refurbishment or energy improvements). The Mortgage file must contain sufficient documentation on which to calculate the total acquisition cost.

### (b) “No cash-out” refinance

For the transaction to be considered a “no cash-out” refinance transaction:

- The land contract or contract for deed must have been executed at least 12 months prior to the Application Received Date
- The LTV ratio must be calculated using the current appraised value of the Mortgaged Premises
- The Mortgage file must include third-party documentation evidencing payments in accordance with the land contract or contract for deed for the most recent 12-month period

- The Mortgage must meet the requirements for “no cash-out” refinance Mortgages in Section 4301.4

# **Chapter 4405: Energy Conservation Improvements**

## **4405.1: Energy conservation improvements (05/01/19)**

Effective May 1, 2019, this section is deleted. See Chapter 4606 for requirements for GreenCHOICE Mortgages<sup>SM</sup>.

# Chapter 4406: Mortgages Secured by Properties Subject to Resale Restrictions

## 4406.1: General requirements (11/05/18)

### (a) Overview

Freddie Mac will purchase Mortgages secured by properties subject to resale restrictions including, but not limited to, income-based restrictions and age-based restrictions (such as senior housing or units restricted to one or more occupants age 55 and over), if the requirements of this chapter are met. The resale restrictions must be in compliance with all federal, State and local laws, rules and regulations.

The restrictions are binding on current and subsequent property owners, and remain in effect (i.e., survive) until they are formally removed or modified, or terminate automatically in accordance with their terms, such as upon completion of foreclosure or recordation of a deed-in-lieu of foreclosure and, if necessary, upon recordation of the associated deed transferring the property to Freddie Mac or third-party purchaser.

Income-based resale restrictions typically are imposed by State or local governments, municipalities and non-profit entities, including entities administering government-sponsored subsidy programs to create and preserve affordable housing by limiting the occupancy and resale of the property to individuals or households of very-low, low- or moderate-incomes. The income-based resale restrictions are stated in an easement, covenant or condition in a deed or other instrument executed by or on behalf of the owner of the land. These restrictions may be in effect for a certain number of years or continue in perpetuity.

**NOTE:** The requirements of this chapter do not apply to resale restrictions related to Community Land Trust Mortgages. See Chapter 4502.

### (b) General purchase requirements for all Mortgages secured by properties subject to resale restrictions

The Mortgages must be First Lien, conventional Mortgages. Freddie Mac purchase requirements including, but not limited to, all applicable Condominium Project and Planned Unit Development (PUD) requirements must be met.

See Section 4406.2 for special additional requirements applicable to Mortgages secured by property with income-based resale restrictions administered by a subsidy provider (State or local government, municipality or other non-profit entity) providing homeownership opportunities to very low-, low- or moderate-income households.

### (c) Length of resale restrictions; effect of foreclosure or deed-in-lieu of foreclosure

There are no restrictions on the length of the period in which the resale restrictions may remain in place on the property.

A Mortgage secured by a property subject to a resale restriction is eligible for purchase if the resale restriction:

- Survives conveyance of the property following foreclosure or recordation of a deed-in-lieu of foreclosure, or
- Terminates upon foreclosure or recordation of a deed-in-lieu of foreclosure

If the resale restrictions survive foreclosure and a deed-in-lieu of foreclosure, the Seller represents and warrants that the resale restrictions do not impair the Seller/Service's ability to foreclose on the restricted property.

If the resale restrictions survive foreclosure and a deed-in-lieu of foreclosure, the subsidy provider is not entitled to obtain any proceeds from the initial sale or transfer of the property after foreclosure or a deed-in-lieu of foreclosure, from the foreclosing mortgage holder who obtained the property at foreclosure or pursuant to a deed-in-lieu of foreclosure.

If the resale restrictions terminate at foreclosure or upon recordation of a deed-in-lieu of foreclosure, the subsidy provider is not entitled to obtain any proceeds from future sale(s) or transfer(s) of the property after foreclosure or recordation of a deed-in-lieu of foreclosure.

#### **(d) Public land records**

Agreements or requirements (i.e., enacted ordinances, statutes, published policies or imposed restrictions) must appear in the public land records for the property in a manner discoverable by a routine title search.

#### **(e) Right of first refusal and resale restriction controls**

##### **(i) Right of first refusal**

For properties subject to resale restrictions, any right of first refusal must run to the enabling authority or jurisdiction that imposed the resale restrictions, with a time period not exceeding 90 days from the date of written notice to the authority or jurisdiction that the restricted property is being offered for sale.

##### **(ii) Resale restriction controls**

Except for those relating to age-based restrictions, the resale restriction controls must be administered by a duly authorized authority of State, local or municipal government or an agent of the authority that has established mechanisms to provide applicant screening and processing on an ongoing basis.

#### **(f) Payment of financial obligations**

Any requirement in the deed restrictions requiring the owner of the property to make payments under certain circumstances or requiring repayment of financial subsidies must state that the payment obligation is subordinate to the lien of the First Lien Mortgage.

**(g) Appraisal requirements for properties with resale restrictions**

The appraisal report must **note the existence of the resale restriction** and analyze and reflect on any impact of the resale restrictions on the property's value and marketability.

**(i) Resale restriction survives foreclosure or recordation of a deed-in-lieu of foreclosure**

In the instance where the resale restriction survives foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, the appraisal must reflect the impact the restrictions have on value and be supported by comparable sales with similar restrictions.

**(ii) Resale restriction terminates upon foreclosure or recordation of a deed-in-lieu of foreclosure**

In instances where the resale restriction terminates upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, the appraisal **must** reflect the market value of the property without resale restrictions.

The Seller, or any third party authorized by the Seller, must ensure that the Borrower and appraiser are aware of the resale restrictions and must advise the appraiser that he or she must include the following statement in the appraisal report:

*“This appraisal is made on the basis of a hypothetical condition that the property rights being appraised are without resale and other restrictions that are terminated automatically upon the latter of foreclosure or the expiration of any applicable redemption period, or upon recordation of a deed-in-lieu of foreclosure.”*

**(h) Value and calculation of loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios**

**(i) Resale restriction survives foreclosure or recordation of a deed-in-lieu of foreclosure**

In the instance where the resale restriction survives foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, in accordance with the requirements of Section 4203.1(a), for a purchase transaction, “value” is the lesser of the appraised value of the Mortgaged Premises on the Note Date or the purchase price of the Mortgaged Premises and for a refinance transaction, “value” is the appraised value.

**(ii) Resale restriction terminates upon foreclosure or recordation of a deed-in-lieu of foreclosure**

Value is the appraised value of the property without resale restrictions as determined in accordance with the requirements of Section 4406.1(g)(ii).

**(i) Submission to Loan Product Advisor®**

When submitting a Mortgage secured by property subject to a resale restriction that terminates upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, the Seller must enter the appraised value in the purchase price field and the appraised value field.

**(j) Special delivery requirements**

See Section 6302.37 for additional special delivery instructions for Mortgages secured by properties subject to resale restrictions, including special instructions for Mortgages secured by resale restrictions that terminate upon foreclosure or deed-in-lieu of foreclosure, where the property value must be determined in accordance with Section 4406.1(g)(ii).

## **4406.1: General requirements (Future effective date 03/01/20)**

**(a) Overview**

Freddie Mac purchases Mortgages secured by properties subject to resale restrictions including, but not limited to, income-based restrictions and age-based restrictions (such as senior housing or units restricted to one or more occupants age 55 and over), if the requirements of this chapter **and the Seller's other Purchase Documents** are met. The resale restrictions must be in compliance with all federal, State and local laws, rules and regulations.

**(b) General purchase requirements for all Mortgages secured by properties subject to resale restrictions**

The Mortgages must be First Lien, conventional Mortgages. Freddie Mac purchase requirements including, but not limited to, all applicable Condominium Project and Planned Unit Development (PUD) requirements must be met.

The restrictions **must be** binding on current and subsequent property owners, and remain in effect (i.e., survive) until they are formally removed or modified, or terminate automatically in accordance with their terms, such as upon completion of foreclosure or recordation of a deed-in-lieu of foreclosure and, if necessary, upon recordation of the associated deed transferring the property to Freddie Mac or third-party purchaser.

See Section 4406.2 for special additional requirements applicable to Mortgages secured by properties **subject to** income-based resale restrictions.

NOTE: The requirements of this chapter do not apply to resale restrictions related to Community Land Trust Mortgages. See Chapter 4502 **for requirements applicable to Community Land Trust Mortgages.**



### **(c) Length of resale restrictions; effect of foreclosure or deed-in-lieu of foreclosure**

There are no restrictions on the length of the period in which the resale restrictions may remain in place on the property.

A Mortgage secured by a property subject to resale restrictions is eligible for purchase if the resale restrictions:

- Survive conveyance of the **subject** property following foreclosure or recordation of a deed-in-lieu of foreclosure, or
- Terminate upon foreclosure **(or expiration of any applicable redemption period)** or recordation of a deed-in-lieu of foreclosure

If the resale restrictions survive foreclosure **or recordation** of a deed-in-lieu of foreclosure, the subsidy provider is not entitled to obtain any proceeds from the initial sale or transfer of the property after foreclosure or a deed-in-lieu of foreclosure, from the foreclosing mortgage holder who obtained the property at foreclosure or pursuant to a deed-in-lieu of foreclosure.

**Whether** the resale restrictions **survive or terminate upon** foreclosure or recordation of a deed-in-lieu of foreclosure, **once Freddie Mac has acquired title to the property as an REO**, the subsidy provider is not entitled to obtain any “**excess proceeds**” from **Freddie Mac’s** sale or transfer of the **REO** property **except as provided in Section 4406.2(h) for Mortgages secured by properties subject to income-based resale restrictions.**

### **(d) Public land records**

**The terms of the resale restrictions** must appear in the public land records for the property in a manner discoverable by a routine title search.

### **(e) Right of first refusal**

For properties subject to resale restrictions, any right of first refusal must run to:

- The enabling authority or jurisdiction that imposed the resale restrictions, **or**
- **The subsidy provider or program administrator**

**When a Mortgage secured by a resale-restricted property is in foreclosure and/or subject to an approved short sale, the right of first refusal must have a time period not exceeding 90 days from the date of written notice to the parties to which the notice runs that the resale restricted property is being offered for sale.**

### **(f) Payment of financial obligations**

Any requirement **included in a mortgage, deed covenant or any other agreement executed by or on behalf of** the owner of the property **requiring the owner of the property** to make payments under certain circumstances or requiring repayment of financial subsidies must state that the payment obligation is subordinate to the lien of the First Lien Mortgage.

**(g) Appraisal requirements for properties subject to resale restrictions**

The appraisal report must note the existence of any resale restrictions. Additionally, the appraisal must include an analysis that addresses any impact the resale restrictions have on the property's value or marketability.

**(i) Resale restrictions survive foreclosure or recordation of a deed-in-lieu of foreclosure**

When the resale restrictions survive foreclosure or recordation of a deed-in-lieu of foreclosure, the appraisal must reflect the impact the restrictions have on the subject property's value and when available, be supported by comparable sales with similar restrictions.

If recent comparable sales with similar resale restrictions are not available in the subject neighborhood, the appraiser should then use similarly restricted older comparable sales from the subject neighborhood or consider recent and older similarly restricted sales from competing neighborhoods as comparable sales or as supporting market data. When comparable sales with similar resale restrictions are not available, the appraiser may use comparable sales with different resale restrictions or comparable sales without resale restrictions as long as the appraiser can justify and support their use in the appraisal report.

**(ii) Resale restrictions terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure**

When the resale restrictions terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, the appraisal must reflect the market value of the property without resale restrictions by using comparable sales that are not resale restricted.

The Seller, or any third party authorized by the Seller, must ensure that the Borrower and appraiser are aware of the resale restrictions and must advise the appraiser that he or she must include the following statement in the appraisal report:

*“This appraisal is made on the basis of a hypothetical condition that the property rights being appraised are without resale and other restrictions that are terminated automatically upon the latter of foreclosure or the expiration of any applicable redemption period, or upon recordation of a deed-in-lieu of foreclosure.”*

**(h) Value and calculation of loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios**

**(i) Resale restrictions survive foreclosure or recordation of a deed-in-lieu of foreclosure**

For a purchase transaction, “value” is the lesser of the appraised value of the Mortgaged Premises on the Note Date or the purchase price of the Mortgaged Premises and for a refinance transaction, “value” is the appraised value.

**(ii) Resale restrictions terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure**

For purchase and refinance transactions, value is the appraised value of the property without resale restrictions as determined in accordance with the requirements of Section 4406.1(g)(ii).

**(i) Underwriting**

Mortgages secured by properties subject to resale restrictions may be manually underwritten or submitted to Loan Product Advisor<sup>®</sup>. When using Loan Product Advisor, for a Mortgage secured by property subject to resale restrictions that terminate upon foreclosure or recordation of a deed-in-lieu of foreclosure, the Seller must enter the appraised value determined in accordance with Section 4406.1(g)(ii) in the purchase price field and the appraised value field.

**(j) Special delivery requirements**

See Section 6302.37 for additional special delivery instructions for Mortgages secured by properties subject to resale restrictions, including special instructions for Mortgages secured by properties subject to resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, where the property value must be determined in accordance with Section 4406.1(g)(ii).

## **4406.2: Special requirements for all Mortgages secured by property with income-based resale restrictions (10/02/19)**

In addition to the requirements of Section 4406.1, the requirements of this section apply to any Mortgage secured by a property subject to income-based resale restrictions, including those administered by a subsidy provider offering homeownership opportunities to very low-, low- or moderate income individuals and households. These providers subsidize properties that require a specified number or percentage of properties in a designated area to be dedicated as housing for very low, low- or moderate-income individuals and households. The Seller must review the terms and conditions of the affordable housing program including, but not limited to, any provisions that describe the resale restrictions.

**(a) Property type and occupancy**

The Mortgage must be secured by a 1-unit Primary Residence (not a Manufactured Home). The property must be an attached or detached dwelling unit located on an individual lot or in a Condominium Project or Planned Unit Development (PUD).

**(b) Mortgage products**

The Mortgage must be a First Lien conventional Mortgage.

### (c) Mortgage purpose

The Mortgage must either be (i) a purchase transaction Mortgage, or (ii) a “no cash-out” refinance Mortgage.

### (d) Ineligible Mortgages

Construction Conversion and Renovation Mortgages are not eligible for purchase if the property securing the Mortgage is subject to income-based restrictions.

Additionally, the following Mortgages are not eligible for purchase if the property securing the Mortgage is subject to income-based resale restrictions that terminate upon foreclosure or deed-in-lieu of foreclosure and property value is determined in accordance with Section 4406.1(g)(ii):

- Affordable Merit Rate<sup>®</sup> Mortgages
- A-minus Mortgages
- Seasoned Mortgages
- Financed Permanent Buydown Mortgages
- Seller-Owned Modified Mortgages and Seller-Owned Converted Mortgages
- Mortgages with capitalized balances as described in Chapter 4403
- FHA and VA Mortgages
- Section 502 GRH Mortgages
- Section 184 Native American Mortgages
- Enhanced Relief Refinance<sup>®</sup> Mortgages

## **4406.2: Special requirements for all Mortgages secured by properties **subject to** income-based resale restrictions (Future effective date 03/01/20)**

### (a) **Overview**

Mortgages secured by properties subject to income-based resale restrictions **must meet the requirements of this section in addition to** the requirements of Section 4406.1. **For Mortgages**

secured by income-based resale restricted properties with Affordable Seconds used to subsidize the sales price of such properties, the requirements of Section 4204.2 also apply.

Affordable housing programs use income-based resale restrictions to create affordable housing opportunities. These affordable housing programs are often based on State or local inclusionary housing policies, which typically require a specified number or percentage of properties in a designated area to be dedicated as housing individuals and households with very low, low- or moderate-incomes. These resale restrictions are typically administered by a subsidy provider or program administrator. The Seller must review the terms and conditions of the affordable housing program including, but not limited to, any provisions that describe the resale restrictions.

The income-based resale restrictions restrict the initial sales price and subsequent resale price of properties subject to such restrictions. The resale restricted price provides a form of subsidy to the homebuyer in an amount equal to the difference between the sales price and the market value of the property without resale restrictions. The restrictions must be stated in a separate covenant, restriction, easement, or condition in a deed or other instrument executed by or on behalf of the owner of the land or property and must be recorded against that land or property. These restrictions may be in effect for a certain number of years or continue in perpetuity.

#### **(b) Property type and occupancy**

The Mortgage must be secured by a 1- or 2-unit Primary Residence that is not a Manufactured Home unless the Manufactured Home is a CHOICEHome<sup>SM</sup>. (For requirements for CHOICEHome Mortgages, see Section 5703.9). The property must be an attached or detached dwelling unit located on an individual lot or in a Condominium Project or Planned Unit Development (PUD).

#### **(c) Special requirements for cash-out refinance Mortgages**

Cash-out refinance Mortgages are only permitted if the subsidy provider or program administrator approves the transaction and the transaction meets the requirements of the applicable program. The Mortgage file must contain evidence of the required approval and the approved amount of the proceeds that the Borrower may receive.

#### **(d) Ineligible Mortgages**

The following Mortgages are ineligible for purchase if the property securing the Mortgage is subject to income-based restrictions

- Construction Conversion and Renovation Mortgages
- CHOICERenovation<sup>SM</sup> Mortgages
- GreenCHOICE Mortgages<sup>SM</sup>

Additionally, the following Mortgages are not eligible for purchase if the property securing the Mortgage is subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure and property value is determined in accordance with Section 4406.1(g)(ii):

- Affordable Merit Rate<sup>®</sup> Mortgages
- A-minus Mortgages
- Financed Permanent Buydown Mortgages
- Seller-Owned Modified Mortgages and Seller-Owned Converted Mortgages
- Mortgages with capitalized balances as described in Chapter 4403
- FHA and VA Mortgages
- Section 502 GRH Mortgages
- Section 184 Native American Mortgages
- Enhanced Relief Refinance<sup>®</sup> Mortgages

**(e) Minimum Down Payment requirements**

For Mortgages secured by properties subject to income-based resale restrictions, minimum Down Payment requirements are based on the resale-restricted price.

**(f) Eligible Borrowers**

Borrowers must meet the program eligibility requirements established by the subsidy provider or program administrator. When the First Lien Mortgage is a Home Possible<sup>®</sup> Mortgage, the Seller must use the Home Possible income limits to determine Borrower eligibility even if the subsidy provider or program administrator limits are different.

**(g) Resale restriction controls**

The resale restriction controls must be administered by the subsidy provider or a program administrator.

**(h) Excess proceeds**

If the income-based resale restrictions survive foreclosure or recordation of a deed-in-lieu of foreclosure, the subsidy provider may be entitled to obtain “excess proceeds” (not to exceed an amount equal to the subsidy provided to the previous property owner by the subsidy provider and secured by a subordinate lien) from Freddie Mac’s sale or transfer of the REO property if the resale restrictions allow a foreclosing mortgage holder, who acquires title to a restricted property as real estate owned, to recover from the initial sale or transfer of the real estate owned property an amount satisfying the total indebtedness previously secured by the

property, as well as any amount incurred during the real estate owned holding period attributable to the real estate owned property.

Note: The subsidy provider may be entitled to obtain proceeds from any future sale(s) or transfer(s) of the property following Freddie Mac's sale or transfer of the REO property.

**(i) Additional requirements for subsidy providers and program administrators**

By delivery of a Mortgage originated under the provisions of this section, the Seller/Servicer represents and warrants that the following requirements are met:

- The subsidy provider is, or is managed by, or is housed within, a State or local government, a government sponsored program or a non-profit corporation that is legally chartered in the State in which it is located and has a 501(c)3 tax exemption from the IRS. The subsidy provider may employ a third-party non-profit or, as allowed by the applicable jurisdiction, a for-profit corporation, as a program administrator to manage the affordable housing program, its resale restrictions and controls.
- The resale restrictions are imposed by State or local governments, municipalities or nonprofit entities, to create and preserve affordable housing (including entities administering governmental sponsored subsidy programs)
- The subsidy provider or program administrator provides home counseling services or has established partnerships with at least one organization that does
- The subsidy provider or program administrator has established procedures for screening, processing applicants and approving transactions (when applicable, i.e., cash-out refinance transactions)
- The subsidy provider or program administrator has procedures to approve capital improvements on the property and guidelines to allow the Borrower to receive credit for any costs of capital improvements paid by the Borrower that are eligible by the subsidy provider's program



# Chapter 4407: Properties Affected by Disasters

## 4407.1: Eligibility of properties impacted by a disaster (11/19/18)

The Seller represents and warrants that properties securing Mortgages sold to Freddie Mac meet the property eligibility requirements stated in the Purchase Documents including, but not limited to, the collateral representation and warranties requirements identified in Section 5601.9 regarding the value, condition and marketability of the Mortgaged Premises. The Seller must have policies and procedures in place to assess whether there has been any adverse effect on the Mortgaged Premises that needs to be considered before the Mortgage is eligible for delivery to Freddie Mac. If the Mortgage is a Condominium Unit Mortgage, the Seller's assessment should include damage to Condominium Project Common Elements, separate from any specific Condominium Unit damage.

With respect to the condition of the Mortgaged Premises, Mortgages for which the Seller has obtained appraisal reports and Mortgages with automated collateral evaluation appraisal waivers, the following requirements must be met for a Mortgage secured by a property impacted by a disaster to be eligible for sale to Freddie Mac:

- The property damage does not impact the safety, soundness, or structural integrity of the Mortgaged Premises. In this instance, the Seller must ensure all damage is documented and is covered by insurance as required in Chapter 8202; or
- If the property securing the Mortgage has been damaged such that the damage impacts the safety, soundness, or structural integrity of the Mortgaged Premises, the property is not acceptable as security for the Mortgage and the Mortgage is not eligible for sale to Freddie Mac until all repairs to the property are documented and completed

## 4407.2: Representation and warranty relief for automated collateral evaluation appraisal waiver offers and Loan Collateral Advisor<sup>®</sup> (10/27/19)

For Mortgaged Premises secured by properties located in an Eligible Disaster Area, depending on the extent of the disaster's impact, Freddie Mac may decide to systematically suspend automated collateral evaluation appraisal waiver eligibility and appraised value representation and warranty relief eligibility on new Loan Product Advisor<sup>®</sup> or Loan Collateral Advisor<sup>®</sup> submissions, respectively. Freddie Mac will notify Sellers in a Guide Bulletin when a disaster requiring a systematic suspension occurs. Freddie Mac will monitor market developments within the impacted areas and reinstate eligibility at its discretion.



See Section 5601.9 for automated collateral evaluation appraisal waiver and Loan Collateral Advisor appraised value representation and warranty relief eligibility requirements.

## **4407.3: Age of documentation and Loan Product Advisor<sup>®</sup> submission requirements in Eligible Disaster areas (10/27/19)**

The following age of documentation flexibilities and Loan Product Advisor<sup>®</sup> submission requirements apply to all Mortgages secured by properties located in Eligible Disaster Areas and will remain in effect for six months from the disaster declaration date announced by the Federal Emergency Management Agency (FEMA).

The following age of documentation flexibilities and requirements apply to property valuation:

- The effective date of the appraisal report must be no more than 180 days before, as applicable, the Note Date, the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, the modification date for Seller-Owned Modified Mortgages, the Conversion Date for Seller-Owned Converted Mortgages or any applicable assumption agreement date
- The Feedback Certificate message that offers the Seller an automated collateral evaluation appraisal waiver is valid for 180 days as long as the Seller does not make any loan data changes that invalidate the appraisal waiver. (See Section 5601.9(c)(v) for additional information on maintaining appraisal waiver eligibility.) If the appraisal waiver offered on the Feedback Certificate is more than 180 days old on the Note Date, the Seller must resubmit the Mortgage to Loan Product Advisor to determine if the Mortgage is still eligible for an automated collateral evaluation appraisal waiver or if an appraisal report is required.

The following age of documentation flexibilities and requirements apply to underwriting the Borrower:

- Any required credit and capacity underwriting documentation including, but not limited to, credit reports, verifications of income, employment and sources of funds, must be dated no more than 180 days before, as applicable, the Note Date, the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, the modification date for Seller-Owned Modified Mortgages, the Conversion Date for Seller-Owned Converted Mortgages or any applicable assumption agreement date
- For Loan Product Advisor Mortgages, the Mortgage must be submitted to Loan Product Advisor no more than 180 days before and no later than the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing

**Note:** Loan Product Advisor will automatically pull a new credit report for Mortgages that are submitted or resubmitted more than 120 days after the date of the credit report used in the Loan Product Advisor assessment.

The requirements for the 10-day pre-closing verification of employment in accordance with Section 5302.2 and a verification of the current existence of the self-employed Borrower's business in Section 5304.1(g) continue to apply.

Sellers may apply the special flexibilities provided for Freddie Mac Enhanced Relief Refinance<sup>®</sup> Mortgages secured by properties in areas impacted by disasters. In the event an HVE<sup>®</sup> value estimate has been systematically suspended for the Mortgaged Premises on a subsequent submission to Loan Product Advisor, Sellers may use the HVE value obtained on the original submission.

### **Delivery requirements**

See Section 6302.44 for special delivery requirements for Mortgages utilizing the age of documentation flexibility.

# Chapter 4408: Mortgages Made Pursuant to Employee Relocation Programs

## 4408.1: Eligibility of Mortgages made pursuant to employee relocation programs (08/07/19)

The provisions of this chapter apply to Mortgages made pursuant to an employee relocation program. These Mortgages must be made to a newly hired or transferred employee to finance the purchase of a 1- to 4-unit Primary Residence at a new job location pursuant to an employee relocation program that:

- Establishes the terms and conditions under which the employer relocates employees, and
- Is administered by the employer or its agent

The following Mortgages are not eligible for purchase as Mortgages made pursuant to an employee relocation program:

- Affordable Merit Rate<sup>®</sup> Mortgages
- A-minus Mortgages
- Seasoned Mortgages
- Community Land Trust Mortgages
- Seller-Owned Modified Mortgages and Seller-Owned Converted Mortgages
- Mortgages with capitalized balances as described in Chapter 4403
- FHA and VA Mortgages
- Section 502 GRH Mortgages
- Section 184 Native American Mortgages

## 4408.2: Special occupancy requirement for Mortgages made pursuant to employee relocation programs (08/07/19)

The Mortgaged Premises will be deemed owner-occupied as of the Delivery Date if the Borrower occupies the Mortgaged Premises as a Primary Residence by no later than 90 days after the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages.

## **4408.3: Special underwriting requirements for Mortgages made pursuant to employee relocation programs (08/07/19)**

### **(a) Loan Product Advisor<sup>®</sup> or Manually Underwritten Mortgages**

A Mortgage made pursuant to an employee relocation program may be submitted to Loan Product Advisor<sup>®</sup> or may be a Manually Underwritten Mortgage, except as otherwise stated below.

#### **(i) Loan Product Advisor**

The Borrower's credit reputation is acceptable if the Mortgage is submitted to Loan Product Advisor in accordance with Chapter 5101 and receives a Risk Class of Accept. Loan Product Advisor Mortgages that receive a Risk Class of Caution are not permitted.

#### **(ii) Manually Underwritten Mortgages**

Manually Underwritten Mortgages must meet the requirements of this chapter and Topics 5100 through 5500 including, but not limited to, the requirement that each Borrower individually, and all Borrowers collectively, have an acceptable credit reputation as described in Topics 5100 and 5200. If the Borrower does not have an established credit history in the United States, the Seller may use documentation of the alternative sources described below in Section 4408.3(d) to establish Borrower creditworthiness for a Manually Underwritten Mortgage.

### **(b) Pending sale of current Primary Residence**

If the Borrower's current Primary Residence is pending sale and the sale will not close before the Note Date of the Mortgage (or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing), the monthly payment amount for the property pending sale may be excluded from the monthly debt payment-to-income ratio if the employee relocation program terms include a buyout agreement for the purchase of the Borrower's current Primary Residence and either:

- The buyout agreement is executed by the Borrower; or
- The buyout agreement is not executed, and:

- The Borrower has sufficient reserves, in addition to any other reserves required in the Guide, to pay the monthly payment amount for the property pending sale until the expiration date of the buyout offer as indicated in the buyout agreement; and
- The Seller obtains and retains in the Mortgage file a signed statement from the Borrower indicating his or her intention to accept the buyout agreement if the current Primary Residence is not sold prior to the expiration date of the buyout agreement

**(c) Special income and asset requirements**

**(i) Housing allowance**

A housing allowance provided as part of an employee relocation program may be considered stable monthly income and may be included in the Borrower's gross monthly income without documented evidence of the most recent 12 months' receipt, provided that all other requirements of Chapters 5301 and 5303 are met.

**(ii) 10-day pre-closing verification (10-day PCV)**

For Borrowers transferring to a new location with the same employer, a 10-day PCV is not required.

**(iii) Borrower's revolving credit card (charges/cash advances) or unsecured line of credit**

The amounts charged by a Borrower on credit cards to pay fees associated with the Mortgage application process (e.g., origination fees, commitment fees, lock-in fees, appraisal, credit report and flood certifications) or a cash advance taken by the Borrower on a revolving credit card account or an unsecured line of credit to pay such fees may be considered Borrower personal funds as described in Section 5501.3(b). If the employee relocation program provides that the employer will reimburse the Borrower for the fees that were charged or paid by the Borrower:

- There is no maximum limit on the amount of fees associated with the Mortgage application process that may be charged or advanced by the Borrower, if the employee relocation agreement specifically identifies such fees as subject to reimbursement by the employer;
- The Borrower is not required to have sufficient verified funds to pay these fees; and
- No estimated payment based on the amount charged or advanced must be included when determining the Borrower's monthly debt payment-to-income ratio as described in Section 5401.2

**(iv) Employer Assisted Homeownership (EAH) Benefit**

An Employer Assisted Homeownership (EAH) Benefit may be used as a source of funds to qualify the Borrower for the Mortgage transaction if the terms of the EAH Benefit meet the requirements of Section 5501.4, except as modified below:

**(A) Unsecured loan**

If the monthly loan payment of principal and interest or interest only begins on or after the 24th monthly payment under the First Lien Mortgage, the amount of the monthly payment may be excluded from the monthly debt payment-to-income ratio; otherwise, the required monthly payments must be included in the monthly debt payment-to-income ratio.

**(B) Secondary financing**

If the monthly payment of principal and interest or interest only begins on or after the 24th monthly payment under the First Lien Mortgage, the amount of the monthly payment may be excluded from the monthly housing expense-to-income ratio; otherwise the required monthly payments must be included in the monthly housing expense-to-income ratio.

**(d) Establishing Borrower credit reputation with foreign credit references**

For Manually Underwritten Mortgages (see Section 4408.3(a)(ii)), when the Borrower does not have the minimum required number of payment references established in the United States as required in Section 5202.1, or when the Borrower does not have a usable Credit Score, the Seller may determine that the Borrower has established an acceptable credit reputation in a foreign country, if:

- Except as provided herein, all other requirements of Topics 5100 through 5500, including requirements applicable to Seller documentation and evaluation of credit history, are met;
- The determination is based on a minimum of three Tradelines. Noncredit Payment References established outside of the United States are not eligible; and
- The Mortgage file must contain a credit report meeting the requirements of Section 5203.1 to confirm that the Borrower does not have a sufficient number of payment references established in the United States

## **4408.4: Special documentation requirements for Mortgages made pursuant to employee relocation programs (08/07/19)**

### **(a) Mortgage file documentation requirements**

When a Mortgage made pursuant to an employee relocation program is originated in accordance with any provisions of this chapter, the Seller must obtain and retain the following documentation in addition to any other documentation required in the Guide and the Seller's Purchase Documents:

- Complete documentation of the employee relocation program detailing the relocation benefits, including the employer's contribution to Mortgage financing, such as Closing Costs, buydowns or other Mortgage financing costs, and payment of expenses incurred in selling the employee's former residence, if applicable, as well as documentation evidencing that the Borrower is eligible for the employee relocation program; or
- The employer's agreement with the Borrower detailing the terms of the employee relocation program and any related benefits, including the employer's contribution to Mortgage financing, such as closing costs, buydowns or other Mortgage financing costs, and payment of expenses incurred in selling the employee's former residence, if applicable

## **4408.5: Special pooling and delivery requirements for Mortgages made pursuant to employee relocation programs that meet the definition of a relocation Mortgage (08/07/19)**

Fixed-rate Mortgages made pursuant to an employee relocation program that meet the definition of a relocation Mortgage in Section 6202.3(f)(iv) must comply with the pooling and delivery requirements in Sections 6202.3(f)(iv) and 6302.17, respectively.

There are no special delivery or pooling requirements for relocation ARMs.

# Chapter 4501: Home Possible<sup>®</sup> Mortgages

## 4501.1: Purchase of Home Possible<sup>®</sup> Mortgages (10/29/18)

This chapter details requirements for Home Possible<sup>®</sup> Mortgages.

Unless specifically made applicable to Home Possible Mortgages, negotiated underwriting provisions stated in the Purchase Documents will not apply to these Mortgages. In addition, unless specifically permitted, the special negotiated Mortgage products or offerings described in the Purchase Documents may not be used with Home Possible Mortgages.

As provided in Section 1201.4(a), bullet five, Freddie Mac in its sole discretion may establish maximum purchase amounts for an individual Seller, or in the aggregate, for Home Possible Mortgages.

## 4501.2: Home Possible Advantage<sup>®</sup> Mortgages (10/29/18)

Effective October 29, 2018, this section is deleted.

## 4501.3: Eligible and ineligible Home Possible<sup>®</sup> Mortgages (10/02/19)

### (a) Eligible Mortgages

Home Possible<sup>®</sup> Mortgages eligible for purchase must be First Lien Mortgages that are fully amortizing and must be one of the following conventional Mortgage products:

- Fixed rate Mortgages
- 7/1 or 10/1 ARMs if secured by a 1- to 4-unit property
- 5/5 or 5/1 ARMs if secured by a 1- to 4-unit property other than a Manufactured Home

Home Possible Mortgages, other than Mortgages secured by Manufactured Homes, must have an original maturity date not greater than 30 years.

Home Possible Mortgages secured by Manufactured Homes must have a maximum original maturity not greater than that specified in Section 5703.3(d).



Home Possible Mortgages may be one of the following provided the Mortgage meets the applicable requirements for that offering and this chapter:

- Home Possible Mortgages with RHS Leveraged Seconds originated in accordance with Section 4205.2
- Construction Conversion and Renovation Mortgages originated in accordance with Chapter 4602
- Super conforming Mortgages originated in accordance with Chapter 4603
- Texas Equity Section 50(a)(6) Mortgages originated in accordance with Section 4301.7

**(b) Ineligible Mortgages**

Mortgages with the following characteristics are not eligible for purchase as Home Possible Mortgages:

- Affordable Merit Rate<sup>®</sup> Mortgages
- A-minus Mortgages
- Seasoned Mortgages
- Financed Permanent Buydown Mortgages
- Seller-Owned Modified Mortgages and Seller-Owned Converted Mortgages
- Mortgages with capitalized balances as described in Chapter 4403
- FHA and VA Mortgages
- Section 502 GRH Mortgages
- Section 184 Native American Mortgages
- Freddie Mac Enhanced Relief Refinance<sup>®</sup> Mortgages
- Freddie Mac HomeOne<sup>SM</sup> Mortgages

## **4501.4: Loan purpose for Home Possible<sup>®</sup> Mortgages (03/02/16)**

A Home Possible<sup>®</sup> Mortgage must be either a purchase transaction or “no cash-out” refinance Mortgage. A Home Possible Mortgage may not be a cash-out refinance Mortgage.

## **4501.5: Temporary subsidy buydown plans for Home Possible<sup>®</sup> Mortgages (03/02/16)**

Temporary subsidy buydown plans as described in Section 4204.4 are permitted for Home Possible<sup>®</sup> Mortgages secured by 1- to 2-unit properties, other than Manufactured Homes. If a Home Possible Mortgage with a temporary subsidy buydown plan is subject to secondary financing, including an Affordable Second<sup>®</sup> that requires repayment to begin before the Due Date of the 61<sup>st</sup> monthly payment under the Home Possible Mortgage, the secondary financing must have a fixed-interest rate.

## **4501.6: Eligible property and appraisal requirements for Home Possible<sup>®</sup> Mortgages (10/29/18)**

### **(a) Eligible property**

A Home Possible Mortgage must be secured by a 1- to 4-unit Primary Residence.

Home Possible Mortgages secured by Manufactured Homes must comply with all requirements of Chapter 5703 and this chapter. Where the requirements of Chapter 5703 and this chapter conflict, the following will apply:

1. A-minus Mortgages are not eligible
2. Second homes are not eligible
3. Cash-out refinance transactions are not eligible
4. The eligible sources of funds used to qualify the Borrower for the Mortgage transaction are those permitted for Home Possible Mortgages
5. Mortgage insurance coverage levels must be those used for Mortgages secured by a Manufactured Home

## (b) Appraisal requirements

The Seller must obtain an appraisal with an interior and exterior inspection that meets the requirements of Chapter 5601 unless the Last Feedback Certificate includes an automated collateral evaluation offer stating that the Mortgage is eligible for collateral representation and warranty relief with an appraisal waiver and the Seller has accepted the offer. See Section 5601.9(c) for more information on automated collateral evaluation.

# 4501.7: Eligible Borrowers for Home Possible<sup>®</sup> Mortgages (Future effective date 09/16/19)

## (a) Income limits

The Borrower's qualifying income converted to an annual basis must not exceed 80% of the area median income (AMI) for the location of the Mortgaged Premises. To determine whether the Borrower's income exceeds the income limits, the Seller must rely on the income used to qualify the Borrower and submitted to Loan Product Advisor<sup>®</sup> for Loan Product Advisor Mortgages.

For Loan Product Advisor<sup>®</sup> Mortgages, Loan Product Advisor will determine the income eligibility of the Mortgage; for Non-Loan Product Advisor Mortgages, the Seller must use the **Home Possible<sup>®</sup> Income & Property Eligibility tool**. The Seller may not use other published AMI versions (such as AMIs posted on <https://www.huduser.gov/portal/home.html>) to determine Mortgage or product eligibility.

## (b) Occupancy

At least one Borrower must occupy the property secured by a Home Possible Mortgage as their Primary Residence.

Non-occupying Borrowers are permitted provided that:

- The Mortgage is secured by a 1-unit property
- The loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios must not exceed:
  - 95% for Loan Product Advisor Accept Mortgages, except that for fixed-rate Mortgages with Affordable Seconds<sup>®</sup>, the TLTV ratio must not exceed 105%
  - 90% for Manually Underwritten Mortgages, except that for fixed-rate Mortgages with Affordable Seconds, the TLTV ratio must not exceed 105%
- For Manually Underwritten Mortgages, the occupant Borrower's:

- ❑ Monthly housing expense-to-income ratio should not exceed 35% of the occupant Borrower's stable monthly income; and
- ❑ Monthly debt payment-to-income (DTI) ratio must not exceed 43% of the occupant Borrower's stable monthly income

Funds used to qualify for the Mortgage may come from the occupying and/or the non-occupying Borrower

**(c) Ownership of other property**

The occupying Borrower(s) must not have an ownership interest in more than two financed residential properties, including the subject property, as of the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages.

## **4501.8: Underwriting requirements for Home Possible<sup>®</sup> Mortgages (10/29/18)**

A Home Possible<sup>®</sup> Mortgage may be submitted to Loan Product Advisor<sup>®</sup> or may be a Manually Underwritten Mortgage, except as otherwise stated below.

**(a) Loan Product Advisor**

The Borrower's credit reputation is acceptable if the Mortgage is submitted to Loan Product Advisor in accordance with Chapter 5101 and receives a Risk Class of Accept.

A Home Possible Mortgage secured by a Manufactured Home must be submitted to Loan Product Advisor.

A Home Possible Mortgage that is secured by a Manufactured Home and has a term greater than 20 years and a loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio greater than 90% and less than or equal to 95% must receive a Risk Class of Accept.

A Home Possible Mortgage that is a super conforming Mortgage must be submitted to Loan Product Advisor and receive a Risk Class of Accept.

For special requirements for submitting Mortgages with Affordable Seconds<sup>®</sup> to Loan Product Advisor, see Section 4204.2.

**(b) Manually Underwritten Mortgages**

Manually Underwritten Mortgages must meet the requirements of this chapter and Topics 5100 through 5500 including, but not limited to, the requirement that each Borrower individually, and all Borrowers collectively, have an acceptable credit reputation as described in Topics 5100 and 5200.

An individual Borrower with insufficient credit history, for whom the Seller cannot document a credit reputation because the Borrower does not have sufficient credit history, is considered to have an acceptable credit reputation provided that:

1. The Borrower has no evidence of any derogatory credit, such as a lien, judgment or collection, paid or unpaid, reflected on the credit report or elsewhere in the Mortgage file, and
2. At least one other Borrower whose income and assets are used for qualification has an acceptable credit reputation as described in Topics 5100 and 5200.

For Manually Underwritten Mortgages, the minimum Indicator Scores are:

Property/Mortgage Type	Minimum Indicator Score
1-unit fixed-rate Mortgages that are purchase transactions	660
<ul style="list-style-type: none"> <li>• 1-unit ARMs</li> <li>• 1-unit Mortgages that are “no cash-out” refinance transactions</li> </ul>	680
2- to 4-unit properties	700
Manufactured Homes	720

If none of the Borrowers have a usable Credit Score, Mortgages that are not (i) Home Possible Mortgages with LTV, TLTV or HTLTV ratios greater than 95%, or (ii) secured by Manufactured Homes, may be manually underwritten without Credit Scores provided that for these Mortgages, in addition to meeting the requirements in Chapter 5202, each Borrower’s credit history for the most recent 24 months must show:

- No unpaid judgments, tax liens or collections
- No payments 60 days or more past due
- No more than two payments 30 days past due
- No housing payments past due

Home Possible Mortgages with LTV, TLTV or HTLTV ratios greater than 95% for which none of the Borrowers has a usable Credit Score are not eligible for sale to Freddie Mac.

A Home Possible Mortgage secured by a Manufactured Home may be a Manually Underwritten Mortgage only when the Mortgage:

- Meets the Minimum Indicator Score required in this section, and
- Has a term of 20 years or less, or an LTV/TLTV/HTLTV ratio of 90% or less, and
- Was submitted to Loan Product Advisor and received an evaluation status of invalid, ineligible, or incomplete, or a Risk Class of Caution, ineligible for A-minus

## 4501.9: Borrower income and qualifying ratios for Home Possible<sup>®</sup> Mortgages (10/10/19)

Home Possible<sup>®</sup> Mortgages must comply with the requirements of Topics 5300 and 5400 and the requirements of this section. In the event of a conflict, the Seller must comply with the requirements of this section.

### (a) Rental income from 1-unit Primary Residence

Rental income from a 1-unit Primary Residence may be considered as stable monthly income (as defined in Section 5301.1) provided it meets the requirements in Section 5306.1 or the following:

- The person providing the rental income:
  - Is not obligated on the Mortgage and does not have an ownership interest in the Mortgaged Premises
  - Has resided with the Borrower for at least one year
  - Will continue residing with the Borrower in the new residence
  - Provides appropriate documentation to evidence residency with the Borrower (i.e., copy of a driver's license, bill, bank statement, etc., that shows the address of that person to be the same as the Borrower's address)
  - Is not the Borrower's spouse or domestic partner
- Rental income from the person residing in the Mortgaged Premises:
  - Has been paid to the Borrower for the past 12 months

- ❑ Can be verified by the Borrower with evidence showing receipt of regular payments of rental income to the Borrower for at least nine of the past 12 months (i.e., copies of canceled checks)
- ❑ Must be averaged over 12 months for qualifying purposes when fewer than 12 months of payments are documented
- ❑ Does not exceed 30% of total income used to qualify for the Mortgage
- The Mortgage file must contain a written statement in the form of a signed letter or e-mail directly from the Borrower affirming:
  - ❑ The source of the rental income
  - ❑ The fact that the person providing the rental income has resided with the Borrower for the past year and intends to continue residing with the Borrower in the new residence for the foreseeable future

Rental income that meets the above requirements may be generated from an accessory unit. In addition, refer to Chapter 5601 for property eligibility and appraisal requirements.

**(b) Contribution to total qualifying income from Borrowers with insufficient credit history**

For Manually Underwritten Mortgages, the Seller may consider as qualifying income, the income contributed by a Borrower with insufficient credit history, as described in Section 4501.8(b), provided the amount contributed by the Borrower with insufficient credit history is not more than 30% of the total qualifying income.

**(c) Qualifying ratios**

There is no maximum monthly housing expense-to-income ratio.

Debt payment-to-income ratios must not exceed the following limits:

Underwriting Path	Home Possible <sup>®</sup> Mortgages
Loan Product Advisor <sup>®</sup> Mortgages	Determined by Loan Product Advisor
Manually Underwritten Mortgages	45%

## 4501.10: LTV/TLTV/HTLTV ratios, Borrower contribution, reserves, sources of funds for Home Possible® Mortgages (04/03/19)

### (a) Loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios, Borrower contribution

#### (i) LTV/TLTV/HTLTV ratios

The following requirements apply to purchase and “no cash-out” refinance transactions:

Property Type	Maximum LTV/TLTV/HTLTV ratios for Mortgages other than super conforming Mortgages	Maximum LTV/TLTV/HTLTV ratios for super conforming Mortgages
<b>Fixed-Rate Mortgages</b>		
1-unit	97%*	95%**
2-unit	95%	85%
3- and 4-unit	95%	80%
<b>ARMs</b>		
1-unit	95%	95%
2-unit	95%	85%
3- and 4-unit	75%	75%
<b>Manufactured Home</b>	See Chapter 5703	N/A

\*A TLTV ratio exceeding 97% and up to 105% is permitted when secondary financing is an Affordable Second®.

\*\*A TLTV ratio exceeding 95% and up to 105% is permitted when secondary financing is an Affordable Second.

See Section 4205.2 for [additional LTV/TLTV ratio requirements for Home Possible Mortgages with RHS Leveraged Seconds](#), Section 4501.7 for [additional](#)



LTV/TLTV/HTLTV ratio requirements for Home Possible Mortgages with non-occupying Borrowers and Section 4301.7 for additional LTV/TLTV ratio requirements for Texas Equity Section 50(a)(6) Mortgages.

**(ii) Borrower contribution requirements**

The following requirements apply to purchase transactions:

Minimum contribution from Borrower personal funds, as described in Section 4501.10(c)(i)			
Property Type	Home Possible Mortgages with LTV, TLTV and HTLTV ratios ≤ 80%	Home Possible Mortgages with LTV, TLTV or HTLTV ratios >80% ≤95%	Home Possible Mortgages with LTV, TLTV or HTLTV ratios >95%
1-unit	None	None	None
Manufactured Home	None	None	N/A
2- to 4-unit	None	3% of value	N/A

**(b) Reserves**

For Loan Product Advisor<sup>®</sup> Mortgages, the Seller must verify all reserves required by Loan Product Advisor, as stated on the Feedback Certificate.

For Manually Underwritten Mortgages, the Borrower must have the following minimum reserves, using the monthly payment amount as described in Sections 5501.2 and 5501.3:

- 1-unit: None required
- 2- to 4-unit: Two months

**(c) Sources of funds**

The following sources of funds are permitted and must meet the requirements in Sections 4501.10(c)(i), 4501.10(c)(ii) and 4501.10(c)(iii), below:

Use	Permitted Sources of Funds
Minimum Borrower contribution	Borrower personal funds

Use	Permitted Sources of Funds
Down Payment	Borrower personal funds Other eligible sources of funds
Paying down the principal balance of the Mortgage being refinanced for a "no cash-out" refinance transaction	Borrower personal funds Other eligible sources of funds
Closing Costs	Borrower personal funds Other eligible sources of funds Flexible sources of funds
Reserves	Borrower personal funds Other eligible sources of funds

**(i) Borrower personal funds**

When used with Home Possible Mortgages, Borrower personal funds include:

1. Borrower personal funds as described in Section 5501.3(b)
2. Cash on hand, if the following requirements are met:
  - The Seller reasonably concludes, and can support, that the Borrower is a cash-basis individual and that the cash on hand is not borrowed and could be saved by the Borrower
  - The Mortgage file contains the following documents supporting the Seller's conclusion:
    - A completed Exhibit 23, Monthly Budget and Residual Analysis Form, or another document containing the same information, confirming that the total monthly residual income available for savings is a positive number
    - Copies of six months' cash receipts (e.g., rent or utility receipts) or other alternative documentation (e.g., direct verifications or wire transfers) meeting the requirements of Section 5202.2(b) to verify that recurring obligations, including the payment of revolving and installment debt, are customarily paid in cash

- ❑ A credit report, obtained at the time of loan application, meeting the requirements of Section 5203.1. The credit report must not show more than three Tradelines.
- ❑ Copies of three months' statements for any open revolving account that reveal cash advances are not the source of Borrower funds. Any cash advances must be explained and documented (i.e., a cash advance used in an emergency situation).
- ❑ An updated credit report obtained approximately one week before closing that does not show any new accounts or a substantial increase to an existing account that approximates, or exceeds, the amount of cash on hand provided by the Borrower
- The Mortgage file must have no indication that the Borrower typically uses checking, savings or similar accounts
- Evidence that all funds used to qualify the Borrower for the Mortgage transaction are deposited in a financial institution or are held in an institutional escrow account prior to closing

**(ii) Other eligible sources of funds**

When used with Home Possible Mortgages, other eligible sources of funds used to qualify the Borrower for the Mortgage transaction, include:

1. Other eligible sources of funds as described in Section 5501.3(c)
2. A gift or grant from the Seller as the originating lender, provided that a contribution of at least 3% of value (as described in Section 4203.1) is made from Borrower personal funds and/or other eligible sources of funds as described in this section. The gift or grant must not be funded through the Mortgage transaction, including differential pricing in rate, discount points, or fees for individual loans or across the Home Possible offering.
3. For purchase transactions, proceeds from an unsecured loan from the following sources:
  - Except as stated in item 6 below, an Agency that is not:
    - ❑ The Seller or has participated in any aspect of the Mortgage origination process
    - ❑ Affiliated with, under contract to, or financed (directly or indirectly) by the Seller or any party that participated in the Mortgage origination process

For these purposes, “affiliated with” means that the Agency and the Seller or other party are related to each other as a consequence of one entity directly or indirectly controlling the other party, being controlled by the other party or being under common control with that party.

- A Related Person, or
- A Community Savings System (funds in excess of the Borrower contribution to the Community Savings System)

An unsecured loan must meet the following requirements:

- Must not contain provisions that allow or could result in negative amortization
- Must have a maturity date that:
  - Does not exceed the maturity date of the Mortgage
  - Is at least five years after the Note Date of the Mortgage, unless the unsecured loan is fully amortizing
- Must have an interest rate that is no greater than the Note Rate on the Mortgage
- Must not be a cash advance from a credit card or unsecured line of credit
- Must have its source, terms and conditions documented on the Form 65, Uniform Residential Loan Application

If the monthly payment of principal and interest or interest only begins on or after the 61st monthly payment under the First Lien Mortgage or if repayment of the loan is due only upon sale or default, the amount of the monthly payment may be excluded from the monthly debt payment-to-income ratio; otherwise, the required monthly payments must be included in calculating the monthly debt payment-to-income ratio.

4. Sweat equity, if the following conditions are met:

Sweat equity is credit for labor performed on the Mortgaged Premises and/or materials furnished for the Mortgaged Premises by the Borrower. Such credit must be fully explained and documented.

Any labor performed must be completed in a skillful and workmanlike manner to support the appraised value. A certification of completion (Form 442) must be obtained verifying the work has been completed. The full amount of the Borrower’s Down Payment may be in the form of sweat equity or a combination of sweat equity and Borrower personal funds as described in Sections 4501.10(c)(i) and 4501.10(c)(ii). Sweat equity can also be used in combination with an Affordable Second.

**(A) Eligible repairs and improvements**

Sweat equity is an eligible source of funds in connection with the following repairs and improvements:

- All repairs and improvements to be completed by the Borrower that are listed in the sales contract and included in the appraisal report
- Repairs or improvements that are reflected on the appraisal report that are outstanding at the time of the appraisal. Credit for work completed prior to the original property inspection by the appraiser is not eligible for sweat equity.

**(B) Determining the value of the sweat equity**

The value of the sweat equity that may be used as an eligible source of funds equals the value of the labor performed plus the value of the materials furnished, documented as follows:

- The value of the labor performed must be estimated by the appraiser or a cost estimating service and documented in the appraisal report or separately in the Mortgage file; and
- The value for materials furnished must either be estimated by the appraiser or a cost estimating service, or be calculated using receipts from the purchase of the materials. The estimates or costs as evidenced by receipts must be documented in the Mortgage file.

**(C) Maximum loan-to-value (LTV) and total LTV (TLTV) ratios**

For Home Possible Mortgages that use sweat equity as an eligible source of funds, the following maximum LTV/TLTV ratios apply:

Property type	Maximum LTV/TLTV ratio
1-unit Primary Residence	97%/105%
2- to 4-unit and Manufactured Homes	95%/95%

**(D) No cash out at closing**

If sweat equity is used as an eligible source of funds, the Borrower must not receive cash back at closing. All excess funds must result in a reduction of the principal balance on the Mortgage.

### **(E) Special delivery requirements**

See Section 6302.14 for special delivery requirements for Home Possible Mortgages originated with sweat equity as a credit towards the Down Payment and/or Closing Costs.

5. Proceeds from an Affordable Second or other secondary financing that meets the requirements in Chapter 4204. When the TLTV ratio exceeds 97%, the secondary financing subordinated to a Home Possible Mortgage must be an Affordable Second.
6. Funds provided by an Agency that is affiliated with, under contract to, or financed (directly or indirectly) by the Seller as the originating lender, when:
  - The source of funds is an eligible source meeting all applicable Guide requirements (for example, a gift or grant from an Agency must meet the requirements in Section 5501.3(c))
  - A contribution of at least 3% of value (as described in Section 4203.1) is made from Borrower personal funds and/or other eligible sources of funds as described in this section; and
  - The source of funds is not funded through the Mortgage transaction, including differential pricing in rate, discount points, or fees for individual loans or across the Home Possible offering

### **(iii) Flexible sources of funds**

When used with Home Possible Mortgages, flexible sources of funds include:

1. Financing concessions as described in Section 5501.5(b) meeting the applicable requirements of Section 5501.5
2. Lender credit, as described in Section 5501.6 and as documented on the Settlement/Disclosure Statement
3. Proceeds from an unsecured loan from the Seller as originating lender meeting the following requirements:
  - Must not contain provisions that allow or could result in negative amortization
  - Must have a maturity date that:
    - Does not exceed the maturity date of the Mortgage
    - Is at least five years after the Note Date of the Mortgage, unless the unsecured loan is fully amortizing

- Must have an interest rate that is no greater than the Note Rate on the Mortgage
- Must not be a cash advance from a credit card or unsecured line of credit
- Must have its source, terms and conditions documented on Form 65

If the monthly payment of principal and interest or interest only begins on or after the 61st monthly payment under the First Lien Mortgage or if repayment of the loan is due only upon sale or default, the amount of the monthly payment may be excluded from the monthly debt payment-to-income ratio; otherwise, the required monthly payments must be included in calculating the monthly debt payment-to-income ratio.

## **4501.11: Mortgage insurance for Home Possible<sup>®</sup> Mortgages (07/01/16)**

The required coverage levels for mortgage insurance for Home Possible<sup>®</sup> Mortgages are stated in Section 4701.1.

Lender-paid and financed mortgage insurance premiums described in Section 4701.2 are permitted. See Section 4701.1 for mortgage insurance options available for Mortgages secured by Manufactured Homes.

## **4501.12: Homeownership education and landlord education for Home Possible<sup>®</sup> Mortgages (10/29/18)**

### **(a) Homeownership education**

At least one **occupying** Borrower must participate in a homeownership education program before the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, in each of the following instances:

- For purchase transactions when all **occupying** Borrowers are First-Time Homebuyers, or
- For any transaction when the credit reputation for all Borrowers is established using only Noncredit Payment References

Refer to Section 5103.6 for other requirements related to homeownership education.

### **(b) Landlord education (2- to 4-unit Primary Residences)**

- Purchase Transactions — At least one qualifying Borrower must participate in a landlord education program before the Note Date, or the Effective Date of Permanent Financing

for Construction Conversion and Renovation Mortgages. Landlord education must not be provided by an interested party to the transaction, the originating lender or the Seller.

A copy of a certificate evidencing successful completion of the landlord education program must be retained in the Mortgage file.

- Refinance Transactions — Landlord education is not required but is recommended for Borrowers who have not previously attended a program.

### **(c) Post-purchase and Early Delinquency Counseling**

The Seller, as Servicer, must provide (at no cost to the Borrower) Early Delinquency Counseling to all Borrowers who experience problems meeting their Mortgage obligations, in accordance with Sections 9101.2(c) and 9102.5(c).

## **4501.13: Delivery and pooling for Home Possible<sup>®</sup> Mortgages (03/02/16)**

See Section 6302.14 for delivery and pooling requirements for Home Possible<sup>®</sup> Mortgages.

## **4501.14: Credit Fees in Price for Home Possible<sup>®</sup> Mortgages (10/29/18)**

Home Possible<sup>®</sup> Mortgages are subject to Credit Fees in Price, including the Home Possible Mortgages Cap. Sellers must refer to Exhibit 19, Credit Fees in Price, for information on Credit Fees in Price. Credit Fees in Price are paid in accordance with the Credit Fee in Price provisions stated in Chapter 6303.



# Chapter 4502: Affordable Housing Preservation: Shared Equity Programs – Community Land Trusts

## 4502.1: Overview (11/05/18)

Under the Community Land Trust model, the Community Land Trust owns land and leases it under a long-term ground lease to a homebuyer who purchases the structure on the land.

Freddie Mac will purchase Community Land Trust Mortgages that meet the requirements of this chapter and the Guide. The requirements include use of a specified form of ground lease (“Community Land Trust Ground Lease”) and Form 490, Community Land Trust Ground Lease Rider, each as further specified in Section 4502.10.

Unless specifically made applicable to Community Land Trust Mortgages, negotiated underwriting provisions stated in the Purchase Documents do not apply to these Mortgages. In addition, unless specifically permitted, the special negotiated Mortgage products or offerings described in the Purchase Documents may not be used with Community Land Trust Mortgages.

The Seller must obtain Freddie Mac’s written approval before selling Community Land Trust Mortgages to Freddie Mac by contacting its Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE.

As a prerequisite to obtaining approval, the Seller must complete Freddie Mac’s Seller/Servicer Community Land Trust training, which will be available through Freddie Mac Learning.

## 4502.2: Eligible Borrowers for Community Land Trust Mortgages (11/05/18)

Based on its focus on affordability, the Community Land Trust typically has Borrower eligibility requirements in addition to restrictions on the resale of the property improvements. Eligible Borrowers must meet the program requirements established by the Community Land Trust.

Completion, execution and recordation of the Community Land Trust Ground Lease serves as confirmation that the Borrower has met the eligibility requirements set forth by the Community Land Trust.

## 4502.3: Eligible and ineligible Mortgages (10/02/19)

### (a) Eligible Mortgages

Community Land Trust Mortgages eligible for purchase must be First Lien, conventional fixed-rate Mortgages.

### (b) Ineligible Mortgages

Mortgages with the following characteristics are not eligible for purchase as Community Land Trust Mortgages:

- Affordable Merit Rate<sup>®</sup> Mortgages
- A-minus Mortgages
- Seasoned Mortgages
- Financed Permanent Buydown Mortgages
- Seller-Owned Modified Mortgages and Seller-Owned Converted Mortgages
- Mortgages with capitalized balances as described in Chapter 4403
- Construction Conversion and Renovation Mortgage
- FHA and VA Mortgages
- Section 502 GRH Mortgages
- Section 184 Native American Mortgages
- Enhanced Relief Refinance<sup>®</sup> Mortgages

## 4502.4: Loan purpose for Community Land Trust Mortgages (11/05/18)

A Community Land Trust Mortgage may be a purchase, “no cash-out” or cash-out refinance Mortgage.

In addition to the requirements of Chapter 4301 relating to refinance Mortgages, any refinance transaction must comply with the applicable requirements of the Community Land Trust including, but not limited to, the amount of the refinance Mortgage, and in the case of a cash-out refinance Mortgage, the amount of proceeds disbursed to the Borrower. The Seller must obtain and retain in the Mortgage file documentation signed by the Community Land Trust or its authorized representative permitting the Borrower to enter into a refinance transaction.

## **4502.5: Eligible property and occupancy types (11/05/18)**

A Community Land Trust Mortgage must be secured by a 1-unit Primary Residence that is not a Manufactured Home.

The leasehold estate created by the Community Land Trust Ground Lease must constitute real property under applicable law.

## **4502.6: Underwriting requirements for Community Land Trust Mortgages (11/05/18)**

A Community Land Trust Mortgage may be submitted to Loan Product Advisor<sup>®</sup> or may be a Manually Underwritten Mortgage. When using Loan Product Advisor, the Seller must enter the appraised value in the purchase price field and the appraised value field.

Note: For Community Land Trust Mortgages, minimum Down Payment requirements are based on the purchase price.

## **4502.7: Maximum LTV/TLTV/HTLTV ratios and value (11/05/18)**

### **(a) Maximum LTV/TLTV/HTLTV ratios**

See Section 4203.4 for maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios for purchase and “no cash-out” refinance Mortgages.

The maximum LTV/TLTV/HTLTV ratio for cash-out refinance Mortgages is 65%.

### **(b) Value**

For both a purchase transaction and a refinance transaction, “value” is the appraised value of the Mortgaged Premises on the Note Date.

The appraised value must be determined in accordance with Section 4502.8.

The LTV ratio is obtained by dividing the First Lien Mortgage amount by the “value” as described above.

## **4502.8: Appraisal requirements (11/05/18)**

In addition to the other Guide requirements related to appraisals, an appraisal for each Community Land Trust Mortgage must meet the requirements in this section.

Freddie Mac requires the appraiser to develop the opinion of value for the leasehold interest based on the hypothetical condition that the property rights being appraised are the leasehold interest without the resale and other restrictions included in the Community Land Trust Ground Lease, which are removed by Form 490, Community Land Trust Ground Lease Rider, upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure.

Appraisal requirements include:

- The Seller must ensure that the appraiser is knowledgeable and experienced in appraising a property subject to a leasehold estate held by a Community Land Trust
- The appraiser must analyze the property subject to the Community Land Trust Ground Lease
- The appraiser must describe the terms and restrictions of the Community Land Trust Ground Lease and Form 490
- The appraised value of the property must be well supported and correctly developed by the appraiser
- The appraiser must develop the opinion of value for the leasehold interest based on the hypothetical condition that the property rights being appraised are the leasehold interest without the resale and other restrictions included in the Community Land Trust Ground Lease, which are removed by Form 490 upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure
- On the appraisal report form, the appraiser must:
  - Indicate “leasehold” as the property rights appraised
  - Report the applicable ground rent paid to the Community Land Trust
- For a property subject to a leasehold interest created by a Community Land Trust, the appraiser should use sales of similar properties that are subject to other types of leasehold interests as comparable sales. If this is not possible, the appraiser may use sales of properties that are owned in fee simple. The appraiser should make appropriate adjustments to reflect the differences in market value for the properties subject to the other types of leasehold interests based on the terms of leases and the properties that are owned in fee simple.
- When the community or neighborhood has sales activity for other leasehold interests created by a Community Land Trust, the appraiser should analyze and report them in the appraisal report, but not use them as comparable sales if their sales prices were impacted or limited by restrictions in the ground lease
- Because Freddie Mac’s appraisal report forms do not include space to provide all the details required for appraising a property subject to a leasehold interest held by a Community Land

Trust, the appraiser must attach an addendum to the appraisal report to provide any information that cannot otherwise be presented on the appraisal report form. The appraiser must check the box “as is” and include in the addendum an expanded discussion of the comparable sales used and considered. The addendum must also include the following statement:

“This appraisal is made based on the hypothetical condition that the property rights being appraised are the leasehold interest without resale and other restrictions that are removed by Form 490 upon foreclosure.”

## **4502.9: Community Land Trust eligibility requirements (11/05/18)**

The Seller must review the terms and conditions of the Community Land Trust program to determine that the following requirements are met:

- The legal agreement between the Community Land Trust and the homebuyer that establishes the resale restrictions must be a ground lease that meets all of Freddie Mac Community Land Trust Ground Lease requirements
- The resale restrictions can be imposed by State or local governments, municipalities, instrumentalities or nonprofit entities to create and preserve affordable housing (including entities administering governmental sponsored subsidy programs)
- The Community Land Trust or its duly authorized representative administering resale controls and restrictions must provide home counseling services or have established partnerships with, at least, one organization that does
- If the Community Land Trust is a non-profit entity, it must be current in filing its Internal Revenue Service (IRS) Form 990, Return of Organization Exempt from Income Tax. The Seller must confirm that Part I or Part III of the most recent IRS Form 990 filing clearly describes the entity’s mission and activities as affordable housing development and/or community benefit real estate. The assets and liabilities disclosures for both the prior and current year in Part I should be reviewed to confirm that liabilities do not exceed assets as a prime indicator of financial stability.
- If IRS Form 990 is not available, the Seller is required to review either an audited financial statement or a prepared annual report, which includes financial statements for the most current year to determine the stability and performance of the Community Land Trust

## **4502.10: Requirements for Community Land Trust Ground Lease and Ground Lease Rider (11/05/18)**

### **(a) Community Land Trust Ground Lease**

The Seller must review and determine that the Community Land Trust's Ground Lease conforms to either the National Community Land Trust Network (NCLTN) 2011 Community Land Trust Network Model Ground Lease or the Institute for Community Economics (ICE) Model Ground Lease. Optional language as provided in either of such models must be selected but no additional changes may be made without Freddie Mac's prior written approval.

In addition, the Community Land Trust Ground Lease must:

- Have a term of at least 30 years
- Include a resale formula that limits the homeowner's proceeds at resale. The restrictions must be binding on current and subsequent property owners, and remain in effect (i.e., survive) until they are formally removed or modified, or terminate automatically in accordance with their terms, such as at a foreclosure sale or upon recordation of a deed-in-lieu of foreclosure
- Provide the Community Land Trust or its assignee the right to a preemptive option to purchase the home from the homeowner at resale ("the right of first refusal")
- State that the Community Land Trust must review and approve any refinances and home equity lines of credit

For each Community Land Trust Mortgage sold to Freddie Mac, the Seller represents and warrants that the Community Land Trust Ground Lease is valid, enforceable and in full force and effect.

#### **(b) Community Land Trust Ground Lease Rider**

Freddie Mac has developed Form 490, Community Land Trust Ground Lease Rider, that must be completed, executed and recorded in the land records, together with the Community Land Trust Ground Lease.

#### **(c) Mortgage file requirements**

The Mortgage file must contain an original executed or certified copy of the Community Land Trust Ground Lease and the Form 490 containing the recordation information.

## **4502.11: Security Instruments for Community Land Trust Mortgages (11/05/18)**

The Uniform Security Instrument must describe the Mortgaged Premises as a leasehold interest created by a recorded ground lease in the property described in the legal description. In addition, the Seller must comply with Exhibit 5, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application, Section IV, for Leasehold Estates.

## 4502.12: Title insurance requirements (11/05/18)

Community Land Trust Mortgages must be insured by a title insurance policy or a policy and endorsements that meet the requirements of Chapter 4702. The title insurance policy or an endorsement to the policy must insure the following:

- The Community Land Trust Ground Lease was recorded
- Form 490, Community Land Trust Ground Lease Rider, was recorded
- The Community Land Trust Mortgage is a First Lien on the leasehold estate and the improvements
- There are no existing mortgages, loans or other liens on the fee estate, except as may be permitted under Form 490
- The Community Land Trust Ground Lease reversionary interest is subordinate to the Community Land Trust Mortgage; and
- There are no related Community Land Trust Ground Lease occupancy and resale restrictions, covenants, or agreements that are valid, existing, or effective as of the date of the policy except as may be permitted under Form 490

## 4502.13: Other requirements for Community Land Trust Mortgages (11/05/18)

### (a) Special Servicing requirements

See Chapter 8701 for special Servicing requirements for Community Land Trust Mortgages including, but not limited to, requirements for Seller/Servicers to notify third parties (such as Community Land Trust program administrators, housing authorities or government agencies) upon the Borrower's default, referral to foreclosure, and foreclosure or recordation of a deed-in-lieu of foreclosure.

### (b) Delivery requirements

See Section 6302.42 for special delivery requirements for Community Land Trust Mortgages.

### (c) Mortgage file requirements

See Section 3401.29 for special Mortgage file requirements for Community Land Trust Mortgages.

# **Chapter 4503: Affordable Housing Preservation: Shared Equity Programs – Resale Restrictions**

## **4503.1: Shared Equity Programs – Resale Restrictions (11/05/18)**

Freddie Mac will purchase Mortgages secured by properties subject to resale restrictions including, but not limited to, income-based restrictions and age-based restrictions (such as senior housing or units restricted to one or more occupants age 55 and over). The resale restrictions may be imposed to create and preserve affordable housing by limiting the occupancy and resale of the property to individuals or households of very-low, low- or moderate-incomes. See Chapter 4406 for purchase requirements for Mortgages secured by properties subject to resale restrictions.



# Chapter 4601: Financed Permanent Buydown Mortgages

## 4601.1: Eligible Financed Permanent Buydown Mortgages (11/05/18)

Financed Permanent Buydown Mortgages must have the following characteristics:

- The Mortgage must be an eligible fixed-rate, level payment Mortgage, or a 5/5, 5/1, 7/1 or 10/1 ARM
- The Mortgage must not be an A-minus Mortgage
- The Mortgage must not be a Home Possible® Mortgage
- The Mortgage must not be an Affordable Merit Rate® Mortgage
- The Mortgage must not be an FHA Mortgage, a VA Mortgage, a Section 502 GRH Mortgage, or a Section 184 Native American Mortgage
- The Mortgage must not be a Freddie Mac HomeOne<sup>SM</sup> Mortgage
- The Mortgage must not be a Community Land Trust Mortgage
- The Mortgage must not be secured by property subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, where the property value must be determined in accordance with Section 4406.1(g)(ii)
- Temporary subsidy buydowns are not permitted

## 4601.2: Underwriting Financed Permanent Buydown Mortgages (03/02/16)

For purposes of this chapter, the following definitions apply:

- **Base Mortgage Amount:** The Mortgage amount without the financed discount points

- **Gross loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios:** The LTV, TLTV or HTLTV ratio calculated using the Mortgage amount, which includes the financed discount points

Eligibility of Financed Permanent Buydown Mortgages is determined using the Gross LTV, TLTV, and HTLTV ratios.

Financed Permanent Buydown Mortgages must comply with the following requirements:

1. The Gross LTV, TLTV and HTLTV ratios must not exceed the LTV, TLTV, or HTLTV ratios specified in Section 4203.4
2. The amount of the mortgage insurance coverage must meet the coverage level requirements in Section 4701.1, using the Gross LTV ratio
3. The maximum amount a Borrower can finance for a permanent buydown is three discount points, calculated based upon the Base Mortgage Amount
4. For fixed-rate Mortgages, Borrower qualification is based on the monthly housing expense-to-income ratio calculated using the monthly payment at the permanent bought down Note Rate. For ARMs, Borrower qualification is based on monthly payments calculated in accordance with Section 4401.8.
5. For ARMs, the permanent buydown is in effect for the initial Note Rate and each Note Rate adjustment for the entire term of the Mortgage. The Lifetime Ceiling will be calculated using the permanent bought down initial Note Rate. The permanent buydown does not affect the Margin, Initial Cap or Periodic Cap.

## **4601.3: Other requirements for Financed Permanent Buydown Mortgages (04/24/17)**

### **(a) Delivery requirements**

See Section 6302.24 for pooling and delivery requirements for Financed Permanent Buydown Mortgages.

### **(b) Calculation of applicable Credit Fees in Price**

Any applicable Credit Fees in Price will be assessed and billed based on the UPB of the Mortgage (including the financed permanent buydown points) and the Gross loan-to-value (LTV) ratio.

# **Chapter 4602: Construction Conversion and Renovation Mortgages**

## **4602.1: Replacement of Interim Construction Financing overview (03/02/16)**

A transaction where Mortgage proceeds are used to replace Interim Construction Financing must meet requirements of this chapter to be eligible for sale to Freddie Mac.

## **4602.2: Eligible and ineligible Construction Conversion and Renovation Mortgages (11/05/18)**

Construction Conversion and Renovation Mortgages that are eligible for purchase must be First Lien Mortgages and may be any Mortgage Product or offering eligible under this Guide unless specifically described as ineligible in this chapter.

The following Mortgages are ineligible for delivery as Construction Conversion or Renovation Mortgages:

- FHA and VA Mortgages
- Section 502 GRH Mortgages
- Section 184 Native American Mortgages
- Community Land Trust Mortgages
- Mortgages secured by property subject to income-based resale restrictions

Certain types of refinance Mortgages and certain property types may also be ineligible for delivery as Construction Conversion or Renovation Mortgages. See Sections 4602.5(b) and 4602.7 for additional restrictions on the eligible Mortgage purpose and property types.

## **4602.3: Documentation of Permanent Financing (05/01/19)**

With a Construction Conversion Mortgage or a Renovation Mortgage, conversion of the Interim Construction Financing to Permanent Financing may be accomplished using one of the following structures:

- Integrated Construction Conversion Documentation
- Separate Construction Conversion Documentation
- Modification Construction Conversion Documentation

**(a) Required Uniform Instruments; Uniform Security Instrument**

The Permanent Financing must be closed on the Uniform Instruments permitted under this Guide to be used with the applicable Mortgage Product being used for the Permanent Financing.

The Seller must use the most current version of the State-specific Fannie Mae/Freddie Mac Single-Family Security Instrument prepared for use in the jurisdiction in which the Mortgaged Premises are located and the most current version of any applicable property type riders. The most current version of the Uniform Instruments is the version in effect as of the date the Security Instrument for the Permanent Financing is executed. See Exhibit 4, Single-Family Uniform Instruments, for the current dates of revisions of all Uniform Instruments. See Exhibit 5, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application, for authorized changes to the Uniform Instruments.

**(b) Types of documentation of Permanent Financing**

The Interim Construction Financing and Permanent Financing of Construction Conversion and Renovation Mortgages must be documented as follows:

Type Mortgage	Documentation Structure	Closings	Required Documentation
Integrated Documentation	<p>Single set of Mortgage loan instruments with construction financing terms incorporated into the Note for the Permanent Financing</p> <p>No change to the Note at conversion of Interim Construction Financing except to reduce the principal balance</p> <p>No modification agreement</p>	Single closing at time of Interim Construction Financing to execute the Mortgage loan instruments	<ul style="list-style-type: none"> <li>• Uniform Security Instrument</li> <li>• Uniform Note applicable to the Permanent Financing Mortgage Product with changes needed for terms of the Interim Construction Financing. Interim Construction Financing terms should be in an addendum to the Note</li> </ul>
Separate Documentation	<p>Two sets of Mortgage loan instruments: one set for the Interim Construction Financing and a second set for the Permanent Financing</p> <p>No modification agreement</p>	Two closings: (i) to execute the Interim Construction Financing loan instruments, and (ii) to execute the Permanent Financing loan instruments	<ul style="list-style-type: none"> <li>• Interim Construction Financing may be documented using non-Uniform Instruments</li> <li>• Uniform Security Instrument for Permanent Financing</li> <li>• Uniform Note applicable to the Mortgage Product for Permanent Financing</li> </ul>

Type Mortgage	Documentation Structure	Closings	Required Documentation
Modification Documentation	<p>(i) One Security Instrument for both Interim Construction and Permanent Financing, (ii) the Note for Interim Construction Financing, and (iii) a modification agreement, which may include a new Note for Permanent Financing if different from the Interim Construction Financing, the Note used for the Interim Construction Financing was a non-Uniform Instrument or was for a different Mortgage Product</p> <p>Construction Conversion Modification Agreement used at time of conversion of Interim Construction Financing to Permanent Financing</p>	<p>Two closings: (i) at the time of the Interim Construction Financing, to execute the Mortgage loan instruments, and (ii) at the time of Permanent Financing, to execute the Construction Conversion Modification Agreement and if necessary, a new Note</p>	<ul style="list-style-type: none"> <li>• Uniform Security Instrument</li> <li>• Uniform Note applicable to Mortgage Product for Interim Construction Financing; non-Uniform Note may be used but must execute new Uniform Note with modification agreement</li> <li>• Construction Conversion Modification Agreement (see subsection (c) below for version of Construction Conversion Modification Agreement to be used)</li> <li>• New Uniform Note applicable to Mortgage Product for Permanent Financing if the Note used for the Interim Construction Financing was a non-Uniform Note or was for a different Mortgage Product</li> <li>• Additional riders to the Security Instrument if needed for the Permanent Financing Mortgage Product (for example, an ARM Rider may be needed)</li> </ul>

**(c) Construction Conversion Modification Agreements to be used under special circumstances**

The following requirements apply in these circumstances when using Modification Documentation:

<p><b>Interim Construction Financing is on Uniform Note for same Mortgage Product as the Permanent Financing</b></p>	<p>Borrower must execute Construction Conversion Modification Agreement applicable to the Mortgage Product; new Uniform Note not required.</p> <ul style="list-style-type: none"> <li>As examples, see Freddie Mac Multistate Construction Conversion Modification Agreement - Fixed-Interest Rate (Modification of Note) (Form 5162), or Freddie Mac Construction Conversion Modification Agreement - Adjustable Interest Rate (Modification of Note) (Form 5163)</li> </ul>
<p><b>Interim Construction Financing is on Uniform Note for different Mortgage Product from that used for Permanent Financing</b></p>	<p>Borrower must execute Construction Conversion Modification Agreement and new Uniform Note and any necessary Riders appropriate for the Mortgage Product being used for the Permanent Financing</p> <ul style="list-style-type: none"> <li>As an example, see Freddie Mac Multistate Construction Conversion Modification Agreement (New Note) (Form 5164)</li> </ul> <p>As an alternative, if the Interim Construction Financing was on a Uniform Note for a Mortgage Product other than a fixed-rate Mortgage and the Permanent Financing is fixed-rate financing, the Borrower may execute a Construction Conversion Modification Agreement with fixed-rate terms incorporated into the modification.</p> <ul style="list-style-type: none"> <li>As an example, see Freddie Mac Multistate Construction Conversion Modification Agreement - Fixed Interest Rate (Embedded Fixed-rate Financing Terms for use with modification into a Fixed Interest Rate) (Form 5165)</li> </ul>

<b>Interim Construction Financing is not on a Uniform Note</b>	<p>Borrower must execute Construction Conversion Modification Agreement and new Uniform Note and any necessary Riders appropriate for the Mortgage Product being used for the Permanent Financing.</p> <ul style="list-style-type: none"> <li>• As an example, see Freddie Mac Multistate Construction Conversion Modification Agreement (New Note) (Form 5164)</li> </ul>
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The Seller may use the applicable Freddie Mac Construction Conversion Modification Agreement(s) described in the chart above or develop its own modification agreement using Freddie Mac’s examples. However, the Seller’s modification agreement must not incorporate the terms of the Note for the Permanent Financing in those situations where Freddie Mac requires that a new Uniform Note be used.

If the Seller uses a different Construction Conversion Modification Agreement than those described above to evidence the terms of the Permanent Mortgage, Seller represents and warrants that the instrument, when completed:

- Contains substantially identical provisions to the comparable Freddie Mac Construction Conversion Modification Agreement form, and
- Is appropriate for use to evidence the conversion of Interim Construction Financing to Permanent Financing

## **4602.4: Mortgage term for Construction Conversion and Renovation Mortgages (03/02/16)**

For Construction Conversion Mortgages and Renovation Mortgages, the term of the Permanent Financing begins on the Effective Date of Permanent Financing.

Construction Conversion Mortgages secured by Manufactured Homes must have a maximum original maturity not greater than that specified in Section 5703.3(d).

## **4602.5: Mortgage purpose for Construction Conversion and Renovation Mortgages (10/27/18)**

### **(a) Purchase or refinance**

Construction Conversion Mortgages and Renovation Mortgages may be for purchase transactions, “no cash-out” or cash-out refinance transactions as shown in the chart below. A



Construction Conversion Mortgage or a Renovation Mortgage may not be used for the purpose of making a single disbursement of funds to a builder or contractor or for the assumption of an existing Mortgage.

<b>If, prior to the closing of the Interim Construction Financing, the Borrower is . . .</b>	<b>Then the transaction is a . . .</b>	<b>And proceeds from the Interim Construction Financing may be used to . . .</b>
<p>Not the owner of record of the land, or</p> <p>If the site-built home is on a leasehold estate, not the lessee of the leasehold estate</p>	<p>Purchase transaction</p>	<ul style="list-style-type: none"> <li>• Purchase the land, or for a site-built home, acquire a leasehold interest in the land</li> <li>• For Renovation Mortgages, purchase the site-built home</li> <li>• Pay construction or renovation costs of the site-built home</li> <li>• For a Manufactured Home, acquire the Manufactured Home and pay construction costs, including costs to install and anchor the Manufactured Home on a permanent foundation system</li> </ul>
<p>The owner of record of the land, or</p> <p>If the site-built home is on a leasehold estate, the lessee of the leasehold estate</p>	<p>Refinance transaction</p>	<ul style="list-style-type: none"> <li>• Pay off any existing liens on the land and on the improvements, if the Mortgage is a Renovation Mortgage</li> <li>• Pay off any existing liens on the land, if the Mortgage is a Construction Conversion Mortgage</li> <li>• Pay all Closing Costs</li> <li>• Pay construction or renovation costs of the site-built home</li> <li>• For a Manufactured Home, acquire the Manufactured Home and pay construction costs, including costs to install and anchor the Manufactured Home on a permanent foundation system on land owned by the Borrower</li> </ul>

**(b) Special considerations for Refinance Mortgages**

The following special considerations apply to Construction Conversion Mortgages and Renovation Mortgages that are refinance Mortgages:

Type of refinance	Eligible property types	Land ownership requirements
“No cash-out” refinance as described in Section 4301.4	Site-built homes	No additional requirements
	Manufactured Homes	At least one Borrower must have been on title to the land for 12 months or more prior to the Effective Date of Permanent Financing
Cash-out refinance as described in Section 4301.5	Site-built home	At least one Borrower must have been on title to the land for six months or more prior to the Effective Date of Permanent Financing

Special purpose cash-out refinance Mortgages are ineligible as Construction Conversion Mortgages and Renovation Mortgages.

Construction Conversion and Renovation Mortgages are “no cash-out” refinance transactions if the requirements in Section 4301.4 are met. For purposes of Section 4301.4, the amount of the Interim Construction Financing secured by the Mortgaged Premises is considered an amount used to pay off the first Mortgage as described in Section 4301.4. The proceeds of the Permanent Financing may be used to pay off a junior lien(s) secured by the Mortgaged Premises provided the lien(s) were used in their entirety for the construction and/or renovation of the subject property, as applicable, as documented in the Mortgage file. However, paying off unsecured liens or construction costs paid by the Borrower outside of the secured Interim Construction Financing is considered cash out to the Borrower, if above \$2,000 or 1% of the loan amount, whichever is greater.

## 4602.6: Eligible Borrowers for Construction Conversion and Renovation Mortgages (03/02/16)

The Borrower on a Construction Conversion Mortgage or a Renovation Mortgage must satisfy the following requirements:

- The Borrower on the Permanent Financing must be the Borrower on, and obligated to repay, the Interim Construction Financing, and any other outstanding prior financing, including installation financing or outstanding prior Mortgages except as follows:
  - A Borrower may be omitted in the event of death or divorce, or
  - A Borrower who is a Related Person may be added, provided that all Borrowers on the Permanent Financing are owner-occupants of the Mortgaged Premises and considered in the underwriting of the Permanent Financing
- The builder/developer must not be obligated to repay the Interim Construction Financing or any Mortgage on the land or the improvements except when the builder/developer is the Borrower on the Permanent Financing and will occupy the Mortgaged Premises as his or her Primary Residence

## 4602.7: Eligible property for Construction Conversion and Renovation Mortgages (03/02/16)

Construction Conversion Mortgages and Renovation Mortgages must be secured by Mortgaged Premises that satisfy the following requirements.

- The Mortgaged Premises must be:

<b>Construction Conversion Mortgage</b>	A newly built or constructed 1- to 4-unit site-built home, or  A newly purchased Manufactured Home that has never been attached to a foundation.
<b>Renovation Mortgage</b>	An existing 1- to 4-unit site-built home

- Prior to the start of construction or renovation work, the Borrower must own the land in fee simple or, for a site-built home, have a leasehold estate meeting the requirements of Chapter 5704. The Borrower may have acquired the land through a purchase, inheritance, gift or divorce settlement.

## **Completion status as of sale of the Mortgage to Freddie Mac**

All improvements must be fully completed before the sale of the Mortgage to Freddie Mac except for Mortgages secured by site-built homes meeting the requirements in Section 5601.2(b) and for which completion escrows are established in accordance with the requirements of Section 5601.2(b).

For a Manufactured Home, the installation must be fully complete, including permanent utility connections and construction of any site-built improvements such as garages, decks, or porches, before the Mortgage can be sold to Freddie Mac as evidenced by a satisfactory completion report.

For both site-built homes and Manufactured Homes, Sellers must provide evidence that the property is complete. See the requirements in Section 5601.11.

## **4602.8: Underwriting the Permanent Financing (07/06/17)**

### **(a) Original and subsequent underwriting**

The Seller is required to underwrite the Mortgage for the Permanent Financing that will be sold to Freddie Mac prior to the Effective Date of the Permanent Financing. For Construction Conversion Mortgages and Renovation Mortgages, underwriting may occur prior to or after closing of the Interim Construction Financing.

Changes in the terms of the financing or in the Mortgage Product are permitted prior to the Effective Date of the Permanent Financing. A change in Borrowers is permitted provided that requirements of Section 4602.6 are met. If there are changes in the terms of the Permanent Financing or if the property value has declined after the Mortgage has been underwritten, then:

- If a Non-Loan Product Advisor Mortgage, it must be re underwritten, or
- If a Loan Product Advisor<sup>®</sup> Mortgage, it may require resubmission of the Mortgage to Loan Product Advisor as described in Section 4602.8(b).

### **(b) Resubmission of Loan Product Advisor Mortgages**

Loan Product Advisor Mortgages must meet the requirements in Chapter 5101 including the resubmission requirements in Section 5101.6 except that resubmission of a Mortgage to Loan Product Advisor is not required if there is:

- A change from the previous submission if the change involves one of the exceptions in Section 5101.6
- A decrease in the loan amount, provided the Permanent Financing complies with the following conditions:
  - When there is an increase in the Down Payment, all funds used to reduce the loan amount must meet the requirements of Chapter 5501
  - When there is a decrease in the reserves amount, the amount of verified reserves is no less than the reserves required to be verified on the Feedback Certificate
  - The decrease in the loan amount does not change the level of mortgage insurance coverage. For example, if the property value is \$120,000 and the loan amount is \$114,000 (which equals a 95% loan-to-value (LTV) ratio), the loan amount may decrease to \$109,200 (91% LTV ratio). However, if the loan amount decreases to \$108,000 (90% LTV ratio) the loan must be resubmitted.
- A change from an ARM to a fixed-rate Mortgage, provided the Permanent Financing complies with the following conditions:
  - The Permanent Financing is not subject to a temporary subsidy buydown plan
  - In the prior submission, the Borrower was qualified with an ARM monthly housing expense payment equal to or greater than the fixed-rate monthly housing expense
  - The Mortgage term of the fixed-rate Mortgage is the same as the Mortgage term for the ARM
- A decrease in the reserves amount, provided that the amount of verified reserves is no less than the reserves required to be verified on the Feedback Certificate

## **4602.9: Appraisal requirements for Construction Conversion and Renovation Mortgages (03/02/16)**

The Seller must obtain an appraisal with an interior and exterior inspection that meets Freddie Mac requirements.

The Seller represents and warrants that the originating lender provided the appraiser with all the appraisal information required in Chapter 5601, including plans and specifications.

The appraiser's opinion of value must provide the "as completed" value.

The effective date of the appraisal must be prior to the Effective Date of Permanent Financing and the appraisal must meet the requirements of Chapter 5601, including Section 5601.8.

## 4602.10: Calculation of value for Construction Conversion and Renovation Mortgages (03/02/16)

Value used to determine the loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios must be established as follows:

<b>Purchase Transaction</b>		
<b>Property Type</b>	<b>Value</b>	
	<b>Construction Conversion Mortgages</b>	<b>Renovation Mortgages</b>
<b>1- to 4-unit site-built home</b>	<p>Value is the lesser of:</p> <ul style="list-style-type: none"> <li>• The purchase price of the Mortgaged Premises (the purchase price of the land* and total construction costs), or</li> <li>• Appraised value of the Mortgaged Premises, as completed.</li> </ul>	<p>Value is the lesser of:</p> <ul style="list-style-type: none"> <li>• The purchase price of the Mortgaged Premises prior to the renovation plus the renovation costs (costs of demolition and reconstruction), or</li> <li>• Appraised value of the Mortgaged Premises, as completed.</li> </ul>
<b>1-unit Manufactured Home</b>	<p>Value is the lesser of:</p> <ul style="list-style-type: none"> <li>• The purchase price of the Manufactured Home, plus the lowest purchase price at which the land was sold during the most recent 12-month period*, or</li> <li>• Appraised value of the Mortgaged Premises, as completed.</li> </ul>	Not eligible

\* If the Borrower acquired the land as a gift or by inheritance, the value of the land as reported on the appraisal may be used in lieu of the purchase price of the land.

Any item that is included in the calculation of cost to construct or renovate the home must be commonly and customarily included in the cost to construct other homes in the area where the Mortgaged Premises is located. The cost to construct must not include items such as furniture, electronic and home entertainment equipment or other personal items.

<b>“No Cash-out” Refinance Transactions</b>		
<b>Property Type</b>	<b>Value</b>	
	<b>Construction Conversion Mortgages</b>	<b>Renovation Mortgages</b>
1- to 4-unit site-built home	Appraised value of the Mortgaged Premises, as completed	
1-unit Manufactured Home	Appraised value of the Mortgaged Premises, as completed	Not eligible

<b>Cash-out Refinance Transactions</b>		
<b>Construction Conversion and Renovation Mortgages</b>		
<b>Property Type</b>	<b>Value</b>	
1- to 4-unit site-built home	Appraised value of the Mortgaged Premises, as completed	
1-unit Manufactured Home	Not eligible	

## **4602.11: Seller-Owned Modified and Seller-Owned Converted Mortgages (07/29/18)**

The Seller-Owned Modified and Seller-Owned Converted Mortgage offering described in Chapter 4402 may not be used to convert or modify the Interim Construction Financing to Permanent Financing.

After the Effective Date of Permanent Financing, if the terms of the Permanent Financing have been modified or if an ARM converted to a fixed-rate Mortgage, the resulting Mortgage is a Seller-Owned Modified or Seller-Owned Converted Mortgage that must meet the requirements of Chapter 4402 and other provisions related to these Mortgages, including requirements excluding the Home Possible® Mortgages, Freddie Mac HomeOne<sup>SM</sup> Mortgages and Mortgages secured by Manufactured Homes from eligibility as Seller-Owned Modified or Seller-Owned Converted Mortgages.

## **4602.12: Mortgage file documentation for Construction Conversion and Renovation Mortgages (10/31/18)**

The Mortgage file for each Construction Conversion or Renovation Mortgage must contain:

- Documentation that supports classification of the Mortgage as a Construction Conversion or a Renovation Mortgage
- Sufficient documentation (for example: purchase contracts, plans and specifications, receipts, invoices, lien waivers etc.) on which to validate the actual cost to construct or renovate the home
- A document that clearly shows the Seller's calculation of the purchase price and/or cost to construct
- The Settlement/Closing Disclosure Statement or an alternative form required by law evidencing all costs to homebuyer and property seller at closing of the Interim Construction Financing
- The Settlement/Closing Disclosure Statement for the closing of the Permanent Financing. In addition, the Mortgage file must contain the following documentation, when applicable:
  - For a Mortgage secured by a Manufactured Home, the manufacturer's invoice and the Manufactured Home Purchase Agreement
  - For a "no cash-out" refinance Mortgage secured by a Manufactured Home, documentation that supports at least one Borrower has been on title to the land for 12 months or more prior to the Effective Date of Permanent Financing
  - For a cash-out refinance Mortgage, documentation that supports at least one Borrower has been on title to the land for six months or more prior to the Effective Date of Permanent Financing



- Appropriate documentation to verify the acquisition and transfer of ownership of the land if the Borrower acquired the land as a gift or by inheritance

## **4602.13: Residential loan application and uniform underwriting and transmittal summary forms for Construction Conversion and Renovation Mortgages (12/05/18)**

The Seller must code the Purpose of Loan on Form 65, Uniform Residential Loan Application, as either Purchase or Refinance (as applicable) and not as Construction or Construction-Permanent.

The Seller must code the Loan Purpose on Form 1077, Uniform Underwriting and Transmittal Summary, or indicate the Loan Purpose on an alternative equivalent form, as either Purchase, Cash-out Refinance or No Cash-Out Refinance (as applicable) and not as Home Improvement or Construction to Permanent. The Seller must indicate in the Underwriter Comments if the Mortgage is a Construction Conversion Mortgage or Renovation Mortgage.

## **4602.14: Delivery requirements for Construction Conversion and Renovation Mortgages (03/02/16)**

See Section 6302.28 for delivery and pooling requirements for Construction Conversion and Renovation Mortgages.

## **4602.15: Credit Fees in Price for Construction Conversion and Renovation Mortgages (04/24/17)**

The Seller must refer to Exhibit 19, Credit Fees in Price, for information on Construction Conversion and Renovation Mortgages Credit Fees in Price and on other Credit Fees in Price.

Credit Fees in Price are paid in accordance with the Credit Fee in Price provisions stated in Chapter 6303.

# **Chapter 4603: Super Conforming Mortgages**

## **4603.1: Purchase of super conforming Mortgages (03/02/16)**

Freddie Mac will purchase super conforming Mortgages under the terms of the Purchase Documents and this chapter. Super conforming Mortgages are Mortgages that are secured by properties located in designated high-cost areas and have original loan amounts meeting the loan limits in Section 4603.2.

Unless specifically prohibited, the special negotiated Mortgage underwriting provisions, products and offerings described in the Purchase Documents may be used with super conforming Mortgages provided that the more restrictive provisions of this chapter or the Seller's other Purchase Documents apply.

Unless otherwise notified in writing, Sellers are eligible to deliver super conforming Mortgages.

## **4603.2: Minimum and maximum original loan amounts for super conforming Mortgages (01/01/19)**

The following minimum and maximum original loan amounts apply to super conforming Mortgages that have Freddie Mac Funding or Settlement Dates on or after January 1, 2019 and Freddie Mac Funding or Settlement Dates on or before December 31, 2019:

Units	Minimum/Maximum Original Loan Amount		Properties in Alaska, Hawaii, Guam and the U.S. Virgin Islands	
	Minimum Loan Amount	Maximum Loan Amount	Minimum Loan Amount	Maximum Loan Amount**
		Permanent (HERA)*		Permanent (HERA)*
1	>\$484,350	\$726,525	>\$726,525	None in 2019
2	>\$620,200	\$930,300	>\$930,300	None in 2019
3	>\$749,650	\$1,124,475	>\$1,124,475	None in 2019
4	>\$931,600	\$1,397,400	>\$1,397,400	None in 2019

\* These are the maximum potential loan limits for designated high-cost areas, as determined under the provisions of the Housing and Economic Recovery Act of 2008 (HERA). Actual loan limits are established for each county (or equivalent) and the loan limits for specific high-cost areas may be lower. The original principal balance of a Mortgage must not exceed the maximum loan limit for the specific area in which the Mortgaged Premises is located. For specific loan limits for each high-cost area, as released by the Federal Housing Finance Agency, visit: [https://www.fhfa.gov/DataTools/Downloads/Documents/Conforming-Loan-Limits/FullCountyLoanLimitList2019\\_HERA-BASED\\_FINAL\\_FLAT.pdf](https://www.fhfa.gov/DataTools/Downloads/Documents/Conforming-Loan-Limits/FullCountyLoanLimitList2019_HERA-BASED_FINAL_FLAT.pdf).

\*\* There are no properties in Alaska, Hawaii, Guam or the U.S. Virgin Islands with loan limits higher than the applicable base conforming limits for 2019. As a result, there are no super conforming limits specific to Alaska, Hawaii, Guam or the U.S. Virgin Islands for 2019.

For super conforming Mortgages, the Seller must use the loan amount of the Mortgage stated in the Note to determine compliance with the maximum loan limits stated above.

### 4603.3: General eligibility requirements for super conforming Mortgages (10/02/19)

#### (a) Eligible Mortgages

A super conforming Mortgage must be a:

- Fixed-rate Mortgage, or
- 5/5, 5/1, 7/1 or 10/1 ARM

Freddie Mac Enhanced Relief Refinance<sup>®</sup> Mortgages may be super conforming Mortgages provided the Mortgage meets the applicable requirements for that offering in Chapter 4304.

Super conforming Mortgages may be any of the following provided the Mortgage meets the applicable requirements for that offering and this chapter. If there is a conflict between any of the requirements for the following products or offerings, the more restrictive requirements will apply:

- Home Possible<sup>®</sup> Mortgages originated in accordance with Chapter 4501
- Texas Equity Section 50(a)(6) Mortgages originated in accordance with Section 4301.7
- A-minus Mortgages originated in accordance with Section 5101.9
- Community Land Trust Mortgages originated in accordance with Chapter 4502
- Mortgages secured by properties subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, where the property value must be determined in accordance with Section 4406.1(g)(ii)

**(b) Ineligible Mortgages**

Super conforming Mortgages must not be:

1. ARMs with Initial Periods of less than five years
2. Mortgages secured by a Manufactured Home
3. Seller-Owned Converted Mortgages
4. Seller-Owned Modified Mortgages
5. FHA/VA Mortgages
6. Section 502 GRH Mortgages
7. Section 184 Native American Mortgages
8. Affordable Merit Rate<sup>®</sup> Mortgages
9. Mortgages using an Automated Valuation Model (AVM)
10. Mortgages with custom mortgage insurance

11. Mortgages with annual or monthly lender-paid mortgage insurance premiums

12. Freddie Mac HomeOne<sup>SM</sup> Mortgages

**(c) Maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios**

See Section 4203.4 for maximum LTV/TLTV/HTLTV ratios.

**(d) Mortgage insurance requirements**

Standard Mortgage insurance coverage is required in accordance with Section 4701.1(a). Lender-paid mortgage insurance with single premiums and financed mortgage insurance premiums described in Section 4701.2(a) are permitted.

The custom mortgage insurance option described in Section 4701.1(b) is not permitted.

**(e) Monthly debt payment-to-income ratio**

The maximum monthly debt payment-to-income ratio for super conforming Manually Underwritten Mortgages is 45%.

For Manually Underwritten Mortgages, the debt-to-income ratio must be underwritten in accordance with Section 5401.2.

## **4603.4: Underwriting requirements for super conforming Mortgages (12/19/18)**

**(a) Loan Product Advisor<sup>®</sup> Mortgages**

All super conforming Mortgages must be submitted to Loan Product Advisor.

The Borrower's credit reputation is acceptable if:

- The Mortgage receives a Risk Class of Accept, or
- The Mortgage receives a Risk Class of Caution-eligible for A-minus and if all requirements in Section 5101.9 for A-minus Mortgages are met

If the Mortgage receives a risk evaluation status of invalid, ineligible or incomplete, the Seller must take all steps possible in accordance with Chapter 5101 to correct the information and resubmit the Mortgage.

Super conforming Mortgages that have never been submitted to Loan Product Advisor are not eligible for delivery.

The Seller must enter the Key Number (which is referred to as the Loan Prospector<sup>®</sup> AUS Key Number in Loan Selling Advisor<sup>®</sup>) in the ULDD Data Point *Automated Underwriting Case Identifier* for all super conforming Mortgage transactions.

#### **(b) Non-Loan Product Advisor Mortgages**

Super conforming Mortgages with a Risk Class or Evaluation Status of invalid, ineligible, incomplete or Caution-ineligible for A-minus must be manually underwritten in accordance with Topics 5100 through 5500 and this chapter.

Noncredit Payment References are prohibited to establish an acceptable credit reputation for super conforming Mortgages.

To be eligible for sale to Freddie Mac, a minimum Indicator Score is required for super conforming Manually Underwritten Mortgages. The minimum Indicator Score requirements for Mortgages sold to Freddie Mac can be found in Exhibit 25, Mortgages with Risk Class and/or Minimum Indicator Score Requirements.

### **4603.5: Appraisal requirements for super conforming Mortgages (09/14/17)**

The Seller must obtain an appraisal with an interior and exterior inspection that meets Freddie Mac requirements unless the Last Feedback Certificate includes an automated collateral evaluation offer stating that the Mortgage is eligible for collateral representation and warranty relief with an appraisal waiver and the Seller has accepted the offer. See Section 5601.9(c) for more information on automated collateral evaluation.

### **4603.6: Delivery and pooling requirements for super conforming Mortgages (03/02/16)**

See Section 6302.31 for delivery and pooling requirements for super conforming Mortgages.

### **4603.7: Credit Fee in Price for super conforming Mortgages (04/24/17)**

A special **Credit Fee in Price** will be assessed and billed to the Seller in conjunction with the sale of super conforming Mortgages. The Seller must refer to Exhibit 19, Credit Fees in Price, for

information on the special **Credit Fee in Price** and other **Credit Fees in Price**. **Credit Fees in Price** are paid in accordance with the **Credit Fee in Price** provisions outlined in Chapter 6303.

# Chapter 4604: Affordable Merit Rate<sup>®</sup> Mortgages

## 4604.1: Purchase of Affordable Merit Rate<sup>®</sup> Mortgages (03/02/16)

Freddie Mac will purchase Affordable Merit Rate<sup>®</sup> Mortgages that comply with the Guide and this chapter. Waivers to Guide requirements negotiated elsewhere in the Purchase Documents will not apply to Affordable Merit Rate Mortgages.

Affordable Merit Rate Mortgages are designed for Borrowers who have a weak credit reputation and/or questionable capacity and for Mortgages where excessive layering of risk exists. Although the Affordable Merit Rate Mortgage may have a higher initial interest rate, the Borrower will benefit from a 1% interest rate reduction for making Mortgage payments on time for 24 consecutive months during the period ending on the fourth anniversary of the first payment date.

## 4604.2: Eligible Affordable Merit Rate<sup>®</sup> Mortgages (11/05/18)

Affordable Merit Rate<sup>®</sup> Mortgages must be:

- A Loan Product Advisor<sup>®</sup> Mortgage with a Risk Class of Caution and evaluation results of eligible for A-minus
- A purchase or “no cash-out” refinance Mortgage
- Secured by a 1- or 2-unit Primary Residence, and
- A fixed-rate Mortgage that fully amortizes over a 30-year period

Affordable Merit Rate Mortgages must not be a Mortgage with a temporary subsidy buydown plan or a Mortgage secured by property subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, where the property value must be determined in accordance with Section 4406.1(g)(ii).



## **4604.3: Special underwriting requirements for Affordable Merit Rate® Mortgages (07/11/16)**

Loan Product Advisor® has determined the creditworthiness of the Borrower is acceptable if all Mortgage payment histories for each qualifying Borrower are verified on the Loan Product Advisor in-file credit reports.

If all Mortgage payment histories for each qualifying Borrower are not verified on the Loan Product Advisor credit reports, the Seller must directly verify and document in the Mortgage file any Mortgage payment histories during the last 12-month period in accordance with the requirements of Section 5202.2(b)(ii).

If the Borrower was 30 or more days delinquent more than twice, or was 60 or more days delinquent on any Mortgage or combination of Mortgages, the Mortgage is ineligible for delivery to Freddie Mac.

A Caution Mortgage that receives loan evaluation results of eligible for A-minus and that does not meet the requirements of this chapter may be eligible for sale as an A-minus Mortgage if the requirements of Section 5101.9 are met.

## **4604.4: Other requirements for Affordable Merit Rate® Mortgages (04/24/17)**

### **(a) Loan instruments**

The Mortgages must be originated using both the Security Instrument and Note executed on the FNMA/Freddie Mac Uniform Instruments (1-4 Family) for the jurisdiction where the Mortgaged Premises are located and the Freddie Mac Uniform Instrument Multistate Affordable Merit Rate® Addendum to Note (Form 3294, 4/00) and Multistate Affordable Merit Rate Rider (Form 3194, 4/00).

### **(b) Quality control**

An Affordable Merit Rate Mortgage is subject to the quality control requirements for an Accept Mortgage as described in Chapter 3402.

### **(c) Servicing**

Affordable Merit Rate Mortgages must be serviced in accordance with Section 8303.28. Refer to Bulletin 2000-3 for more details.

**(d) Delivery requirements**

See Section 6302.36 for delivery requirements for Affordable Merit Rate Mortgages.

**(e) Credit Fee in Price**

A Caution Mortgage that receives evaluation results of eligible for A-minus will not be assessed a Credit Score/Loan-to-Value (CS/LTV) Credit Fee in Price if it meets the requirements of this chapter and is delivered as an Affordable Merit Rate Mortgage.

# Chapter 4605: Freddie Mac HomeOne<sup>SM</sup> Mortgages

## 4605.1: Purchase of Freddie Mac HomeOne<sup>SM</sup> Mortgages (07/29/18)

HomeOne<sup>SM</sup> Mortgages are Mortgages with loan-to-value (LTV), total LTV (TLTV) and/or Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios above 95% originated in accordance with the requirements of the Guide and this chapter.

## 4605.2: Eligibility and delivery for Freddie Mac HomeOne<sup>SM</sup> Mortgages (10/02/19)

### (a) Eligibility requirements

The following requirements apply to HomeOne<sup>SM</sup> Mortgages:

	Topic	Requirement
1.	<b>Underwriting path</b>	HomeOne Mortgages must be Loan Product Advisor <sup>®</sup> Mortgages with a Risk Class of Accept
2.	<b>Amortization type</b>	HomeOne Mortgages must be fixed-rate Mortgages
3.	<b>Ineligible Mortgages</b>	<ul style="list-style-type: none"> <li>■ Affordable Merit Rate<sup>®</sup> Mortgages</li> <li>■ A-minus Mortgages</li> <li>■ Seasoned Mortgages</li> <li>■ Financed Permanent Buydown Mortgages</li> <li>■ Seller-Owned Modified Mortgages and Seller-Owned Converted Mortgages</li> <li>■ Mortgages with capitalized balances as described in Chapter 4403</li> <li>■ FHA and VA Mortgages</li> <li>■ Section 502 GRH Mortgages</li> <li>■ Section 184 Native American Mortgages</li> <li>■ Super conforming Mortgages as described in Chapter</li> </ul>

	<b>Topic</b>	<b>Requirement</b>
		<p>4603</p> <ul style="list-style-type: none"> <li>■ Home Possible<sup>®</sup> Mortgages</li> <li>■ Freddie Mac Enhanced Relief Refinance<sup>®</sup> Mortgages</li> </ul>
<b>4.</b>	<b>Number of units/property type</b>	HomeOne Mortgages must be secured by 1-unit properties that are not Manufactured Homes
<b>5.</b>	<b>Occupancy</b>	All Borrowers must occupy the Mortgaged Premises as their Primary Residence
<b>6.</b>	<b>Maximum LTV/TLTV/HTLTV ratios</b>	<p>The maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios for the Mortgages are as follows:</p> <ul style="list-style-type: none"> <li>■ Maximum LTV ratio: 97%</li> <li>■ Maximum TLTV ratio for Mortgages with secondary financing that are not Affordable Seconds<sup>®</sup>: 97%</li> <li>■ Maximum TLTV ratio for Mortgages with Affordable Seconds: 105%</li> <li>■ Maximum HTLTV ratio: 97%</li> </ul>

	<b>Topic</b>	<b>Requirement</b>
7.	<b>Mortgage purpose</b>	<p>HomeOne Mortgages must either be:</p> <ul style="list-style-type: none"> <li>■ Purchase transaction Mortgages, or</li> <li>■ “No cash-out” refinance Mortgages meeting the following requirements: <ul style="list-style-type: none"> <li>□ For Mortgages with LTV and/or HTLTV ratios greater than 95%, the Mortgage being refinanced must be owned in whole or in part or securitized by Freddie Mac</li> <li>□ For Mortgages with TLTV ratios greater than 95% with secondary financing that is not an Affordable Second, the Mortgage being refinanced must be owned in whole or in part or securitized by Freddie Mac</li> <li>□ For Mortgages with TLTV ratios greater than 95% with secondary financing that is an Affordable Second, the Mortgage being refinanced does not have to be owned or securitized by Freddie Mac</li> </ul> </li> </ul>
8.	<b>Borrower eligibility</b>	<ul style="list-style-type: none"> <li>■ For purchase transaction and “no cash-out” refinance Mortgages, at least one Borrower on the transaction must have a usable Credit Score as determined by Loan Product Advisor</li> <li>■ For purchase transaction Mortgages, at least one Borrower must be a First-Time Homebuyer</li> </ul>
9.	<b>Homeownership education</b>	For purchase transaction Mortgages, when all Borrowers are First-Time Homebuyers, at least one Borrower must participate in a homeownership education program according to the requirements in Section 5103.6

**(b) Delivery requirements**

See Section 6302.41 for special delivery requirements for HomeOne Mortgages that are purchase transaction Mortgages.

See Section 6302.16 for delivery requirements for HomeOne Mortgages that are “no cash-out” refinance Mortgages.

# Chapter 4606: GreenCHOICE Mortgages<sup>SM</sup>

## 4606.1: Eligible Mortgages and eligible properties (05/01/19)

This chapter details the requirements for GreenCHOICE Mortgages<sup>SM</sup>, (i.e., Mortgages secured by properties that have energy and/or water efficiency improvements). Mortgages eligible for purchase under Chapter 4606 may be purchase or “no cash-out” refinance transactions. Mortgages must be secured by one of the following:

- A 1- to 4-unit property including a Condominium Unit or a Cooperative Unit, if permitted under the Seller’s Purchase Documents
- A Manufactured Home, provided the improvements do not impact the structural integrity of the property

## 4606.2: Determination of value (05/01/19)

### (a) Purchase transaction

Value is the lesser of:

- The “as completed” appraised value of the Mortgaged Premises, or
- The total acquisition cost (i.e., the price paid for the Mortgaged Premises plus the costs of the energy and/or water efficiency improvements). The Mortgage file must contain sufficient documentation to calculate the total acquisition cost.

### (b) “No cash-out” refinance transaction to finance energy and/or water efficiency improvements

The value is the “as completed” value of the Mortgaged Premises.

## 4606.3: Monthly housing expense-to-income ratio and monthly debt payment-to-income ratio (05/01/19)

For expanded expense-to-income ratios applicable to Mortgages secured by energy efficient properties, see Section 5401.1.

For expanded debt payment-to-income ratios applicable to Mortgages secured by energy efficient properties, see Section 5401.2.

## **4606.4: Purchase and “no cash-out” refinance Mortgage to finance energy and/or water efficiency improvements (05/01/19)**

The proceeds from a purchase or “no cash-out” refinance transaction may be used to finance energy and/or water efficiency improvements completed after the Note Date subject to the following requirements:

- The maximum amount of the proceeds that may be used for the purchase and installation of energy and/or water efficiency improvements is limited to 15% of the “as completed” value of the Mortgaged Premises. The Seller/Servicer must obtain and retain in the Mortgage file copies of all invoices and/or receipts, as applicable, related to the cost of the energy and/or water efficiency improvements.
- Proceeds sufficient to cover the cost of the energy and/or water efficiency improvements must be deposited into a completion escrow account on the Note Date. The escrow account must meet the requirements of Section 5601.2(b).
- The Seller/Servicer may reimburse the Borrower from funds in the escrow account for costs associated with materials purchased to complete improvements being made. The Seller/Servicer may not reimburse the Borrower for any labor performed by the Borrower. Any funds remaining in the escrow account after the cost of all improvements has been paid to the appropriate party must be used to reduce the UPB, unless the Mortgage is delinquent. If the Mortgage is delinquent, the Seller/Servicer must apply such funds in accordance with the application of payment requirements in the Note and Security Instrument. If any funds remain after the Mortgage is brought current, then the Seller/Servicer must apply the funds as set forth in this bullet for a current Mortgage.
- The Seller must obtain an interior and exterior inspection appraisal with an “as completed” value of the subject property subject to the energy and/or water efficiency improvements being completed. See Section 5601.12(p) for detailed appraisal requirements.
- After completion of the improvements, the Seller/Servicer must have the appraiser:
  - Inspect the property to verify that the improvements have been completed, and
  - Provide the Seller/Servicer with a completion report, which must include photographs of the completed items. The Seller/Servicer must retain the completion report in the Mortgage file.
- All energy and/or water efficiency improvements must be completed within 180 days of the Note Date
- The Seller/Servicer must obtain and retain in the Mortgage file an energy report meeting the requirements in Section 4606.6, except as permitted in Section 4606.5

## **4606.5: Basic energy and water efficiency improvements (05/01/19)**

For basic energy and/or water efficiency improvements with an aggregate cost less than or equal to \$6,500, the requirements of Section 4606.4 must be met with the exception that an energy report is not required. The Seller/Serviceicer must document the cost of the energy and/or water efficiency improvements by obtaining copies of all receipts and/or invoices, as applicable, and retain these in the Mortgage file in accordance with Chapters 3301 and 3401.

Eligible basic energy and/or water efficiency improvements include the following:

- Programmable thermostats
- Caulking or weather stripping
- Adding ceiling, wall or floor insulation
- Air sealing
- Air conditioning/heating replacement to high efficiency
- Solar water heaters
- Low-flow water fixtures
- High efficient refrigerators/freezers, water heaters and light bulbs
- Replacement of windows and doors

## **4606.6: Energy reports (05/01/19)**

### **(a) Eligible energy reports**

Energy reports required under Section 4606.4 must be one of the following:

- A Home Energy Rating Systems (HERS) report completed by a certified Residential Energy Services Network (RESNET<sup>®</sup>) home energy rater
- A Department of Energy Home Energy Score Report completed by a Home Energy Score Certified Assessor<sup>™</sup>
- Comparable rating report or audit completed by a certified home energy rater or consultant indicating the property is a high-performing energy-efficient property

### **(b) Energy report requirements**

Energy reports must:

- Identify the recommended energy improvements and expected costs of the completed improvements
- Specify the actual or expected monthly or annual energy savings, and
- Verify that the recommended energy improvements are cost effective. Energy improvements are determined to be cost effective when the cost of the improvements, including maintenance, is less than the present value of the energy saved over the useful life of the improvements



- Be dated no earlier than 120 days prior to the Note Date. The cost of the energy report may be included in the total cost of the improvements and must be identified on the Settlement Statement if the Borrower is to be reimbursed.

## **4606.7: Transfers of Servicing (05/01/19)**

For GreenCHOICE Mortgages<sup>SM</sup> originated under the provisions of this Chapter 4606, where energy and/or water efficiency improvements are completed after the Note Date (see Section 4606.4), a Transfer of Servicing involving such Mortgages is prohibited until all energy and/or water efficiency improvements have been completed and the appraiser has provided a completion report pursuant to Section 4606.4.

Accordingly, GreenCHOICE Mortgages originated under the provisions of this Chapter 4606, may not be sold through Cash Released XChange<sup>SM</sup> or involved in any other Concurrent Transfers of Servicing.

See Chapter 7101 regarding Transfers of Servicing.

## **4606.8: Delivery requirements and credit for Credit Fees in Price (05/01/19)**

See Section 6302.23 for special delivery requirements for GreenCHOICE Mortgages<sup>SM</sup>.

See Exhibit 19, Credit Fees in Price, for information related to the credit for Credit Fees in Price for GreenCHOICE Mortgages.

# Chapter 4607: Freddie Mac CHOICERenovation<sup>SM</sup> Mortgages

## 4607.1: Purchase of CHOICERenovation<sup>SM</sup> Mortgages (06/19/19)

A CHOICERenovation<sup>SM</sup> Mortgage is a Mortgage, the proceeds of which are used to finance repairs and/or improvements to the Mortgaged Premises (the “renovations”) and which meets the other requirements of this chapter.

The proceeds from the CHOICERenovation Mortgage can be used to finance renovations that will be completed before or after delivery to Freddie Mac.

### **(a) Mortgages with Settlement Dates after completion of renovations**

The Seller is not required to obtain Freddie Mac’s prior written approval if the renovations are completed prior to the Settlement Date. Such CHOICERenovation Mortgages will not be subject to the Seller responsibilities for renovation work and process described in Sections 4607.10(a)(1), 4607.10(a)(2), 4607.10(b)(1), 4607.10(b)(2) or 4607.10(b)(3), the contingency reserve requirements described in Section 4607.12(b), or the recourse requirements described in Section 4607.15; however, they will be subject to all other requirements in this Chapter 4607.

Mortgages with renovations that are substantially complete such that the only remaining incomplete improvements meet the requirements of Section 5601.2(b) may be delivered to Freddie Mac as CHOICERenovation Mortgages with Settlement Dates after completion of renovations.

### **(b) Mortgages with Settlements Dates prior to completion of the renovations**

The Seller must obtain Freddie Mac’s prior written approval before delivering CHOICERenovation Mortgages if the renovations are not completed by the Settlement Date. Such CHOICERenovation Mortgages must be sold to Freddie Mac with recourse (see Section 4607.15) and meet all requirements of this Chapter and the Seller’s Purchase Documents. The Seller can request approval by calling its Freddie Mac representative or the Customer Contact Center at (800) FREDDIE.

All requirements set forth in this Chapter 4607, including those related to CHOICERenovation Mortgages sold to Freddie Mac pursuant to this Section 4607.1(b), are Selling obligations to be fulfilled by the Seller in its capacity as Seller/Servicer. (Also, see Section 4607.18 regarding Transfers of Servicing involving such CHOICERenovation Mortgages.)

## 4607.2: Eligible and ineligible Mortgages (10/02/19)

### (a) Eligible Mortgages

CHOICERenovation<sup>SM</sup> Mortgages must be First Lien Mortgages and may be any Mortgage Product or offering eligible under this Guide, including Home Possible<sup>®</sup> Mortgages, unless specifically described as ineligible below.

### (b) Ineligible Mortgages

Mortgages with the following characteristics are not eligible for purchase as CHOICERenovation Mortgages:

- Affordable Merit Rate<sup>®</sup> Mortgages
- A-minus Mortgages
- Seasoned Mortgages
- Financed Permanent Buydown Mortgages
- Seller-Owned Modified Mortgages and Seller-Owned Converted Mortgages
- Mortgages with capitalized balances as described in Chapter 4403
- Special Purpose Cash Out Refinance Mortgages
- FHA and VA Mortgages
- Section 502 GRH Mortgages
- Section 184 Native American Mortgages
- Freddie Mac Enhanced Relief Refinance<sup>®</sup> Mortgages
- Community Land Trust Mortgages

## 4607.3: Property eligibility (06/19/19)

CHOICERenovation<sup>SM</sup> Mortgages must be secured by one of the following:

- 1- to 4-unit Primary Residence
- Second home
- 1-unit Investment Property
- A Manufactured Home
- A Condominium Unit, a unit located in a Planned Unit Development (PUD), or a Cooperative Unit if permitted under the Seller's Purchase Documents

## 4607.4: General eligibility requirements (06/19/19)

### (a) Required completion date

All renovations must be completed within 365 days of the Note Date.

### (b) Mortgage purpose

CHOICERenovation<sup>SM</sup> Mortgages must be either purchase transaction or “no cash-out” refinance Mortgages with proceeds used as follows:

- For purchase transaction Mortgages, CHOICERenovation Mortgage proceeds may be used to purchase the Mortgaged Premises and to pay for the eligible renovations described in Section 4607.6
- For “No cash-out” refinance Mortgages, CHOICERenovation Mortgage proceeds may be used as described in Section 4301.4 and may also be used to pay for the eligible renovations described in Section 4607.6, except that proceeds may not be used to disburse cash out to the Borrower

### (c) Maximum LTV/TLTV/HTLTV ratios

Each CHOICERenovation Mortgage must have maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios that comply with the LTV/TLTV/HTLTV ratios in Section 4203.4 and any other applicable LTV/TLTV/HTLTV ratio requirement for the specific Mortgage Product or offering.

### (d) Determining value

The value used to determine the LTV, TLTV and HTLTV ratios must be established as follows:

Purchase transaction	“No cash-out” refinance
Value is the lesser of: <ul style="list-style-type: none"><li>■ The purchase price of the Mortgaged Premises prior to the renovations plus the renovation costs (costs of demolition and reconstruction), or</li><li>■ Appraised value of the Mortgaged Premises, as completed</li></ul>	Value is the appraised value of the Mortgaged Premises, as completed

### (e) Secondary financing

Secondary financing must comply with Guide requirements for the specific Mortgage Product or offering.

## **4607.5: Underwriting CHOICERenovation<sup>SM</sup> Mortgages (06/19/19)**

### **(a) Residential loan application**

The Seller must code the Purpose of Loan on Form 65, Uniform Residential Loan Application, as either Purchase or Refinance (as applicable) and not as Construction or Construction-Permanent.

The Seller must code the Loan Purpose on Form 1077, Uniform Underwriting and Transmittal Summary, as either Purchase or No Cash-Out Refinance (as applicable) and not as Home Improvement. The Seller must indicate in the Underwriter Comments if the Mortgage is a CHOICERenovation<sup>SM</sup> Mortgage.

### **(b) Loan Product Advisor<sup>®</sup>**

All CHOICERenovation Mortgages must be submitted to Loan Product Advisor in accordance with the requirements of Chapter 5101 and must receive a Risk Class of Accept.

If the Mortgage receives a Loan Product Advisor evaluation status of invalid, ineligible or incomplete, it is ineligible for sale to Freddie Mac.

## **4607.6: Eligible renovations (06/19/19)**

### **(a) Eligible and ineligible uses of Mortgage proceeds**

CHOICERenovation<sup>SM</sup> Mortgage proceeds must only be used to finance renovations that are made to an existing dwelling, and may include:

- Fees related to plans and specifications, permits, title updates, appraisals, draw inspections and the final inspection
- An amount up to, but no more than, six monthly payments of principal, interest, taxes and insurance (PITI)

Proceeds may be used to renovate or repair a property that has been damaged in a disaster or for renovations that will protect the Mortgaged Premises in case of a future disaster (e.g., storm surge barriers, foundation retrofitting for earthquakes, retaining walls, etc.)

Proceeds may not be used:

- To raze an existing structure and build a new dwelling
- For personal property with the exception of new appliances

There are no further restrictions on the type of renovations that may be financed in accordance with this offering.

**(b) Compliance with applicable laws and project documents**

Renovations must comply with all applicable State and local laws and regulations, including zoning regulations. All required permits and approvals must be obtained. Renovations of properties located in Planned Unit Developments (PUDs), Condominium Projects or Cooperative Projects must comply with all applicable project conditions, covenants and restrictions.

**(c) Renovations to Manufactured Homes**

Renovations to a Manufactured Home are allowed, provided the Manufactured Home remains in compliance with HUD's property acceptability criteria for Manufactured Homes and the requirements in Sections 5703.2(a) and 5703.2(b).

## **4607.7: Advancing the costs of materials (06/19/19)**

Except as otherwise stated in Section 4607.11, 50% of the cost of materials may be advanced to the contractor(s) at closing of the CHOICERenovation<sup>SM</sup> Mortgage in lieu of such funds being deposited into the completion escrow account or Custodial Account for Renovation Funds (as described in Sections 4607.12 and 4607.13), as applicable.

## **4607.8: Maximum financed renovation cost for CHOICERenovation<sup>SM</sup> Mortgages (06/19/19)**

**(a) Purchase transactions**

For purchase transaction Mortgages, the total cost of the financed renovations must not exceed 75% of the lesser of the:

- Sum of the purchase price of the property plus the estimated cost of the renovations, or
- "As completed" value of the property as determined by the appraiser pursuant to Section 4607.9

## **(b) Refinance Mortgages**

For “no cash-out” refinance Mortgages, the total cost of the financed renovations must not exceed 75% of the “as completed” value of the property as determined by the appraiser pursuant to Section 4607.9.

Total financed renovation costs for Manufactured Homes (purchase and refinance transactions) must not exceed the lesser of \$50,000 or 50% of the “as completed” value of the property as determined by the appraiser pursuant to Section 4607.9.

## **4607.9: Appraisal requirements for CHOICERenovation<sup>SM</sup> Mortgages (06/19/19)**

The Seller must obtain an appraisal report based on an interior and exterior inspection. The appraisal report must include an “as completed” value of the subject property subject to completion of the proposed renovations.

The Seller must provide the appraiser with the cost estimates, plans and specifications for the renovations.

If, after the appraiser provides the “as completed” value, changes are made to the original plans and specifications in accordance with Section 4607.10(a)(ii), the Seller must notify the appraiser of the changes and provide change documentation to the appraiser. The appraiser must provide a revised appraisal to reflect the changes and account for the impact on the “as completed” value.

Upon completion of the renovations, the appraiser must perform a final inspection of the property in accordance with Section 5601.11 and complete a certification of completion. The completion report must document that all renovations were completed in accordance with the plans and specifications and must include photographs of the completed renovations.

## **4607.10: Seller responsibilities for renovation work and process (06/19/19)**

### **(a) Responsibilities during renovation period**

During the renovation period, the Seller is responsible for managing:

1. The Custodial Account for Renovation Funds (as described in Section 4607.13) and corresponding draws
2. Any changes to the plans and specifications the Borrower has requested during the renovation process. If any changes are made to the plans and specifications and/or the

estimated time of completion for the renovations, the changes must be agreed upon via a change order by the Borrower and the contractor and approved by the Seller. Documentation evidencing the change order must be signed by the Borrower and the contractor and must include the following, as applicable:

- Detailed description of the changes
  - Updated itemized renovation costs
  - Updated total cost of the renovations
  - Any changes to the estimated completion date
3. The Seller may not approve changes to the plans and specifications if such changes impact the loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio or the property such that either the Mortgage:
- Would not have been eligible for sale under the terms of the Seller's Purchase Documents in effect on the Settlement Date, or
  - Would have been eligible for sale but under different terms

**(b) Other Seller responsibilities**

The Seller is responsible for compliance with the following requirements:

1. The Mortgage file must contain all relevant documentation, including, but not limited to, copies of costs of the renovations, purchase contracts, bids, appraisal(s), renovation contract, plans and specifications, permits and applicable homeowners association approvals, documents related to change orders and draws, certification of completion, close-out documentation for the Custodial Account for Renovation Funds and title updates
2. The Seller must notify Freddie Mac at **CHOICERenovation@freddiemac.com** if there are any concerns that the renovations will not be completed within 365 days of the Note Date, or any changes that impact the "as completed" value of the property as determined by the appraiser pursuant to Section 4607.9
3. Unless the Borrower, acting as general contractor, performs all the work in accordance with Section 4607.11, all contractor(s) and/or tradespersons chosen by the Borrower to complete the renovations must:
  - Have entered into an executed, binding renovation contract with the Borrower to complete the renovations within a reasonable time period after the Note Date, not to exceed 365 days. The contract must include an indemnification provision requiring the contractor to indemnify the Borrower for any property loss or damage caused by the contractor, its employees or its subcontractors
  - Be licensed and insured as required by local and/or State requirements, and
  - Be financially able to perform the duties necessary to complete the renovation work in a timely manner



4. The Seller must obtain title updates as necessary to ensure that the CHOICERenovation<sup>SM</sup> Mortgage meets all title insurance requirements in Chapter 4702
5. After all renovations are completed there must be no outstanding liens related to the renovations and the CHOICERenovation Mortgage must remain a valid First Lien in accordance with Section 4201.2

**(c) Seller responsibilities for third parties**

For a CHOICERenovation Mortgage, a third party may perform all or some of the processing, management and performance of draw inspections and/or maintenance and management of disbursements from the completion escrow account or Custodial Account for Renovation Funds (as described in Sections 4607.12 and 4607.13), as applicable, and other requirements described above as responsibilities or obligations of the Seller. Although these functions may not be performed directly by the Seller, the Seller is responsible for the accuracy and integrity of the information provided by the third party and for compliance with these and all requirements in the Purchase Documents.

## **4607.11: Borrower as contractor (06/19/19)**

The Borrower may act as the general contractor for the renovations if the Borrower is a licensed contractor. The Borrower may perform some or all of the work to complete the renovations as long as he/she is licensed and qualified to do so. In connection with Borrowers who act as the general contractor and/or perform renovation work, the following requirements apply:

1. The Borrower must submit to the Seller a plan detailing the work items the Borrower will perform, and
2. CHOICERenovation<sup>SM</sup> Mortgage proceeds may be used to reimburse the Borrower for the cost of materials but may not be used to reimburse the Borrower for labor costs

## **4607.12: Funds for renovations and contingency reserve requirements (06/19/19)**

**(a) Renovation funds**

On the Note Date, funds sufficient to cover the total cost of the renovations must be deposited into a completion escrow account. For CHOICERenovation<sup>SM</sup> Mortgages with renovations not completed by the Settlement Date (as described in Section 4607.1(b)), such account must be a Custodial Account for Renovation Funds (as described in Section 4607.13).

The renovation costs identified in the construction contract must be consistent with the amount of funds deposited into the completion escrow account or Custodial Account for

Renovation Funds, as applicable. If the CHOICERenovation Mortgage proceeds are insufficient to cover the contracted cost of the renovations, the Borrower must deposit sufficient funds to pay the remaining amount into the completion escrow account or Custodial Account for Renovation Funds, as applicable.

**(b) Contingency reserve**

In addition to the renovation funds required to be deposited into the Custodial Account for Renovation Funds in Section 4607.12(a), the Seller must also deposit a contingency reserve to cover unforeseen renovation costs. Contingency reserve funds may come from the CHOICERenovation Mortgage proceeds or directly from the Borrower.

**(i) Minimum contingency reserve**

The minimum contingency reserve amount must be greater than or equal to 10% of the total renovation costs, except that if the property utilities are not operable as referenced in the construction contract and/or plans and specifications, then the minimum contingency reserve amount must be greater than or equal to 15% of the total renovation costs.

**(ii) Maximum contingency reserve**

The maximum contingency reserve amount must be less than or equal to 20% of the total renovation costs.

**(c) Unused funds**

If the CHOICERenovation Mortgage is current, any funds remaining in the completion escrow account or Custodial Account for Renovation Funds, as applicable, after the costs of all renovations have been paid to the appropriate parties must be used to reduce the UPB or used for additional renovations as described below. If the transaction is a “no cash-out” refinance transaction, remaining proceeds may be disbursed to the Borrower, provided the total amount disbursed to the Borrower at closing and from the unused funds does not exceed the maximum amount allowed under Section 4301.4. If the Borrower funded the contingency reserve with his or her own funds, he or she may receive those unused funds back.

If the remaining funds are used for additional renovations, the Seller must:

- Document that additional renovations were paid for from the completion escrow account or Custodial Account for Renovation Funds, as applicable, and verify the funds are being used to further improve the Mortgaged Premises, and
- Verify the additional renovation work has been completed by obtaining a completion report pursuant to Section 4607.9

If the CHOICERenovation Mortgage is delinquent, any unused funds (including contingency reserve funds provided by the Borrower, if applicable) must be applied in accordance with the application of payment requirements in the Note and Security Instrument. After the CHOICERenovation Mortgage is brought current, any remaining unused funds (including

contingency reserve funds not provided by the Borrower) may be used to reduce the UPB or used for additional renovations (as noted above).

If the transaction is a “no cash-out” refinance transaction, remaining proceeds may be disbursed to the Borrower provided the total amount disbursed to the Borrower at closing and from the unused funds does not exceed the maximum amount allowed under Section 4301.4. Unused funds in the completion escrow account or Custodial Account for Renovation Funds, as applicable, that were provided by the Borrower may be returned to the Borrower after the CHOICERenovation Mortgage is brought current and renovations are completed.

## **4607.13: Custodial Accounts for Renovation Funds (06/19/19)**

For each Seller/Servicer number associated with one or more CHOICERenovation<sup>SM</sup> Mortgage(s), the Seller must open and maintain a separate completion escrow account solely to retain the CHOICERenovation Mortgage proceeds and any other deposited funds to be used to complete the renovations of Mortgaged Premises securing CHOICERenovation Mortgages (such funds, the “Renovation Funds” and each such account, the “Custodial Account for Renovation Funds”). The Seller must open and maintain each Custodial Account for Renovation Funds in accordance with the requirements of this section and the account must be utilized exclusively for the CHOICERenovation Mortgages it sells to Freddie Mac under a particular Seller/Servicer number.

The Custodial Account for Renovation Funds may not carry a negative balance, even if permitted by its depository institution. The Seller must maintain a separate account record for each CHOICERenovation Mortgage’s Renovation Funds retained in the Custodial Account for Renovation Funds until all contractors have been paid and the renovation work is completed and all unused funds have been disbursed in accordance with Section 4607.12(c). Each separate account record may not reflect a negative balance.

### **(a) Opening the Custodial Account for Renovation Funds**

Each Custodial Account for Renovation Funds must meet the requirements in Sections 8302.3, 8302.4, 8302.6(c) and 8302.7. (Note: Custodial Accounts for Renovation Funds are not subject to the tier rating requirements in Section 8302.5.)

With respect to Section 8302.6(c), the Seller may not designate the Custodial Account for Renovation Funds using the abbreviated designation “Freddie Mac Escrow Custodial Account” and also may not commingle Renovation Funds with Escrow Funds in the same Custodial Account. Rather, the Seller must establish a separate Custodial Account for Renovation Funds which may be named “Freddie Mac Escrow Completion Custodial Account” or “Freddie Mac Renovation Funds Custodial Account.”

### **(b) Changing or transferring Custodial Accounts for Renovation Funds**

See Sections 8304.10 through 8304.12 for Freddie Mac’s requirements for changing or transferring established Custodial Accounts, including Custodial Accounts for Renovation Funds.

**(c) Freddie Mac’s rights**

Freddie Mac reserves the right to request that the Seller submit copies of Custodial Account for Renovation Funds records, such as bank account statements, detailed trial balances and completed reconciliations, variance logs, and supporting documentation for such records.

**(d) Seller responsibilities related to maintaining the Custodial Account**

The Seller must manage Custodial Accounts for Renovation Funds as required in Sections 8304.3, 8304.4, 8304.6, 8304.8 through 8304.10, 8304.11(a), 8304.12 and 8304.13.

## **4607.14: Property insurance (06/19/19)**

CHOICERenovation<sup>SM</sup> Mortgages must meet the property insurance requirements in Chapter 8202, which includes requirements for the minimum amount of coverage that must be maintained. Insurance coverage may need to be adjusted during the course of renovations and/or upon completion of all renovations based on the “as completed” value of the property (as determined by the appraiser pursuant to Section 4607.9).

## **4607.15: Recourse (06/19/19)**

CHOICERenovation<sup>SM</sup> Mortgages with renovations not completed by the Settlement Date (as described in Section 4607.1(b)) must be sold with recourse within the meaning of Section 6201.7, except that Freddie Mac may require the Seller to repurchase the CHOICERenovation Mortgage if it becomes 120 days delinquent while subject to recourse.

The recourse will remain in full force and effect until all renovations are completed, the Seller requests removal of the recourse in writing indicating the applicable Freddie Mac loan number, and provides the certification of completion, including photographs of the renovations, and Freddie Mac approves the removal of recourse, subject to the requirements below.

In order to request removal of recourse the Seller must submit all required documentation mentioned above to Freddie Mac at **CHOICERenovation@freddiemac.com**, and the following requirements must be met:

- The Borrower is not delinquent at the time of the request
- The Borrower has not been 30 days delinquent more than once during the renovation period, except that the recourse may be removed at a later date once the Borrower has made 36 consecutive monthly payments with no Delinquencies

The Seller represents and warrants that, as of the date Freddie Mac approves the Seller's request for removal of recourse, all requirements in this Chapter 4607 have been met.

## **4607.16: Representations and warranties for CHOICERenovation<sup>SM</sup> Mortgages (06/19/19)**

The Selling representation and warranty framework described in Section 1301.11 applies to CHOICERenovation<sup>SM</sup> Mortgages that meet the requirements of this Chapter 4607 provided that, starting on the date that the payments are paid by the Borrower and not from the completion escrow account or Custodial Account for Renovation Funds (as described in Sections 4607.12 and 4607.13), as applicable, the Borrower:

1. Made the first 36 monthly payments due with no more than two 30-day Delinquencies and no 60-day or greater Delinquencies, and
2. Is not 30 or more days delinquent with respect to the 36th monthly payment

## **4607.17: Delivery requirements for CHOICERenovation<sup>SM</sup> Mortgages (06/19/19)**

See Section 6302.43 for special delivery requirements for CHOICERenovation<sup>SM</sup> Mortgages.

## **4607.18: Transfers of Servicing (06/19/19)**

A Transfer of Servicing involving CHOICERenovation<sup>SM</sup> Mortgages with renovations not completed by the Settlement Date (as described in Section 4607.1(b)), is prohibited until all renovations have been completed, the Seller has obtained a completion report pursuant to Section 4607.9 and Freddie Mac has approved removal of recourse pursuant to Section 4607.15. (See Chapter 7101 regarding Transfers of Servicing.)

Accordingly, CHOICERenovation Mortgages delivered pursuant to Section 4607.1(b) may not be sold through Cash Released XChange<sup>SM</sup> or involved in any other Concurrent Transfers of Servicing.

# Chapter 4701: Mortgage Insurance and Late Charges

## 4701.1: Mortgage insurance (07/29/18)

A Freddie Mac-approved Mortgage insurance policy issued by an MI that, as of the Delivery Date, is a Freddie Mac-approved MI (see Exhibit 10, Freddie Mac-Approved Mortgage Insurers) is required on each conventional Mortgage Freddie Mac purchases that has a loan-to-value (LTV) ratio of more than 80%. The LTV ratio is obtained by dividing the original loan amount by the value, as defined in Section 4203.1. The “value” of Mortgaged Premises located in the State of New York, as used solely for the purpose of determining whether mortgage insurance is required or should be canceled, is the appraised value of the Mortgaged Premises on the Note Date of the Mortgage. (This definition of the “value” of Mortgaged Premises located in the State of New York applies only to the above-stated mortgage insurance requirements, and is not applicable for any other purposes under the terms of the Purchase Documents. In particular, this definition of “value” is not applicable in determining the LTV ratios for the required percentage of mortgage insurance coverage.)

The required mortgage insurance must be in full force and effect as of the Delivery Date. Mortgage insurance coverage must not be subject to any exclusion besides those exclusions stated in the MI’s master policy. Coverage must run to the benefit of Freddie Mac for a whole loan or a participation loan insured under a participation policy, or to the Seller for any other insured participation loan. No action may have been taken, or no action may have failed to be taken, that would impair the rights of Freddie Mac or the Seller. Participation policies with provisions inconsistent with this section or that impose premium payment or reporting requirements on Freddie Mac are not acceptable.

The insurance must remain in force until canceled in accordance with the requirements of Sections 8203.2 through 8203.7 or pursuant to applicable law. The Seller warrants that the Borrower has been given all disclosures required by law, including, but not limited to, the Homeowners Protection Act of 1998 (HPA), as amended, relating to the terms on which Borrower-paid mortgage insurance may be canceled. This includes all disclosures required by the HPA at loan origination to describe the Borrower’s mortgage insurance cancellation rights under the HPA.

Mortgage insurance coverage must continue to be carried with the MI that insured the Mortgage when it was delivered to Freddie Mac, except as provided for in Section 8203.10.

### **Freddie Mac’s mortgage insurance coverage level options**

Freddie Mac offers two mortgage insurance coverage level options: standard mortgage insurance and custom mortgage insurance.

Custom mortgage insurance option provides an alternative to standard mortgage insurance coverage.

Custom mortgage insurance is available only for Accept Mortgages. The premiums for custom mortgage insurance may not be financed as part of the principal amount of the Mortgage. The lender-paid mortgage insurance option may not be used in conjunction with custom mortgage insurance.

Custom mortgage insurance is not permitted for super conforming Mortgages.

A special Credit Fee in Price will be assessed and billed to the Seller in conjunction with the sale of Mortgages with custom mortgage insurance coverage. The Seller must refer to Exhibit 19, Credit Fees in Price, for information on the custom mortgage insurance Credit Fees in Price and other Credit Fees in Price. Credit Fees in Price are paid in accordance with the Credit Fee in Price provisions outlined in Chapter 6303.

Mortgages sold to Freddie Mac with custom mortgage insurance may be delivered through the Cash, Guarantor or MultiLender Swap programs and may be pooled with other conventional/conforming loans.

The standard and custom minimum coverage levels apply as stated in the table below:

Transaction type	Mortgage insurance coverage	LTV ratio			
		> 80% & ≤85%	> 85% & ≤90%	> 90% & ≤95%	>95% & ≤97%
Fixed rate, term ≤ 20 years	Standard	6%	12%	25%	35%
	Custom*	N/A	N/A	16%	18%
<ul style="list-style-type: none"> <li>■ Fixed rate, term &gt; 20 years</li> <li>■ ARMs<sup>1</sup>; and</li> <li>■ Manufactured Homes<sup>1</sup></li> </ul>	Standard	12%	25%	30%	35%
	Custom*	6%	12%	16%	18%
Home Possible <sup>®</sup> Mortgages, fixed rate, term ≤ 20 years	Standard	6%	12%	25%	25%
	Custom*	N/A	N/A	16%	18%
Home Possible Mortgages: <ul style="list-style-type: none"> <li>■ Fixed rate, term &gt; 20 years</li> </ul>	Standard	12%	25%	25%	25%
	Custom*	6%	12%	16%	18%

Transaction type	Mortgage insurance coverage	LTV ratio			
		> 80% & ≤85%	> 85% & ≤90%	> 90% & ≤95%	>95% & ≤97%
<ul style="list-style-type: none"> <li>■ ARMs<sup>1</sup>; and</li> <li>■ Manufactured Homes<sup>1</sup></li> </ul>					

<sup>1</sup> Manufactured Homes and ARMs are limited to a maximum LTV ratio of 95%.

\* If custom mortgage insurance is chosen, in addition to all other applicable Credit Fees in Price, the custom mortgage insurance Credit Fee in Price in Exhibit 19 applies, including on Home Possible Mortgages.

## 4701.2: Mortgage insurance premiums (11/06/19)

Mortgage insurance premiums may be paid as follows:

- Monthly, annually, as a single premium, or a combination of these
- Financed premiums as described below
- Lender-paid premiums as described below

For Borrower-paid mortgage insurance premiums, the Borrower must pay the mortgage insurance premium by a single payment at closing or through monthly Escrow payments. A Mortgage that includes a Borrower-paid mortgage insurance premium in the Note Rate is not eligible for sale to Freddie Mac.

Lender-paid mortgage insurance premiums for annual and monthly premium programs must be included in the Servicing Spread included in the Note Rate on the Mortgage (see Section 4701.2(b)). Mortgages with single-premium lender-paid mortgage insurance do not require an adjustment to the Minimum Servicing Spread.

### (a) Financed premiums

For purposes of this section, the following definitions apply:

- **Base LTV ratio:** The loan-to-value (LTV) ratio calculated using the Mortgage amount without the financed mortgage insurance premium
- **Gross LTV ratio:** The LTV ratio calculated using the Mortgage amount which includes the financed mortgage insurance premium



Mortgages for which the mortgage insurance premium is included as part of the principal amount of the Mortgage (that is, a financed premium) are eligible for purchase provided the Mortgage complies with the requirements below:

- The Base LTV ratio must not exceed the maximum LTV ratio permitted for the Mortgage Product or offering
- The Gross LTV ratio must not exceed 95%, except for Home Possible<sup>®</sup> Mortgages and HomeOne<sup>SM</sup> Mortgages, for which the Gross LTV ratio must not exceed 97%
- The Mortgaged Premises must be a 1- to 4-unit Primary Residence or a 1-unit second home
- The Mortgage is a fixed-rate, fully amortizing Mortgage or an ARM
- The amount of coverage meets the standard coverage level requirements in Section 4701.1 using the Base LTV ratio
- The mortgage insurance premium must be paid with a single-premium payment, (i.e., monthly premium payments are not eligible)

#### **Financed mortgage insurance premium endorsement**

The mortgage insurance policy must include an endorsement, generally referred to as the “financed mortgage insurance premium endorsement.” This endorsement states that adjustments will be made to the claim calculation to meet the required exposure level for the Base LTV ratio.

#### **Maximum original loan amount**

The maximum original loan amounts provided in Section 4203.3 apply to Mortgages with financed mortgage insurance premiums. The original loan amount of the Mortgage inclusive of the amount of any financed mortgage insurance premium may not exceed the maximum original loan limits provided in Section 4203.3.

#### **Delivery requirements for Mortgages with financed mortgage insurance premium**

See Section 6302.21 for delivery requirements. Any applicable Credit Fees in Price will be assessed based on the Mortgage’s Gross LTV ratio and the UPB, which includes the financed mortgage insurance premium.

#### **(b) Lender-paid mortgage insurance**

Freddie Mac will purchase Mortgages with single, annual or monthly premium lender-paid mortgage insurance as follows:

**(i) For annual and monthly premiums:**

- The Mortgage is a fixed-rate, fully amortizing Mortgage or a non-convertible ARM
- The Mortgage is not a super conforming Mortgage
- For monthly and annual premium programs, premium payments are made from the Servicing Spread compensation.

To ensure that the Servicer receives sufficient Servicing compensation after premium payments are made:

- For fixed-rate Mortgages, the Minimum Contract Servicing Spread must be at least 0.250% and the maximum Servicing Spread may not exceed 0.500%. The Minimum Contract Servicing Spread must be equal to or greater than the Minimum Servicing Spread. The Minimum Contract Servicing Spread must be no less than the sum of the Minimum Servicing Spread plus the amount necessary to pay the mortgage insurance premium when due and must not exceed 0.500%.
- For non-convertible ARMs, see the Minimum Contract Servicing Spread requirements in Sections 6102.8 and 6201.3(c)
- Coverage will be maintained for the life of the Mortgage. A change in MI may be allowed if approved by Freddie Mac (see Chapter 8203).
- The Mortgage is sold under the Guarantor or MultiLender Swap program

The Seller must obtain Freddie Mac's approval to sell Mortgages with annual or monthly premium lender-paid mortgage insurance to Freddie Mac. The Seller should request this approval by calling its account manager or 800-FREDDIE.

**(ii) For single premiums:**

- The Mortgage is a Mortgage eligible for purchase under the Purchase Documents
- Coverage will be maintained for the life of the Mortgage. A change in MI may be allowed if approved by Freddie Mac (see Chapter 8203).
- The Seller must ensure that the required mortgage insurance for the Mortgage is in full force and effective on the Delivery Date of the Mortgage regardless of whether the entire mortgage insurance premium is paid by the Seller prior to the Delivery Date. The Seller must obtain and be able to produce evidence of any required mortgage insurance (including, but not limited to, a certificate of insurance).

See Section 6302.21 for delivery requirements for Mortgages with lender-paid mortgage insurance.

## **4701.3: Commissions, fees or other compensation on insurance (03/02/16)**

The Seller warrants that in connection with the placement or renewal of any mortgage insurance, including insurance on any other Mortgages it owns, to the Seller's knowledge, the insurer (including its parent company or any affiliate thereof) has not caused or permitted any consideration or thing of value (other than the protection provided by its mortgage insurance) to be paid to or received by any of the following:

- The Mortgage lender
- Any officer, director or employee of the lender or any member of their immediate families
- Any insurance agency, corporation (other than the insurer), partnership, trust or other business entity (including any service corporation, whether organized for profit or otherwise) in which the lender or any of its officers, directors, employees or their immediate family members have financial interest, or
- Any designee, trustee, nominee or other agent or representative of any of the foregoing

This requirement applies to any commission, fee or other compensation on all mortgage insurance presently in force or to be placed in the future.

## **4701.4: Late charges (03/02/16)**

The Uniform Single Family Note provides blanks for inserting the amounts of late charges and the grace period after which such charges are assessable. Any amount and period stated must be permissible under applicable law.

For Mortgages purchased by Freddie Mac, the Seller agrees to collect late charges only on monthly installments more than 15 days late. If the 15-day period ends on a weekend or holiday, it is extended to the next Business Day. The Seller also agrees not to collect late charges of more than 5% of the late principal and interest payment. The Seller may retain any late charge collected as additional Servicing compensation.

If the late charge stated in the Note is more than 5% of the principal and interest payment and/or is to be assessed on a monthly installment late 15 days or less, the Seller agrees to notify the Borrower in writing of Freddie Mac's late charge and grace period requirements and to retain a copy of the written notification in the Mortgage file for each Mortgage purchased by Freddie Mac.

# Chapter 5307: Asset Qualification Sources

## 5307.1: Assets as a basis for repayment of obligations (10/02/19)

Assets that will be used by the Borrower for the repayment of their monthly obligations may be used to qualify the Borrower for the Mortgage, provided that, regardless of the underwriting path of the Mortgage, the requirements of this section are met. Form 65, Uniform Residential Loan Application, should include information pertaining to the Borrower's employment and income, even if the Borrower qualifies for the Mortgage solely based on assets.

### (a) Mortgage eligibility requirements

The assets described in this Section 5307.1 may only be used to qualify the Borrower if the Mortgage meets all of the following requirements:

- The Mortgage is secured by a 1- or 2-unit Primary Residence or a second home
- The Mortgage is either a purchase transaction Mortgage, “no cash-out” refinance Mortgage or Freddie Mac Enhanced Relief Refinance<sup>®</sup> Mortgage
- The Mortgage has a maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio of 80%, unless the Mortgage is an Enhanced Relief Refinance Mortgage, in which case the maximum ratios in Section 4304.3 apply

### (b) Asset calculation for establishing the debt payment-to-income ratio

To determine the amount used to establish the debt payment-to-income ratio, the Seller must use the net eligible assets (as described below), divided by 240.

The amount of net eligible assets is calculated by subtracting the following from the total eligible assets:

- Any funds required to be paid by the Borrower to complete the transaction (e.g., Down Payment and Closing Costs),
- Any gift funds and borrowed funds, and
- Any portion of assets pledged as collateral for a loan or otherwise encumbered

### (c) Asset eligibility and documentation requirements

The assets described below may be used to qualify the Borrower for the Mortgage, provided that the assets meet the following requirements:

Asset type	Asset eligibility requirements	Streamlined Accept and Standard Documentation requirements
<b>Retirement Assets</b>	<ul style="list-style-type: none"> <li>■ The retirement assets must be in a retirement account recognized by the Internal Revenue Service (IRS) (e.g., 401(k), IRA)</li> <li>■ Borrower must be the sole owner</li> <li>■ The asset must not currently be used as a source of income by the Borrower</li> <li>■ As of the Note Date, the Borrower must have access to withdraw the funds in their entirety, less any portion pledged as collateral for a loan or otherwise encumbered, without being subject to a penalty or an additional early distribution tax</li> <li>■ The Borrower's rights to the funds in the account must be fully vested</li> </ul>	<ul style="list-style-type: none"> <li>■ Most recent retirement asset account statement</li> <li>■ Documentation evidencing asset eligibility requirements are met</li> </ul>

# Chapter 5401: Evaluation of Monthly Obligations

## 5401.1: Monthly housing expense-to-income ratio (10/10/19)

### (a) Calculation of monthly housing expense-to-income ratio

The monthly housing expense is the sum of the following monthly charges on the Borrower's Primary Residence:

- Principal and interest payments on the Mortgage
- Property hazard insurance premiums
- Real estate taxes
  - The real estate tax amount included in the monthly housing expense must be based on the value of the improvements plus the value of the land
  - When the Mortgaged Premises is located in a jurisdiction where transfer of ownership causes or results in a recalculation of the amount of real estate tax, the monthly housing expense must include an estimate of the recalculated real estate tax amount
  - When there is a tax abatement on the property, the Seller may use the reduced real estate tax amount in the monthly housing expense calculation, provided that the Mortgage file contains evidence of the tax abatement and the documentation shows that the tax abatement will remain in place for at least five years after the Note Date
- When applicable:
  - Mortgage insurance premiums
  - Leasehold payments
  - Homeowners association dues (excluding unit utility charges)
  - Payments on secondary financing

## **(b) Mortgages underwritten with Loan Product Advisor®**

Loan Product Advisor® calculates and assesses the Borrower's qualifying ratios based on input from the Seller. For Accept Mortgages and A-minus Mortgages, Loan Product Advisor has determined that the Borrower's qualifying ratios are acceptable.

## **(c) Manually Underwritten Mortgages**

For Manually Underwritten Mortgages, the Seller must evaluate the Borrower's ability to pay the monthly housing expense and other obligations. As a guideline, the monthly housing expense-to-income ratio should not be greater than 25% to 28% of the Borrower's stable monthly income. The Borrower may exceed the monthly housing expense-to-income ratio and monthly debt payment-to-income ratio only on an exception basis with an offset documented in the Mortgage file.

Examples of conditions that might support the use of higher monthly payment ratios are found in Section 5401.2. Generally, however, more flexibility is appropriate for the monthly housing expense-to-income ratio than for the monthly debt payment-to-income ratio. Less flexibility is appropriate for situations involving additional layers of risk, such as ARMs, a marginal credit reputation, minimal reserves or maximum financing.

For any Manually Underwritten Mortgage for which either of the ratio guidelines is exceeded, the Seller must prepare and retain in the Mortgage file a written explanation justifying its underwriting decision.

## **(d) GreenCHOICE Mortgages<sup>SM</sup>**

If the GreenCHOICE Mortgage is a Manually Underwritten Mortgage, higher housing expense-to-income ratio and debt payment-to-income ratio may be appropriate. In its underwriting analysis, the Seller should consider the impact utility charges have on the Borrower's ability to meet the monthly housing expense and properly maintain the property. An energy-efficient property results in lower utility charges, allowing the owner to apply more income to housing expense. If higher ratios are used, the Seller/Serviceicer must maintain in the Mortgage file evidence/documentation that the property has a level of energy efficiency greater than that of a "standard" (i.e., non-energy efficient) property. The documentation must be one of the following:

- A Home Energy Rating Systems (HERS) report completed by a certified Residential Energy Services Network (RESNET®) Home Energy Rater reflecting a HERS Index of 90 or below (<http://www.resnet.us/directory/search>), or
- A Department of Energy (DOE) Home Energy Score Report completed by an independent Home Energy Score Certified Assessor™ reflecting a DOE Home Energy Score of six or greater (<https://betterbuildingsolutioncenter.energy.gov/home-energy-score/home-energy-score-partner-map>)

The appraiser must be provided with the documentation required under Section 5401.1(a), above. See 5601.12(o), for detailed appraisal requirements.

See Section 5103.1 for special requirements when a non-occupying Borrower is present.

See Section 4201.15(b) for special underwriting requirements for second home Mortgages.

See Section 4201.16(b) for special underwriting requirements for Investment Property Mortgages.

See Section 4204.4 for special requirements for Mortgages with temporary subsidy buydown plans.

See Section 4401.8 for special underwriting requirements for ARMs.

## **5401.1: Monthly housing expense-to-income ratio (Future effective date 01/02/20)**

### **(a) Calculation of monthly housing expense-to-income ratio**

The monthly housing expense is the sum of the following monthly charges on the Borrower's Primary Residence:

- Principal and interest payments on the Mortgage
- Property hazard insurance premiums
- Real estate taxes
  - The real estate tax amount included in the monthly housing expense must be based on the value of the improvements plus the value of the land
  - When the Mortgaged Premises is located in a jurisdiction where transfer of ownership causes or results in a recalculation of the amount of real estate tax, the monthly housing expense must include an estimate of the recalculated real estate tax amount
  - When there is a tax abatement on the property, the Seller may use the reduced real estate tax amount in the monthly housing expense calculation, provided that the Mortgage file contains evidence of the tax abatement and the documentation shows that the tax abatement will remain in place for at least five years after the Note Date
- When applicable:
  - Mortgage insurance premiums
  - Flood insurance premiums



- ❑ Leasehold payments
- ❑ **Special assessments with more than 10 monthly payments remaining**
- ❑ Homeowners association dues (excluding unit utility charges)
- ❑ Payments on secondary financing

**(b) Mortgages underwritten with Loan Product Advisor®**

Loan Product Advisor® calculates and assesses the Borrower’s qualifying ratios based on input from the Seller. For Accept Mortgages and A-minus Mortgages, Loan Product Advisor has determined that the Borrower’s qualifying ratios are acceptable.

**(c) Manually Underwritten Mortgages**

For Manually Underwritten Mortgages, the Seller must evaluate the Borrower’s ability to pay the monthly housing expense and other obligations. As a guideline, the monthly housing expense-to-income ratio should not be greater than 25% to 28% of the Borrower’s stable monthly income. The Borrower may exceed the monthly housing expense-to-income ratio and monthly debt payment-to-income ratio only on an exception basis with an offset documented in the Mortgage file.

Examples of conditions that might support the use of higher monthly payment ratios are found in Section 5401.2. Generally, however, more flexibility is appropriate for the monthly housing expense-to-income ratio than for the monthly debt payment-to-income ratio. Less flexibility is appropriate for situations involving additional layers of risk, such as ARMs, a marginal credit reputation, minimal reserves or maximum financing.

For any Manually Underwritten Mortgage for which either of the ratio guidelines is exceeded, the Seller must prepare and retain in the Mortgage file a written explanation justifying its underwriting decision.

**(d) GreenCHOICE Mortgages<sup>SM</sup>**

If the GreenCHOICE Mortgage is a Manually Underwritten Mortgage, higher housing expense-to-income ratio and debt payment-to-income ratio may be appropriate. In its underwriting analysis, the Seller should consider the impact utility charges have on the Borrower’s ability to meet the monthly housing expense and properly maintain the property. An energy-efficient property results in lower utility charges, allowing the owner to apply more income to housing expense. If higher ratios are used, the Seller/Servicer must maintain in the Mortgage file evidence/documentation that the property has a level of energy efficiency greater than that of a “standard” (i.e., non-energy efficient) property. The documentation must be one of the following:

- A Home Energy Rating Systems (HERS) report completed by a certified Residential Energy Services Network (RESNET<sup>®</sup>) Home Energy Rater reflecting a HERS Index of 90 or below (<http://www.resnet.us/directory/search>), or
- A Department of Energy (DOE) Home Energy Score Report completed by an independent Home Energy Score Certified Assessor<sup>™</sup> reflecting a DOE Home Energy Score of six or greater (<https://betterbuildingsolutioncenter.energy.gov/home-energy-score/home-energy-score-partner-map>)

The appraiser must be provided with the documentation required under Section 5401.1(a), above. See 5601.12(o), for detailed appraisal requirements.

See Section 5103.1 for special requirements when a non-occupying Borrower is present.

See Section 4201.15(b) for special underwriting requirements for second home Mortgages.

See Section 4201.16(b) for special underwriting requirements for Investment Property Mortgages.

See Section 4204.4 for special requirements for Mortgages with temporary subsidy buydown plans.

See Section 4401.8 for special underwriting requirements for ARMs.

## **5401.2: Monthly debt payment-to-income ratio (08/07/19)**

### **(a) Liabilities included in the monthly debt payment-to-income ratio**

The monthly debt payment is the sum of the monthly charges for the following liabilities:

1. **Monthly housing expense** (see Section 5401.1)
2. **Payments on all installment debts** with more than 10 months of payments remaining, including debts that are in a period of either deferment or forbearance

#### **(i) Student loans**

##### **(A) Student loans in repayment, deferment or forbearance**

For student loans in repayment, deferment or forbearance:

- If the monthly payment amount is greater than zero, use the monthly payment amount reported on the credit report or other file documentation, or
- If the monthly payment amount reported on the credit report is zero, use 0.5% of the outstanding loan balance, as reported on the credit report

**(B) Student loan forgiveness, cancellation, discharge and employment-contingent repayment programs**

The student loan payment may be excluded from the monthly debt payment-to-income ratio provided the Mortgage file contains documentation that indicates the following:

- The student loan has 10 or less monthly payments remaining until the full balance of the student loan is forgiven, canceled, discharged or in the case of an employment-contingent repayment program, paid, or
- The monthly payment on a student loan is deferred or is in forbearance and the full balance of the student loan will be forgiven, canceled, discharged or in the case of an employment-contingent repayment program, paid, at the end of the deferment or forbearance period

AND

- The Borrower currently meets the requirements for the student loan forgiveness, cancellation, discharge or employment-contingent repayment program, as applicable, and the Seller is not aware of any circumstances that will make the Borrower ineligible in the future

**(ii) Other installment debt**

When a monthly payment on an installment debt, other than a student loan, is not reported on the credit report or is listed as deferred or in forbearance, the Seller must obtain documentation verifying the monthly payment amount.

Payments on installment debts secured by financial assets in which repayment may be obtained by liquidating the asset, may be excluded from the monthly debt payment-to-income ratio when qualifying the Borrower, regardless of the payment amount or number of payments remaining. The loan secured by the financial asset must have been made by a financial institution. The Seller may consider only the portion of the funds that exceeds the loan balance as funds used to qualify the Borrower for the Mortgage transaction. See Chapter 5501 for more information.

**3. Alimony or maintenance payments with more than 10 months of payments remaining**

In lieu of including these payments in the calculation of the debt, the payments must be deducted from the Borrower's stable monthly income as determined in accordance with Section 5301.1. The reduced stable monthly income must be used to qualify the Borrower.

When entering an alimony obligation in Loan Product Advisor<sup>®</sup>, select "Alimony/Child Support" under "Income Type" and enter it as a negative number. If the Borrower also

receives alimony or child support income, add those amounts together and then subtract the alimony obligation. Enter the result in the income amount field.

4. **Child support payments with more than 10 months of payments remaining**
5. **Monthly payments on revolving or open-end accounts**, regardless of the balance. In the absence of a monthly payment on the credit report, and if there is no documentation in the Mortgage file indicating the monthly payment amount, 5% of the outstanding balance will be considered to be the required monthly payment amount. Monthly payments on open-end accounts (accounts which require the balance to be paid in full monthly) are not required to be included in the monthly debt payment if the Borrower has sufficient verified funds to pay off the outstanding account balance. The funds must be in addition to any funds used to qualify the Borrower for the Mortgage transaction.
6. **Monthly lease payments**, regardless of the number of payments remaining, with the exception of payments for solar panels subject to a lease agreement, power purchase agreement (PPA) or similar type of agreement that meets the requirements of Section 5401.2(b)(v)
7. **Monthly payment amounts for properties for which rental income is being considered for qualification purposes**

Refer to Chapter 5306 for requirements with respect to treatment of debt when using rental income. Refer to Chapter 5304 for requirements with respect to treatment of debt when all rental income and expenses are reported on IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation.

8. **Monthly payment amounts for other properties**, including principal and interest on the First Lien and any secondary financing, bridge loan payment, taxes and insurance and, when applicable, mortgage insurance premiums, leasehold payments, homeowners association dues (excluding unit utility charges).

If the Borrower's current Primary Residence is pending sale and the sale will not close before the Note Date of the Mortgage, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing, the monthly payment amount for the property pending sale may be excluded from the monthly debt payment-to-income ratio if the Mortgage file contains an executed sales contract for the property pending sale. If the executed sales contract includes a financing contingency, the Mortgage file must also contain evidence that the financing contingency has been cleared or a lender's commitment to the buyer of the property pending sale.

**For Borrowers being relocated pursuant to an employee relocation program, the monthly payment amount for the property pending sale may be excluded from the monthly debt payment-to-income ratio if the Mortgage meets the requirements for Mortgages made pursuant to an employee relocation program in Chapter 4408.**

The Borrower's liabilities must be reflected on the Mortgage application (Form 65, Uniform Residential Loan Application) and considered when qualifying the Borrower. Sellers must review the Mortgage application, credit report, Borrower's paystubs (if provided) and other

file documentation for Borrower liabilities. All of the Borrower's debts incurred through the Note Date must be considered when qualifying the Borrower.

When the Borrower pays off or pays down an existing debt (including paying down the principal balance on the Mortgage being refinanced) in order to qualify for the Mortgage, the Seller must document the source of funds used to pay off or pay down the debt. The source of funds must be an eligible source as described in Section 5501.3.

**(b) Liabilities that may be excluded from the monthly debt payment-to-income ratio**

**(i) Contingent liabilities**

A contingent liability may be excluded from the monthly debt payment-to-income ratio when meeting the requirements below:

Debt type	Eligibility and documentation requirements
<ul style="list-style-type: none"> <li>■ <b>Installment (not including Mortgages)</b></li> <li>■ <b>Revolving</b></li> <li>■ <b>Monthly lease payment</b></li> </ul>	<p>Documentation in the Mortgage file must indicate the following:</p> <ul style="list-style-type: none"> <li>■ A party other than the Borrower has been making timely payments for the most recent 12 months (regardless of whether the party is obligated on the debt)</li> <li>■ The party making the payments is not an interested party to the subject real estate or Mortgage transaction*</li> </ul>
<p><b>Mortgage</b></p>	<p>Documentation in the Mortgage file must indicate the following:</p> <ul style="list-style-type: none"> <li>■ A party other than the Borrower has been making timely payments for the most recent 12 months</li> <li>■ The party making the payments is obligated on the Note for the Mortgage that is being excluded</li> <li>■ The party making the payments is not an interested party to the subject real estate or Mortgage transaction*</li> </ul>

\* For examples of an interested party, see Section 5501.5

The Seller must evaluate the validity of circumstances under which the payments are being made by another party. For example, payments on multiple student loans made by the Borrower's parent represent a common situation. However, additional investigation and documentation might be necessary when a Borrower's multiple installment and revolving debts are being paid by the Borrower's spouse who is not on the subject Mortgage.

**(ii) Assumed Mortgage**

A Mortgage may be excluded from the monthly debt payment-to-income ratio if the Borrower is listed as the Borrower on a Mortgage that has been assumed by another. The Seller must verify that the Borrower no longer owns the property by documenting the property transfer and obtaining a copy of any assumption agreement executed by the transferee.

**(iii) Assigned debt**

A liability on a secured debt, including a Mortgage, may be excluded from the monthly debt payment-to-income ratio if the obligation to make the payments on a debt of the Borrower:

- Has been assigned to another by court order, such as a divorce decree, and
- The Seller documents the order (e.g., provides appropriate pages from the separation agreement or divorce decree)

**(iv) Self-employed Borrower's debt paid by the Borrower's business**

When a self-employed Borrower is obligated on a debt that has been paid by the Borrower's business for 12 months or longer, the monthly payment for the debt may be excluded from the monthly debt payment-to-income ratio if the following requirements are met:

- The Mortgage file contains evidence that the debt has been paid timely by the Borrower's business for no less than the most recent 12 months, and
- The tax returns evidence that business expenses associated with the debt (e.g., interest, lease payments, taxes, insurance) have been reported and support that the debt has been paid by the business

**(v) Payments for solar panels subject to a lease agreement, PPA or similar type of agreement**

Lease payments for solar panels may be excluded from the monthly debt payment-to-income ratio if the lease:

- Provides for delivery of a specific amount of energy for an agreed upon payment during a given period; and
- Includes a production guarantee under which the Borrower is compensated on a prorated basis when the energy produced by the solar panels is less than the level required in the lease agreement

Payments for solar panels subject to a PPA or similar type of agreement may be excluded from the monthly debt payment-to-income ratio if the payment is calculated based only on the generated energy.

The Mortgage file must contain a copy of the lease agreement, PPA or similar type of agreement, as applicable.

### **(c) Evaluating debt ratios**

Loan Product Advisor calculates and evaluates the Borrower's qualifying ratios. For Accept Mortgages and A-minus Mortgages, Loan Product Advisor has determined that the Borrower's qualifying ratios are acceptable.

For Manually Underwritten Mortgages, the Seller must evaluate the Borrower's ability to pay the monthly housing expense and other obligations. When the Borrower's monthly debt payment to income ratio exceeds 45%, the loan is ineligible for sale to Freddie Mac. As a guideline, the monthly debt payment-to-income ratio should not be greater than 33% to 36% of the Borrower's stable monthly income.

When the Borrower's monthly debt payment-to-income ratio exceeds 36%, the Seller must document in the file the justification for the higher qualifying ratio.

Except in rare circumstances, the Borrower's debt **payment**-to-income ratio should not exceed 36% for the following Mortgages:

- Cash-out refinance Mortgages
- Investment Property Mortgages
- Mortgages secured by second homes
- Mortgages secured by 2- to 4-unit properties
- Mortgages where there is evidence that the Borrower increases debt and then periodically uses refinance or debt consolidation loans to reduce payments to a manageable level

The following factors may be considered in justifying a debt payment-to-income ratio that exceeds 36% but is not greater than 45%:

- The Mortgage is secured by an energy efficient property, as described in Section 5401.1
- The Borrower's probability for increased earnings based on education, job training or time employed or practiced in a profession
- Documented rent paid by Related Persons living in the house
- The Borrower demonstrated ability to carry a higher housing expense or higher debt level while maintaining a good credit history for at least 12 months
- The existence of verified income that is not included within the definition of "stable monthly income" in Section 5301.1 when there is an expectation that future expenses will be lower (such as child-support income that is scheduled to cease in one year when a

child becomes an adult. In this case, the expectation would be that either future household expenses will be lower or that additional income will be provided by the new adult.)

In addition, the examples listed below may be used to justify higher qualifying ratios for Non-Loan Product Advisor Mortgages. These examples may not be used to justify higher qualifying ratios for Caution Mortgages because they have already been considered by Loan Product Advisor.

1. The Borrower's verified liquid assets are substantial enough to evidence an ability to repay the Mortgage regardless of income
2. A down payment on the purchase of the property of at least 25%
3. The Borrower's strong Credit Score (for example, a 740 or higher FICO<sup>®</sup> score) and the Seller's confirmation that the Borrower's credit reputation is excellent

For any Manually Underwritten Mortgage for which either of the ratio guidelines is exceeded, the Seller must prepare and retain in the Mortgage file a written explanation justifying its underwriting decision.

See Section 5103.1 for special requirements when a non-occupying Borrower is present.

## **5401.2: Monthly debt payment-to-income ratio (Future effective date 01/02/20)**

### **(a) Liabilities included in the monthly debt payment-to-income ratio**

The monthly debt payment is the sum of the monthly charges for the following liabilities:

1. **Monthly housing expense** (see Section 5401.1)
2. **Payments on all installment debts** with more than 10 months of payments remaining, including debts that are in a period of either deferment or forbearance

#### **(i) Student loans**

##### **(A) Student loans in repayment, deferment or forbearance**

For student loans in repayment, deferment or forbearance:

- If the monthly payment amount is greater than zero, use the monthly payment amount reported on the credit report or other file documentation, or
- If the monthly payment amount reported on the credit report is zero, use 0.5% of the outstanding loan balance, as reported on the credit report



**(B) Student loan forgiveness, cancellation, discharge and employment-contingent repayment programs**

The student loan payment may be excluded from the monthly debt payment-to-income ratio provided the Mortgage file contains documentation that indicates the following:

- The student loan has 10 or less monthly payments remaining until the full balance of the student loan is forgiven, canceled, discharged or in the case of an employment-contingent repayment program, paid, or
- The monthly payment on a student loan is deferred or is in forbearance and the full balance of the student loan will be forgiven, canceled, discharged or in the case of an employment-contingent repayment program, paid, at the end of the deferment or forbearance period

AND

- The Borrower **is eligible or approved, as applicable**, for the student loan forgiveness, cancellation, discharge or employment-contingent repayment program, and the Seller is not aware of any circumstances that will make the Borrower ineligible in the future. **Evidence of eligibility or approval must come from the student loan program or the employer, as applicable.**

**(ii) Other installment debt**

When a monthly payment on an installment debt, other than a student loan, is not reported on the credit report or is listed as deferred or in forbearance, the Seller must obtain documentation verifying the monthly payment amount.

Payments on installment debts secured by financial assets in which repayment may be obtained by liquidating the asset, may be excluded from the monthly debt payment-to-income ratio when qualifying the Borrower, regardless of the payment amount or number of payments remaining. The loan secured by the financial asset must have been made by a financial institution. The Seller may consider only the portion of the funds that exceeds the loan balance as funds used to qualify the Borrower for the Mortgage transaction. See Chapter 5501 for more information.

**3. Alimony or maintenance payments with more than 10 months of payments remaining**

In lieu of including these payments in the calculation of the debt, the payments must be deducted from the Borrower's stable monthly income as determined in accordance with Section 5301.1. The reduced stable monthly income must be used to qualify the Borrower.

When entering an alimony obligation in Loan Product Advisor<sup>®</sup>, select "Alimony/Child Support" under "Income Type" and enter it as a negative number. If the Borrower also

receives alimony or child support income, add those amounts together and then subtract the alimony obligation. Enter the result in the income amount field.

4. **Child support payments with more than 10 months of payments remaining**
5. **Monthly payments on revolving or open-end accounts**, regardless of the balance. In the absence of a monthly payment on the credit report, and if there is no documentation in the Mortgage file indicating the monthly payment amount, 5% of the outstanding balance will be considered to be the required monthly payment amount. Monthly payments on open-end accounts (accounts which require the balance to be paid in full monthly) are not required to be included in the monthly debt payment if the Borrower has sufficient verified funds to pay off the outstanding account balance. The funds must be in addition to any funds used to qualify the Borrower for the Mortgage transaction.
6. **Monthly lease payments**, regardless of the number of payments remaining, with the exception of payments for solar panels subject to a lease agreement, power purchase agreement (PPA) or similar type of agreement that meets the requirements of Section 5401.2(b)(v)
7. **Monthly payment amounts for properties for which rental income is being considered for qualification purposes**

Refer to Chapter 5306 for requirements with respect to treatment of debt when using rental income. Refer to Chapter 5304 for requirements with respect to treatment of debt when all rental income and expenses are reported on IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation.

8. **Monthly payment amounts for other properties**, including principal and interest on the First Lien and any secondary financing, bridge loan payment, taxes and insurance (e.g., hazard and flood insurance premiums) and, when applicable, mortgage insurance premiums, leasehold payments, homeowners association dues (excluding unit utility charges) and special assessments with more than 10 monthly payments remaining.

If the Borrower's current Primary Residence is pending sale and the sale will not close before the Note Date of the Mortgage, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing, the monthly payment amount for the property pending sale may be excluded from the monthly debt payment-to-income ratio if the Mortgage file contains an executed sales contract for the property pending sale. If the executed sales contract includes a financing contingency, the Mortgage file must also contain evidence that the financing contingency has been cleared or a lender's commitment to the buyer of the property pending sale.

For Borrowers being relocated pursuant to an employee relocation program, the monthly payment amount for the property pending sale may be excluded from the monthly debt payment-to-income ratio if the Mortgage meets the requirements for Mortgages made pursuant to an employee relocation program in Chapter 4408.

The Borrower's liabilities must be reflected on the Mortgage application (Form 65, Uniform Residential Loan Application) and considered when qualifying the Borrower. Sellers must

review the Mortgage application, credit report, Borrower’s paystubs (if provided) and other file documentation for Borrower liabilities. All of the Borrower’s debts incurred through the Note Date must be considered when qualifying the Borrower.

When the Borrower pays off or pays down an existing debt (including paying down the principal balance on the Mortgage being refinanced) in order to qualify for the Mortgage, the Seller must document the source of funds used to pay off or pay down the debt. The source of funds must be an eligible source as described in Section 5501.3.

**(b) Liabilities that may be excluded from the monthly debt payment-to-income ratio**

**(i) Contingent liabilities**

A contingent liability may be excluded from the monthly debt payment-to-income ratio when meeting the requirements below:

Debt type	Eligibility and documentation requirements
<ul style="list-style-type: none"> <li>■ <b>Installment (not including Mortgages)</b></li> <li>■ <b>Revolving</b></li> <li>■ <b>Monthly lease payment</b></li> </ul>	<p>Documentation in the Mortgage file must indicate the following:</p> <ul style="list-style-type: none"> <li>■ A party other than the Borrower has been making timely payments for the most recent 12 months (regardless of whether the party is obligated on the debt)</li> <li>■ The party making the payments is not an interested party to the subject real estate or Mortgage transaction*</li> </ul>
<p><b>Mortgage</b></p>	<p>Documentation in the Mortgage file must indicate the following:</p> <ul style="list-style-type: none"> <li>■ A party other than the Borrower has been making timely payments for the most recent 12 months</li> <li>■ The party making the payments is obligated on the Note for the Mortgage that is being excluded</li> <li>■ The party making the payments is not an interested party to the subject real estate or Mortgage transaction*</li> </ul>

\* For examples of an interested party, see Section 5501.5

The Seller must evaluate the validity of circumstances under which the payments are being made by another party. For example, payments on multiple student loans made by the Borrower’s parent represent a common situation. However, additional investigation and documentation might be necessary when a Borrower’s multiple installment and revolving debts are being paid by the Borrower’s spouse who is not on the subject Mortgage.

**(ii) Assumed Mortgage**

A Mortgage may be excluded from the monthly debt payment-to-income ratio if the Borrower is listed as the Borrower on a Mortgage that has been assumed by another. The Seller must verify that the Borrower no longer owns the property by documenting the property transfer and obtaining a copy of any assumption agreement executed by the transferee.

**(iii) Assigned debt**

A liability on a secured debt, including a Mortgage, may be excluded from the monthly debt payment-to-income ratio if the obligation to make the payments on a debt of the Borrower:

- Has been assigned to another by court order, such as a divorce decree, and
- The Seller documents the order (e.g., provides appropriate pages from the separation agreement or divorce decree)

**(iv) Self-employed Borrower's debt paid by the Borrower's business**

When a self-employed Borrower is obligated on a debt that has been paid by the Borrower's business for 12 months or longer, the monthly payment for the debt may be excluded from the monthly debt payment-to-income ratio if the following requirements are met:

- The Mortgage file contains evidence that the debt has been paid timely by the Borrower's business for no less than the most recent 12 months, and
- The tax returns evidence that business expenses associated with the debt (e.g., interest, lease payments, taxes, insurance) have been reported and support that the debt has been paid by the business

**(v) Payments for solar panels subject to a lease agreement, PPA or similar type of agreement**

Lease payments for solar panels may be excluded from the monthly debt payment-to-income ratio if the lease:

- Provides for delivery of a specific amount of energy for an agreed upon payment during a given period; and
- Includes a production guarantee under which the Borrower is compensated on a prorated basis when the energy produced by the solar panels is less than the level required in the lease agreement

Payments for solar panels subject to a PPA or similar type of agreement may be excluded from the monthly debt payment-to-income ratio if the payment is calculated based only on the generated energy.

The Mortgage file must contain a copy of the lease agreement, PPA or similar type of agreement, as applicable.

**(c) Evaluating debt ratios**

Loan Product Advisor calculates and evaluates the Borrower's qualifying ratios. For Accept Mortgages and A-minus Mortgages, Loan Product Advisor has determined that the Borrower's qualifying ratios are acceptable.

For Manually Underwritten Mortgages, the Seller must evaluate the Borrower's ability to pay the monthly housing expense and other obligations. When the Borrower's monthly debt payment to income ratio exceeds 45%, the loan is ineligible for sale to Freddie Mac. As a guideline, the monthly debt payment-to-income ratio should not be greater than 33% to 36% of the Borrower's stable monthly income.

When the Borrower's monthly debt payment-to-income ratio exceeds 36%, the Seller must document in the file the justification for the higher qualifying ratio.

Except in rare circumstances, the Borrower's debt payment-to-income ratio should not exceed 36% for the following Mortgages:

- Cash-out refinance Mortgages
- Investment Property Mortgages
- Mortgages secured by second homes
- Mortgages secured by 2- to 4-unit properties
- Mortgages where there is evidence that the Borrower increases debt and then periodically uses refinance or debt consolidation loans to reduce payments to a manageable level

The following factors may be considered in justifying a debt payment-to-income ratio that exceeds 36% but is not greater than 45%:

- The Mortgage is secured by an energy efficient property, as described in Section 5401.1
- The Borrower's probability for increased earnings based on education, job training or time employed or practiced in a profession
- Documented rent paid by Related Persons living in the house
- The Borrower demonstrated ability to carry a higher housing expense or higher debt level while maintaining a good credit history for at least 12 months
- The existence of verified income that is not included within the definition of "stable monthly income" in Section 5301.1 when there is an expectation that future expenses will be lower (such as child-support income that is scheduled to cease in one year when a

child becomes an adult. In this case, the expectation would be that either future household expenses will be lower or that additional income will be provided by the new adult.)

In addition, the examples listed below may be used to justify higher qualifying ratios for Non-Loan Product Advisor Mortgages. These examples may not be used to justify higher qualifying ratios for Caution Mortgages because they have already been considered by Loan Product Advisor.

1. The Borrower's verified liquid assets are substantial enough to evidence an ability to repay the Mortgage regardless of income
2. A down payment on the purchase of the property of at least 25%
3. The Borrower's strong Credit Score (for example, a 740 or higher FICO<sup>®</sup> score) and the Seller's confirmation that the Borrower's credit reputation is excellent

For any Manually Underwritten Mortgage for which either of the ratio guidelines is exceeded, the Seller must prepare and retain in the Mortgage file a written explanation justifying its underwriting decision.

See Section 5103.1 for special requirements when a non-occupying Borrower is present.

# Chapter 5501: Assets

## 5501.1: Funds required for the Mortgage transaction (06/06/19)

The Seller must verify that the Borrower has sufficient funds to qualify for the Mortgage transaction (i.e., any funds required to be paid by the Borrower and Borrower reserves).

All funds used to qualify the Borrower for the Mortgage transaction, including, but not limited to, funds for Down Payment, Closing Costs and reserves, must come from the eligible sources described in Section 5501.3.

When an interested party is contributing to the Mortgage transaction, the requirements in Section 5501.5 must be met.

When lender credit is being used for the Mortgage transaction, the requirements in Section 5501.6(a) must be met.

## 5501.2: Reserves (08/20/18)

### (a) Calculation of reserves

Reserves are Borrower's assets remaining after the Mortgage closing. The source of funds used for reserves, when needed to qualify the Borrower for the Mortgage transaction, must meet the eligibility and documentation requirements in Section 5501.3. Reserves are measured by the number of months of the monthly payment amount for the property. The monthly payment amount is the sum of the following monthly charges:

- Principal and interest payments on the Mortgage
- Property hazard insurance premiums
- Real estate taxes
- When applicable:
  - Mortgage insurance premiums
  - Leasehold payments
  - Homeowners association dues (excluding unit utility charges)
  - Payments on secondary financing

When calculating reserves for the subject property, the principal and interest payment of the monthly payment amount must be based, at a minimum, on the Note Rate. When calculating reserves for other properties, the monthly payment amount for the property must be no less than the current monthly payment amount.

The minimum reserves requirements, as described below, must be met.

**(b) Minimum required reserves**

For Loan Product Advisor<sup>®</sup> Mortgages, the Seller must verify all reserves required by Loan Product Advisor, as stated on the Feedback Certificate.

For Manually Underwritten Mortgages, the verified reserves must equal or exceed the following reserves requirements:

<b>Subject property</b>	<b>Required reserves</b>
Primary Residence - 1-unit	None
Primary Residence - 2- to 4-unit	Six months for the subject property
Second home	Two months for the subject property
Investment Property	Six months for the subject property

Mortgages secured by second homes and Investment Properties require the following additional reserves:

<b>Number of financed properties</b>	<b>Additional required reserves for second home or Investment Property Mortgages</b>	
	<b>Loan Product Advisor Mortgages</b>	<b>Manually Underwritten Mortgages</b>
<b>When each Borrower individually, and all Borrowers collectively, are obligated on one to six financed properties, including the subject property and the Borrower's Primary Residence</b>	Two months of the monthly payment amount (as described in Section 5501.2(a)) on each additional second home and/or 1- to 4-unit Investment Property that is financed and on which the Borrower is obligated	



When each Borrower individually, and all Borrowers collectively, are obligated on <b>seven to 10</b> financed properties, including the subject property and the Borrower's Primary Residence	Eight months of the monthly payment amount (as described in Section 5501.2(a)) on each additional second home and/or 1- to 4-unit Investment Property that is financed and on which the Borrower is obligated	Not permitted
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For Loan Product Advisor Mortgages, the additional required reserves stated in the chart above are included in the amount of reserves required to be verified on the Feedback Certificate.

For Home Possible<sup>®</sup> Mortgages, refer to Section 4501.10 for minimum reserves requirements.

## 5501.3: Asset eligibility and documentation requirements (08/07/19)

This section describes eligibility and documentation requirements for sources of funds used to qualify the Borrower for the Mortgage transaction (i.e., any funds required to be paid by the Borrower and Borrower reserves). Eligible sources of funds are listed in the charts in Sections 5501.3(b)(ii) and 5501.3(c) below.

### (a) General documentation requirements

All documentation of funds used to qualify the Borrower for the Mortgage transaction must meet the requirements of this section and Sections 5102.3 and 5102.4.

#### (i) Requirements for direct account verifications and asset account statements

Direct account verifications and asset account statements used to verify the Borrower's accounts held in financial institutions must meet the following additional requirements:

- Direct account verifications (i.e., verification of deposit form (VOD)) must:
  - Identify the financial institution
  - Identify the account owner(s)
  - Identify the account number, which at a minimum must include the last four digits

- Identify the type of account
- Identify account open date
- Identify the current account balance
- Identify the average balance for the previous two months
- Identify any outstanding loans secured by the asset
- Include the title, signature and phone number of the depository representative who completed the verification

When using a direct account verification, the Seller must include documentation of the source of funds when an account is opened within 90 days of verification and/or when the current balance in an account is significantly greater than the average balance.

- Asset account statements must:
  - Identify the financial institution
  - Identify the account owner(s)
  - Identify the account number, which at a minimum must include the last four digits
  - Show all transactions
  - Show the period covered
  - Show the ending balance
  - Show any outstanding loans secured by the asset

A transaction history that is computer-generated and downloaded by the Borrower from the Internet or by a financial institution representative from the institution's system is acceptable. The transaction history must identify the name of the institution and the source, and includes the information required above for asset account statements, unless:

- It is used in combination with other asset verifications containing the missing information, and
- It can clearly establish that the transaction history pertains to the same account

## **(ii) Third-party asset verifications**

Asset verifications obtained through third-party verification service providers are acceptable. The verifications must be received by the originator directly from the

third-party verification service provider and must contain the same information as required for direct account verifications or asset account statements above.

However, when the verification is generated electronically and is not completed or provided by a representative of the employer or the depository institution, as applicable, the representative's information is not required.

If any required information is missing, the Seller must obtain additional documentation to supplement the third-party verification. The Seller is responsible for ensuring the accuracy and integrity of the information provided by the third-party verification services.

In lieu of the requirements above for third-party asset verifications, for Mortgages for which automated asset assessment with Loan Product Advisor<sup>®</sup> using account data was requested that receive a representation and warranty result of "Eligible" in the Last Feedback Certificate, see Section 5902.3 for requirements pertaining to third-party asset verifications.

### **(iii) Evaluation of deposits in the Borrower's accounts**

#### **(A) Deposits requiring verification**

Except as stated below, the Seller is not required to document the sources of unverified deposits for purchase or refinance transactions. However, when qualifying the Borrower, the Seller must consider any liabilities resulting from all borrowed funds.

For purchase transactions, when evaluating deposits in the Borrower's accounts, the following requirements apply:

- The Seller must document the source of funds for any "large deposit," as described below, if the deposit is needed to qualify the Borrower for the Mortgage transaction (i.e., any funds required to be paid by the Borrower and Borrower reserves)

A "large deposit" is any single deposit exceeding 50% of the sum of:

- The total monthly qualifying income for the Mortgage and
  - The amount derived from the asset calculation for establishing the debt payment-to-income ratio in accordance with the requirements of Section 5307.1, if applicable
- When a single deposit consists of both verified and unverified portions, the Seller may use just the unverified amount when determining whether the deposit is a large deposit as described above
  - When a large deposit is not verified and is not needed to qualify the Borrower for the Mortgage transaction (i.e., any funds required to be paid by the Borrower and Borrower reserves), the Seller must reduce the funds used for qualification purposes by the amount of the unverified deposit.

For Loan Product Advisor<sup>®</sup> Mortgages, the Seller must enter the reduced amount of the asset into Loan Product Advisor.

- When the source of funds can be clearly identified from the deposit information on the account statement (e.g., direct payroll deposits) or other documented income or asset source in the Mortgage file (e.g., tax refund amounts appearing on the tax returns in the file), the Seller is not required to obtain additional documentation.

**(B) Acceptable sources of deposit**

When a deposit requires verification as stated above, the Seller must determine:

- Whether the source of the deposit is acceptable
- That the funds belong to the Borrower, and
- That the funds are eligible for the transaction

Acceptable sources include, but are not limited to:

- The Borrower’s income
- Funds awarded to the Borrower (e.g., disaster relief funds, lottery winnings, court-awarded settlement) provided the source is not an interested party to the real estate or Mortgage transaction
- Funds derived from eligible asset types stated in Sections 5501.3(b) and 5501.3(c) below

**(b) Special requirements for Borrower personal funds**

**(i) Minimum Borrower contribution**

For a purchase transaction Mortgage, the Borrower must make a minimum contribution from Borrower personal funds when specifically required in the Guide, as summarized in the chart below.

<b>Minimum contribution from Borrower personal funds</b>			
<b>Mortgage type</b>	<b>Guide section number</b>	<b>Mortgages with LTV/TLTV/HTLTV ratios ≤ 80%</b>	<b>Mortgages with LTV/TLTV/HTLTV ratios &gt; 80%</b>
Mortgage secured by a 1-and 2-unit	N/A	None	

<b>Minimum contribution from Borrower personal funds</b>			
<b>Mortgage type</b>	<b>Guide section number</b>	<b>Mortgages with LTV/TLTV/HTLTV ratios ≤ 80%</b>	<b>Mortgages with LTV/TLTV/HTLTV ratios &gt; 80%</b>
Primary Residence			
Mortgage secured by a 3- and 4-unit Primary Residence	N/A	None	N/A
Mortgage secured by a second home	5501.3(c)	None	5% of value, when gift funds or grants are used for the transaction
Mortgage secured by an Investment Property	4201.16	All funds used for the transaction must be Borrower personal funds	
Mortgages with shared equity plans	4204.5	5% of value (must be Owner-Occupant's personal funds)	

See Section 4501.10 for requirements for minimum contribution from Borrower personal funds for Home Possible<sup>®</sup> Mortgages.

**(ii) Eligible asset types and documentation requirements for Borrower personal funds**

Asset types that are considered Borrower personal funds and the applicable documentation requirements are described in the chart below. The eligibility and documentation requirements apply to all funds used to qualify the Borrower for the Mortgage transaction, including reserves. Any limitations on the use of an asset type are specified in the chart.

All accounts held in financial institutions must be owned by the Borrower and the Borrower must have access to the funds. Funds in accounts that are owned jointly by the Borrower and a non-Borrower are considered Borrower personal funds. Accounts held in the name of a Living Trust are considered to be owned by the Borrower when the Borrower is the Settlor of the Living Trust. When the

Borrower is a Living Trust, the Underwritten Settlor is considered to be the owner of accounts held in the name of the trust.

For Loan Product Advisor Mortgages, the Documentation Level shown on the Feedback Certificate indicates the minimum level of documentation acceptable for a Loan Product Advisor Mortgage. The Seller must provide the documentation required in this chapter for the Documentation Level returned.

All Manually Underwritten Mortgages must at least be documented according to Standard Documentation.

Asset type and eligibility requirements	Streamlined Accept documentation requirements	Standard documentation requirements
<p><b>1. Depository accounts</b></p> <p>Depository accounts used to deposit and withdraw cash, such as:</p> <ul style="list-style-type: none"> <li>■ Checking</li> <li>■ Savings</li> <li>■ Money market</li> <li>■ Certificate of deposit (CD)</li> <li>■ Other depository accounts</li> </ul>	<p>Provide an account statement covering a <b>one-month period</b> or a direct account verification (i.e., VOD)</p>	<p>Provide account statement(s) covering a <b>two-month period</b> or a direct account verification (i.e., VOD)</p>
<p><b>2. Securities</b></p> <p>Securities that are traded on an exchange or marketplace, generally available to the public such as:</p> <ul style="list-style-type: none"> <li>■ Stocks</li> <li>■ Vested stock options</li> <li>■ Bonds</li> <li>■ Mutual funds</li> <li>■ United States government securities</li> <li>■ Other securities</li> </ul> <p>Value must not include margin accounts.</p> <p>Stock with limitations on its accessibility (e.g., restricted</p>	<p>Provide an account statement covering a <b>one-month period</b> or a direct account verification (i.e., VOD)</p> <hr/> <p>If the Borrower does not receive a stock/security account statement:</p> <ul style="list-style-type: none"> <li>■ Provide evidence the security is owned by the Borrower, and</li> <li>■ Verify value using current stock prices from a financial publication or web site</li> </ul> <p>See below for when evidence of liquidation is required*</p>	<p>Provide account statement(s) covering a <b>two-month period</b> or a direct account verification (i.e., VOD)</p>

Asset type and eligibility requirements	Streamlined Accept documentation requirements	Standard documentation requirements
<p>stock which as not vested and been distributed to the recipient) is not eligible.</p>		
<p><b>3. Retirement accounts</b></p> <p>Independent retirement accounts and Internal Revenue Service (IRS)-qualified employer retirement plan accounts such as:</p> <ul style="list-style-type: none"> <li>■ 401K</li> <li>■ 403b</li> <li>■ IRAs (traditional and Roth)</li> <li>■ SEP-IRA</li> <li>■ SIMPLE-IRA</li> <li>■ KEOGH</li> <li>■ MyRA</li> <li>■ State retirement savings plans</li> <li>■ Other independent and IRS-qualified employer retirement plan accounts</li> </ul>	<p>Provide an account statement covering a <b>one-month period</b> or a direct account verification (i.e., VOD)</p>	<p>Provide account statement(s) covering a <b>two-month period</b> or a direct account verification (i.e., VOD)</p>
	<p>See below for when evidence of liquidation is required*</p> <p>When evidence of liquidation is not obtained:</p> <p>In order to use the vested amount of an IRS-qualified employer retirement account to qualify the Borrower for the Mortgage transaction, the Mortgage file must include documentation confirming that the Borrower is permitted to make withdrawals, and severance from the Borrower’s current employment is not required.</p>	
<p><b>4. Government bonds (federal, state or municipal)</b></p> <p>The value used must be based on the lower of the purchase price or current redeemable value.</p>	<p>Provide documentation verifying the ownership and the value.</p> <p>See below for when evidence of liquidation is required.*</p>	

Asset type and eligibility requirements	Streamlined Accept documentation requirements	Standard documentation requirements
<p><b>5. Proceeds from a loan fully secured by the Borrower's assets other than real property</b></p> <p>The loan must not be provided by an interested party to the real estate or Mortgage transaction. When the loan is secured by a financial asset used to qualify the Borrower for the Mortgage transaction, the value of the asset must be reduced by the amount of the loan proceeds and any associated fees.</p>	<p>Provide the following:</p> <ul style="list-style-type: none"> <li>■ Documentation verifying the value and ownership of the asset used to secure the loan as well as the amount and terms of the loan</li> <li>■ Evidence of receipt of the loan proceeds</li> </ul>	
<p><b>6. Proceeds from the sale or refinance of the Borrower's real property (including proceeds from a 1031 exchange or a bridge loan)</b></p> <p>For refinance Mortgages, the cash-out proceeds from the subject cash-out refinance transaction and any cash back received on the subject "no cash-out" refinance transaction are not eligible sources of funds for reserves.</p>	<p>Provide the following:</p> <ul style="list-style-type: none"> <li>■ The Settlement/Closing Disclosure Statement or an alternative form required by law verifying the proceeds from the sale or refinance of the Borrower's real property, and/or</li> <li>■ An executed buy-out agreement that is part of an employer relocation plan that takes responsibility for the outstanding Mortgage(s)</li> </ul>	
<p><b>7. Proceeds from the sale of the Borrower's assets other than real property or exchange-traded securities</b></p> <p>The purchaser of the Borrower's asset must not be an interested party to the real estate or Mortgage transaction.</p>	<p>Provide the following:</p> <ul style="list-style-type: none"> <li>■ A signed bill of sale documenting the asset and transfer of ownership</li> <li>■ Evidence of receipt of the proceeds</li> </ul>	
<p><b>8. Borrower's real estate commission</b></p> <p>Borrower's real estate commission is an eligible source</p>	<p>The Settlement/Closing Disclosure Statement must reflect the commission earned by the Borrower and credited toward the Mortgage transaction.</p>	



Asset type and eligibility requirements	Streamlined Accept documentation requirements	Standard documentation requirements
of funds for Down Payment and/or Closing Costs when the Borrower is a licensed real estate agent that is due to receive a sales commission from their purchase of the subject property.		
<p><b>9. Funds from a trust</b></p> <p>The Borrower must be the beneficiary and have access to the funds as of the date of the loan closing.</p> <p>The Borrower’s portion of undistributed trust funds may be used as <b>reserves</b> only.</p>	<p>Provide a copy of the trust agreement or a signed statement from the trustee or trust manager that documents the following information:</p> <ul style="list-style-type: none"> <li>■ Identifies the Borrower as the beneficiary</li> <li>■ Confirms that the Borrower has access to all or a certain specific amount of the funds</li> <li>■ Confirms that the trust has sufficient assets to disburse funds needed by the Borrower</li> </ul> <p>When trust funds are needed for closing, evidence of receipt of the disbursed funds from the trust is required.</p>	
<p><b>10. Individual Development Account (IDA) – Agency matching funds not subject to Recapture</b></p> <ul style="list-style-type: none"> <li>■ With respect to the subject Mortgage, the Agency must not: <ul style="list-style-type: none"> <li>□ Be the Seller or have participated in any aspect of the Mortgage origination process</li> <li>□ Be affiliated with, under contract to, or financed (directly or indirectly) by the Seller or any party that participated in</li> </ul> </li> </ul>	<p>Provide documentation of the IDA program verifying:</p> <ul style="list-style-type: none"> <li>■ The matching funds are not subject to Recapture</li> <li>■ The ratio of matching funds by the Agency</li> <li>■ Regular payments made to the IDA by the Borrower and the matching organization</li> <li>■ The vested balance or the percentage of vesting</li> </ul>	

Asset type and eligibility requirements	Streamlined Accept documentation requirements	Standard documentation requirements
<p>the Mortgage origination process</p> <p>For these purposes, “affiliated with” means that the Agency and the Seller or other party are related to each other as a consequence of one entity directly or indirectly controlling the other party, being controlled by the other party or being under common control with that party.</p> <ul style="list-style-type: none"> <li>■ Any matching funds may be considered Borrower personal funds</li> <li>■ A maximum of a 4 to 1 match by an Agency’s funds is permitted</li> <li>■ The Borrower must satisfy any vesting requirements of the matching IDA program</li> </ul>		
<p><b>11. Community Savings System accounts – Borrower contributions</b></p> <p>Funds on deposit in a Community Savings System that are deposited by the Borrower.</p> <p>A non-profit community organization must administer the savings system.</p>	<p>Provide Community Savings Systems account statements or a direct account verification identifying the non-profit community organization as the administrator and showing all Borrower contributions.</p>	

Asset type and eligibility requirements	Streamlined Accept documentation requirements	Standard documentation requirements
<p><b>12. Pooled funds</b></p> <p>Pooled funds are funds on deposit provided by the Borrower and other member(s) of a group of Related Persons who:</p> <p>Have resided together for at least one year, and</p> <p>Will continue residing together in the new residence, and</p> <p>Are “pooling” their funds to buy a home</p> <p>Funds provided by Related Persons who do not reside with the Borrower are subject to the requirements of the chart in Section 5501.3(c) for gift funds</p>	<p>Provide the following:</p> <ul style="list-style-type: none"> <li>■ Evidence that the Borrower and the Related Person have resided together for at least one year</li> <li>■ Documentation verifying the pooled funds per the requirements for the applicable asset type contained in this chart or the chart in Section 5501.3(c), as applicable</li> <li>■ A written statement, in the form of a signed letter or an e-mail directly from the Borrower, executed at application attesting to all of the following: <ul style="list-style-type: none"> <li>□ The source of the pooled funds</li> <li>□ The fact that the pooled funds were not borrowed by the contributing Related Person</li> <li>□ The relationship between the contributing Related Person and the Borrower. (For example, the affidavit might state that the Related Person is the Borrower’s uncle or that the Related Person is the cousin of the Borrower’s spouse.)</li> <li>□ That the Related Person has resided with the Borrower for the past year and intends to continue residing with the Borrower in the new residence for the foreseeable future</li> </ul> </li> </ul> <p>The written statement need not be notarized or acknowledged but must be kept in the Mortgage file.</p>	

**13. Borrower's revolving credit card (charges/cash advances) or unsecured line of credit**

Borrower's revolving credit card (charges/cash advances) or unsecured line of credit used to pay fees associated with the Mortgage application process (e.g., origination fees, commitment fees, lock-in fees, appraisal, credit report and flood certifications) are subject to the following requirements:

- The maximum amount charged or advanced may not exceed the greater of 2% of the Mortgage amount or \$1,500

**And**

- The Borrower must have sufficient verified funds to pay these fees (in addition to the funds needed to qualify for the Mortgage transaction; however, the Borrower is not required to pay off these charges at closing; **or**
- The amount charged or advanced must be included in the Borrower's total outstanding debt and the repayment of such amount must be included when determining the Borrower's monthly debt payment-to-income ratio as described in Section 5401.2

Refer to Section 4408.3(c) when the Borrower uses a revolving credit card or unsecured line of credit to pay fees that will be reimbursed pursuant to an employee relocation program. Refer to Section 6302.30 for instructions

Provide the following:

- A copy of the account statement or receipt showing the amount charged or advanced, and
- Verification of sufficient funds to pay the amount charged or advanced if the amount charged or advanced is not included in the monthly debt payment-to-income ratio

Asset type and eligibility requirements	Streamlined Accept documentation requirements	Standard documentation requirements
<p>on delivering Mortgages where the Borrower uses a credit card, cash advance or unsecured line of credit to pay fees associated with the Mortgage application process.</p>		
<p><b>14. Cash value of a life insurance policy (not the face value)</b></p> <p>The Borrower must be the owner of the policy and not the beneficiary.</p>	<p>Provide documentation from the life insurance company verifying the following information:</p> <ul style="list-style-type: none"> <li>■ Policy owner(s)</li> <li>■ Period covered and current cash value, and</li> <li>■ Any outstanding loans</li> </ul> <p>When cash value of the life insurance policy is needed for closing, evidence of liquidation is required.</p>	
<p><b>15. Rent credits</b></p> <p>The portion of rental payments paid by the Borrower credited towards the Down Payment and/or Closing Costs under a documented rental/purchase agreement. The credit must not exceed the difference between the market rent and actual rent paid. The rental/purchase agreement must have an original term of at least 12 months and the rent must be based on a minimum of 12 months rental payments.</p>	<p>Provide the following:</p> <ul style="list-style-type: none"> <li>■ A copy of the rental/purchase agreement</li> <li>■ Evidence of rental payments (see Section 5202.2(b) for acceptable documentation for rental verification)</li> <li>■ Appraiser’s determination of the market rent for the subject property</li> </ul>	
<p><b>16. Trade equity: Net proceeds of the trade-in of the Borrower’s previously owned residence</b></p> <p>The Borrower’s equity in the previously-owned residence is determined by subtracting any outstanding liens on the</p>	<p>Provide the following:</p> <ul style="list-style-type: none"> <li>■ The appraisal of the Borrower’s previously-owned residence</li> <li>■ A copy of the trade-in contract</li> </ul>	

Asset type and eligibility requirements	Streamlined Accept documentation requirements	Standard documentation requirements
previously-owned residence, plus any transfer costs, from the lesser of the appraised value of the previously-owned residence or its trade-in price as shown in the trade-in contract.		

\* When assets that are invested in stocks, bonds, mutual funds, U.S. government securities, retirement accounts or other securities are needed for closing, evidence of liquidation is required unless the combined value of the assets is at least 20% greater than the amount from these assets needed for closing.

See Section 4501.10(c) for additional sources of Borrower personal funds for Home Possible® Mortgages.

**(iii) Earnest money deposit (EMD)**

When an EMD for a purchase transaction is used to qualify the Borrower for the Mortgage transaction, the Seller must obtain evidence that the EMD check cleared the Borrower’s account (e.g., copy of the canceled check, asset account statement or written statement from the EMD holder verifying receipt of the funds).

When the EMD is needed to meet the minimum contribution from Borrower personal funds, the Seller must:

- Verify that the source of the EMD is an eligible asset type and document it in accordance with the applicable requirements in this section
- Provide account statement(s) (based on Streamlined Accept or Standard documentation requirements, as applicable) or a direct account verification (i.e., VOD) that covers the period up to and including the date the EMD funds cleared the account

The EMD must not be counted twice in the evaluation of the Mortgage (i.e., deducted from the funds to close and counted in assets).

**(iv) Business assets**

Funds from a Borrower’s business account may be used to qualify the Borrower for the Mortgage transaction, provided they meet the requirements of this chapter, except as stated below.

Documentation of large deposits, as described in Section 5501.3(a)(iii), is not required provided that the Seller:

- Reviews a minimum of the most recent two months of the business account statements, and
- Determines the deposits are typical for the Borrower's business

See Section 5304.1(f) for additional requirements when self-employed income from the business is used for qualifying.

**(v) Source of funds from outside the United States and its territories**

When the source of funds needed for closing is, or otherwise originates from, asset(s) located outside the United States and its territories:

- Funds must be transferred into a United States or State regulated financial institution and verified in U.S. dollars prior to the closing of the Mortgage transaction, or
- Combined value of the assets must be at least 20% greater than the amount from these assets needed for closing

See Section 5102.3(b) for additional requirements when funds from outside the United States and its territories are used to qualify the Borrower for the Mortgage transaction.

**(c) Special requirements for other eligible sources of funds**

Other sources of funds eligible to be used to qualify the Borrower for the Mortgage transaction and the applicable documentation requirements are described in the chart below. The eligibility and documentation requirements apply to all funds used to qualify the Borrower of the Mortgage transaction including reserves. Any limitations on the use of an asset type are specified in the chart.

For Loan Product Advisor Mortgages, the Documentation Level shown on the Feedback Certificate indicates the minimum level of documentation acceptable for a Loan Product Advisor Mortgage. The Seller must provide the documentation required in this chapter for the Documentation Level returned.

All Manually Underwritten Mortgages must at least be documented according to Standard Documentation.

Asset type and eligibility requirements	Streamlined Accept and Standard Documentation requirements
<p><b>1. Gift funds or a gift of equity</b></p> <p>Gift funds or a gift of equity is an eligible source of funds for a Mortgage secured by a Primary Residence or second home provided that:</p> <ul style="list-style-type: none"> <li>■ The funds are from a Related Person, and</li> <li>■ The funds do not have to be repaid</li> </ul> <p>When a Mortgage is secured by a second home and the LTV/TLTV/HTLTV ratio is greater than 80%, the gift is permitted only if the Borrower has made a Down Payment of at least 5% from Borrower personal funds as described in Section 5501.3(b). Gift funds or gift of equity are not an eligible source of funds for Investment Property Mortgages.</p>	<p>Provide a gift letter signed by the donor. Information provided in the gift letter must:</p> <ul style="list-style-type: none"> <li>■ State the donor’s name and that the funds are given by a Related Person</li> <li>■ Include the donor’s mailing address and telephone number</li> <li>■ State the amount of the gift funds or gift of equity</li> <li>■ Establish that the gift funds or gift of equity are a gift that does not have to be repaid</li> </ul> <p>Gift funds: If the verifications provided in the Mortgage file do not show evidence that the gift funds have been deposited in the Borrower’s account, the Borrower must provide evidence of the transfer of funds from the donor to the Borrower.</p> <p>Gift of equity: A gift of equity must be reflected on the Settlement/Closing Disclosure Statement.</p>
<p><b>2. Gift funds received as a wedding gift</b></p> <p>Gift funds received as a wedding gift from unrelated persons and/or Related Persons is an eligible source of funds for a Mortgage secured by Primary Residence.</p> <p>The gift funds must be on deposit in the Borrower’s depository account within 60 days of the date of the marriage license or certificate.</p>	<p>Provide the following:</p> <ul style="list-style-type: none"> <li>■ A copy of the marriage license or certificate</li> <li>■ A verification of the gift funds in the Borrower’s depository account</li> </ul>
<p><b>3. A gift or grant from an Agency</b></p>	<p>Provide documentation supporting a gift or grant from</p>



Asset type and eligibility requirements	Streamlined Accept and Standard Documentation requirements
<p>A gift or grant from an Agency that does not have to be repaid is an eligible source of funds provided that:</p> <ul style="list-style-type: none"> <li>■ The gift or grant is given pursuant to an established program</li> <li>■ The Agency is not an interested party (as described in Section 5501.5)</li> <li>■ The funds were not obtained from an interested party either directly or through a third party; and</li> <li>■ With respect to the subject Mortgage, the Agency must not: <ul style="list-style-type: none"> <li>□ Be the Seller or have participated in any aspect of the Mortgage origination process</li> <li>□ Be affiliated with, under contract to, or financed (directly or indirectly) by the Seller or any party that participated in the Mortgage origination process</li> </ul> <p>For these purposes, “affiliated with” means that the Agency and the Seller or other party are related to each other as a consequence of one entity directly or indirectly controlling the other party, being controlled by the other party or being under common control with that party.</p> </li> </ul> <p>Gifts and grants from Agencies are not eligible sources of funds for second home and Investment Property Mortgages.</p>	<p>an Agency. Examples of acceptable documentation include copies of grant program materials, award letters or terms and conditions provided to the Borrower.</p> <p>The documentation must:</p> <ul style="list-style-type: none"> <li>■ Establish that the funds were provided by an Agency</li> <li>■ Establish that the organization has an established gift or grant program</li> <li>■ Establish that the funds are a gift or grant that does not have to be repaid</li> <li>■ Provide evidence that the funds were received by the Borrower or by the Seller on the Borrower’s behalf</li> <li>■ Identify the donor’s mailing address</li> </ul>

Asset type and eligibility requirements	Streamlined Accept and Standard Documentation requirements
<p><b>4. Individual Development Account (IDA) – Agency matching funds subject to Recapture</b></p> <p>Agency matching funds subject to Recapture is an eligible source of funds provided that:</p> <ul style="list-style-type: none"> <li>■ The matching funds must be considered a gift or grant from an Agency as described in this chart</li> <li>■ A maximum of a 3-to-1 match by an Agency’s funds is permitted</li> <li>■ The Borrower must satisfy any vesting requirements of the matching IDA program</li> </ul>	<p>Provide documentation of the IDA program verifying:</p> <ul style="list-style-type: none"> <li>■ The matching funds are subject to Recapture</li> <li>■ The ratio of matching funds by the Agency</li> <li>■ Regular payments made by the Borrower and the matching organization</li> <li>■ The vested balance or the percentage of vesting</li> </ul> <p>Documentation of matching funds subject to a Recapture provision must also meet the requirements of this chart for a gift or grant from an Agency, except that the Seller does not have to establish that the funds do not have to be repaid.</p>
<p><b>5. Proceeds from an unsecured loan that is an Employer Assisted Homeownership (EAH) Benefit</b></p> <p>Proceeds from an unsecured loan that is an EAH Benefit is an eligible source of funds provided that the eligibility and documentation requirements in Section 5501.4 are met.</p>	

## 5501.4: Employer Assisted Homeownership (EAH) Benefit (10/02/19)

### (a) General requirements

An Employer Assisted Homeownership (EAH) Benefit may be used as a source of funds to qualify the Borrower for the Mortgage transaction if the terms of the EAH Benefit comply with the following:

1. The EAH Benefit is provided to an employee from the employer pursuant to an established, ongoing and documented employer benefit program, provided (i) the employer is not an interested party (as described in Section 5501.5) and (ii) the funds were not obtained from an interested party either directly or through a third party
2. The Mortgage is secured by a 1- to 4-unit Primary Residence

### (b) Types of benefits

The EAH Benefit may be any of the following structures meeting the applicable requirements:

Type of benefit	Requirements
<b>Grant</b>	<p>See requirements for gift or grant from an Agency in Section 5501.3(c).</p> <p>With respect to the subject Mortgage, the requirement that the Agency must not be the Seller or have participated in any aspect of the Mortgage origination process, and must not be affiliated with, under contract to, or financed (directly or indirectly) by the Seller or any party that participated in the Mortgage origination process, does not apply.</p>
<b>Individual Development Account (IDA)</b>	<p>See requirements for matching funds for IDAs in Sections 5501.3(b) and 5501.3(c).</p> <p>With respect to the subject Mortgage, the requirement that the Agency must not be the Seller or have participated in any aspect of the Mortgage origination process, and must not be affiliated with, under contract to, or financed (directly or indirectly) by the Seller or any party that participated in the Mortgage origination process, does not apply.</p>

Type of benefit	Requirements
<p><b>Unsecured loan</b></p>	<p>An unsecured loan may be fully repayable, deferred payment or forgivable. The source, terms and conditions must be documented on Form 65, Uniform Residential Loan Application.</p> <p>The proceeds from an unsecured loan that is an EAH Benefit may be used to fund all or part of the Down Payment or Closing Costs. The terms of the EAH Benefit may not require repayment in full unless:</p> <ul style="list-style-type: none"> <li>■ The Borrower terminates his or her employment for any reason, or</li> <li>■ The employer terminates the Borrower’s employment for any reason other than long-term disability, the elimination of the employee’s position or reduction-in-force</li> </ul> <p>If the EAH Benefit is fully repayable, the required monthly payment must be included when calculating the monthly debt payment-to-income ratio. If the monthly payment of principal and interest or interest only begins on or after the 61<sup>st</sup> monthly payment under the First Lien Mortgage or if repayment of the loan is due only upon sale or default, the amount of the monthly payment may be excluded from the monthly debt payment-to-income ratio.</p> <p>Refer to Section 4408.3(c) for requirements when an EAH Benefit is used as a source of funds to qualify for a Mortgage made pursuant to an employee relocation program.</p>
<p><b>Secondary financing</b></p>	<p>Secondary financing may be fully repayable, deferred payment or forgivable, and must meet the requirements in Section 4204.1(a) and Section 4204.1(b).</p> <p>The terms of the EAH Benefit may not require repayment in full unless:</p> <ul style="list-style-type: none"> <li>■ The Borrower terminates his or her employment for any reason, or</li> <li>■ The employer terminates the Borrower’s employment for any reason other than long-term disability, the elimination of the employee’s position or reduction-in-force</li> </ul>

Type of benefit	Requirements
	<p>If the monthly payment of principal and interest or interest only begins on or after the 61<sup>st</sup> monthly payment under the First Lien Mortgage or if repayment of the loan is due only upon sale or default, the amount of the monthly payment may be excluded from the monthly debt payment-to-income ratio; otherwise, the required monthly payments must be included in calculating the monthly <b>housing expense</b>-to-income ratio.</p> <p>Refer to Section 4408.3(c) for requirements when an EAH Benefit is used as a source of funds to qualify for a Mortgage made pursuant to an employee relocation program.</p>
<p><b>Affordable Second</b></p>	<p>An Affordable Second may be fully repayable, deferred payment or forgivable, and must meet the requirements of Section 4204.2.</p> <p>With respect to the subject Mortgage, the requirement that the Agency must not be the Seller or have participated in any aspect of the Mortgage origination process, and must not be affiliated with, under contract to, or financed (directly or indirectly) by the Seller or any party that participated in the Mortgage origination process, does not apply.</p> <p>The terms of, the EAH Benefit may not require repayment in full unless:</p> <ul style="list-style-type: none"> <li>■ The Borrower terminates his or her employment for any reason, or</li> <li>■ The employer terminates the Borrower's employment for any reason other than long-term disability, the elimination of the employee's position or reduction-in-force</li> </ul> <p>If the monthly payment of principal and interest or interest only begins on or after the 61<sup>st</sup> monthly payment under the First Lien Mortgage or if repayment of the loan is due only upon sale or default, the amount of the monthly payment may be excluded from the monthly debt payment-to-income ratio; otherwise, the required monthly payments must be included in calculating the monthly <b>housing expense</b>-to-income ratio.</p>

### **(c) Documentation requirements**

In addition to the documentation requirements for specific benefit types, the following requirements must be met:

- EAH Benefits must be documented with a copy of the employer benefit program that provides the amount of the benefit and the terms of the program
- Evidence of receipt of the EAH Benefit must be provided (e.g., funds on deposit in Borrower's account or funds reflected on the Settlement/Closing Disclosure Statement)

### **(d) Related provisions**

Delivery requirements related to EAH Benefits are described in Section 6302.29.

## **5501.5: Interested party contributions (07/06/17)**

### **(a) Types of interested party contributions and eligibility requirements**

Freddie Mac will purchase Mortgages that include interested party contributions under the terms of the Purchase Documents and this section.

Interested parties include, but are not limited to:

- Builder
- Developer
- Seller of the property
- Real estate agent

Interested party contributions may include either financing and/or sales concessions. Freddie Mac considers the following to be interested party contributions:

- Funds from the Seller, originating lender, an employer, a municipality, a non-profit organization and a Related Person, are subject to the interested party contributions requirements if the contributing party is affiliated with any of the interested parties as stated in the paragraph above, except as stated below for gifts from a Related Person and lender credit.
- Funds from an interested party that flow through a third-party organization or a non-profit agency to the Borrower
- Funds from an interested party, including a third-party organization or a non-profit agency, used to pay costs associated with the Mortgage transaction on the Borrower's behalf
- Funds that are donated to a third party, which in turn provides the funds to pay some or all of the Borrower's Closing Costs

Gift funds or gift of equity from a Related Person who is also the seller of the subject property is not subject to the requirements of this section, provided that:

- The donor has no affiliation with the builder, real estate agent or any other interested party to the transaction, and
- All of the requirements pertaining to gift funds or gift of equity from a Related Person as stated in Section 5501.3 are met

When a Seller or originating lender is affiliated with an interested party to the transaction, a lender credit is not considered an interested party contribution when it is derived from an increase in the interest rate.

Mortgages with abatements (that are funds provided to a lender or third party by an interested party to pay or reimburse in whole or in part a certain number of monthly payments of principal, interest, taxes, insurance and/or other assessments on the Borrower’s behalf in excess of Prepaid/Escrows associated with the Mortgage closing) are not eligible for sale to Freddie Mac.

The payment of no more than 12 months of homeowners association dues by an interested party is not considered an abatement but is considered an interested party contribution, subject to the requirements of this section. The funds for the payment of the homeowners association dues must be collected at closing and transferred directly to the homeowners association, as documented on the Settlement/Closing Disclosure Statement.

**(b) Financing concessions**

Financing concessions are funds that originate from an interested party to the transaction, as described in Section 5501.5(a), that are used to:

- Reduce permanently the interest rate on the Mortgage
- Fund a buydown plan to temporarily subsidize the Borrower’s monthly payment on the Mortgage (see Section 4204.4)
- Make contributions in any way related to the Borrower’s Closing Costs, including up to 12 months of homeowners association dues

Based on “value,” as defined in Section 4203.1, the maximum permitted financing concessions are as follows:

Occupancy	LTV/TLTV ratios >90%	LTV/TLTV ratios > 75% and ≤ 90%	LTV/TLTV ratios ≤ 75%
<b>Primary Residences and second homes</b>	3%	6%	9%
<b>Investment Properties</b>	2%	2%	2%

The amount of any financing concessions in excess of the limitations set forth above will be considered a sales concession.

Funds paid by the property seller that are fees or costs customarily paid by the property seller according to local convention are not subject to the maximum financing concession limitations above.

**(c) Sales concessions**

Sales concessions include:

- Financing concessions in excess of the maximum financing concession limitations in Section 5501.5(b)
- Any contributions such as vacations, furniture, automobiles, securities or other giveaways granted by any interested party to the transaction
- Interested party contributions used to reimburse the Borrower for payment of fees charged to process or negotiate a short sale (commonly referred to as short sale processing fees, short sale negotiation fees, buyer discount fees, or short sale buyer fees)

For purposes of determining the value of the Mortgaged Premises pursuant to Section 4203.1, the dollar amount of any excess financing concessions, the value of any contributions and/or the dollar amount of any short sale fee reimbursements granted by an interested party to the transaction must be deducted from the purchase price. The LTV ratio is then calculated using the lower of the reduced purchase price (after the reduction for all sales concessions has been made) or the appraised value of the Mortgaged Premises.

**(d) Unplanned buydowns**

In calculating the total value of financing concessions, Freddie Mac does not include amounts paid as an “unplanned buydown.”

An unplanned buydown is comprised of any funds paid at closing by an interested party to reduce the effective interest rate on the Borrower’s Mortgage to a rate closer to or equal to the rate specified in the sales contract. Unplanned buydowns arise from an increase in Mortgage market interest rates between the date of the sales contract and the Note Date. Typically, unplanned buydowns arise in transactions involving properties that are newly constructed. For example, if prevailing interest rates in the Mortgage market rise during construction, the builder may increase the amount of his financing concessions, using funds from his profit margin to maintain the sales contract financing terms.

In order for a financing concession to be considered an unplanned buydown, the following conditions must be met:



- The sales price of the property must be fixed in the sales contract and the transaction must be closed at that price
- The terms of the financing must be specified in the sales contract. The interest rate must be either specified in the contract or sufficiently identified so as to be fixed (for example, prevailing VA rate) in the contract
- The amount paid as an unplanned buydown must have been caused by an increase in Mortgage market interest rates between the date of the sales contract and the Note Date
- Any unplanned buydown that is a temporary subsidy buydown plan must comply with the provisions of Section 4204.4

The following items are not unplanned buydowns and must not exceed the limitations specified in Section 5501.5(b) above:

- Costs and charges to which the property seller agreed in the sales contract
- Costs and charges resulting from financing terms contained in the sales contract that were more favorable to the Borrower than market conditions that existed as of the date of the sales contract

**(e) Special documentation requirements**

The amount and the source of all interested party contributions must be documented in the Mortgage file and be clearly shown on the Settlement/Closing Disclosure Statement.

Mortgages with interested party contributions paid outside of closing and not disclosed on the Settlement/Closing Disclosure Statement are not eligible for sale to Freddie Mac.

When the Settlement/Closing Disclosure Statement discloses financing concessions that exceed Freddie Mac's limits and an unplanned buydown was involved, the Mortgage file must contain a written analysis and documentation evidencing that the unplanned buydown met each of the conditions in Section 5501.5(d) above.

For Loan Product Advisor<sup>®</sup> Mortgages, the Seller must ensure that the data submitted to Loan Product Advisor accurately reflects the presence of any financing and sales concessions.

## **5501.6: Seller contributions (06/06/19)**

**(a) Lender credit**

Lender credit may be used for the Mortgage transaction provided it meets all of the following requirements:

- The amount of the lender credit must:
  - Be derived from an increase in the interest rate (i.e., premium pricing), or
  - Be funded directly by the Seller
- The lender credit must not require repayment
- The Seller must not use funds from a third party to provide a lender credit
- Lender credit may only be used as a credit towards the Borrower's Closing Costs. In the event the lender credit exceeds the amount of the Borrower's Closing Costs, the following requirements apply:
  - The lender credit must be reduced so it does not exceed the amount of the Borrower's Closing Costs, or
  - The amount of the lender credit that exceeds the Borrower's Closing Costs must be applied as a principal curtailment to the Mortgage, and must be clearly reflected on the Settlement/Closing Disclosure Statement. (See Section 6302.32 for delivery requirements for Mortgages with principal curtailments.)
- Lender credit derived from an increase in the interest rate (i.e., premium pricing) must not be used as a credit towards funding a temporary subsidy buydown plan on a "no cash-out" refinance Mortgage

**(b) Lender incentives**

The Seller may provide the Borrower with a cash or a cash-like (e.g., a gift card) incentive that is not lender credit toward the Mortgage transaction as described in Section 5501.6(a), provided that:

- The amount of the incentive does not exceed \$500.00
- No repayment is required, and
- The amount is documented in the Mortgage file

The incentive is not considered cash out to the Borrower and does not have to be included in the calculation of the Mortgage proceeds, including the calculation of cash back to the Borrower.

These requirements apply regardless of whether the incentive is provided before, at or after the Mortgage closing.

# Chapter 5601: Property Eligibility and Appraisal Requirements

## 5601.1: Acceptable collateral (03/02/16)

The Mortgaged Premises must be acceptable collateral for a Mortgage to be eligible for sale to Freddie Mac.

This chapter details Freddie Mac's requirements for determining if the collateral is acceptable for the Mortgage transaction.

## 5601.2: General property eligibility requirements (06/19/19)

Freddie Mac expects the Seller to place as much emphasis on the adequacy of the property as collateral as it does on underwriting the Borrower's creditworthiness. The conclusion that a Mortgage is acceptable to Freddie Mac must be based on the determination that the Borrower is creditworthy (acceptable credit reputation and capacity) and the Mortgaged Premises is adequate collateral for the Mortgage transaction. The Seller is responsible for determining the eligibility of the property and the acceptability of the appraisal report.

### (a) Residential requirements

Freddie Mac will purchase eligible Mortgages secured by residential properties in urban, suburban and rural market areas as long as the Mortgaged Premises is adequate collateral for the Mortgage transaction based on the value, condition and marketability of the property.

#### (i) The Mortgaged Premises

The Mortgaged Premises must:

- Be primarily residential in nature based on the characteristics of the property
- Be an attached, semi detached or detached dwelling unit(s) located on an individual lot, in a Planned Unit Development (PUD) or in a Condominium Project. See Chapter 5701 for special requirements for condominiums.
- Be safe, sound and structurally secure
- Be complete unless the requirements of Section 5601.2(b) are met
- Represent the highest and best use of the property as improved (or as proposed per plans and specifications) in accordance with Section 5601.12(d)

- Have an eligible zoning compliance in accordance with Section 5601.12(d)
- Have legal access (ingress and egress) (see Section 5601.12(d))
- Be suitable for year-round occupancy regardless of the location, except as specifically permitted otherwise in Section 4201.15 for certain second homes
- Have utilities that meet community standards (see Section 5601.12(d))
- Have mechanical systems that meet community standards
- Have property insurance coverage that meets Freddie Mac's requirements and coverage for hazards specific to the location of the property
- Not be subject to a pending legal proceeding for condemnation in whole or in part

**(ii) Ineligible properties**

Freddie Mac does not purchase Mortgages secured by:

- Vacant land, undeveloped land or land development properties
- Properties used primarily for agriculture or farming
- Properties used primarily for commercial enterprises (including, but not limited to, bed and breakfasts, boarding houses, Condominium Hotels and units located in a PUD operating as a hotel or similar type of transient housing that includes hotel type services and characteristics)

See Section 5701.3 for a list of ineligible project types.

**(b) Incomplete improvements**

A Mortgage is only eligible for delivery to Freddie Mac prior to the completion of improvements when all of the following conditions are satisfied:

1. The appraiser has provided the 'as completed' value as the opinion of market value
2. The appraiser has provided a list of the incomplete items and the appraiser or a disinterested (but relevant) party has provided a cost to complete the incomplete items.

An example of a disinterested (but relevant) party is a contractor/painter who provides an estimate to paint interior walls. A relevant party includes, but is not limited to, a representative of a home improvement store or an independent contractor that performs the services needed to complete the improvements.

3. The incomplete items do not adversely affect the safety, soundness or structural integrity of the Mortgaged Premises

4. The Seller determines that the improvements cannot be completed for valid reasons; examples include, but are not limited to, inclement weather or temporary shortages of building materials. This requirement does not apply to GreenCHOICE Mortgages<sup>SM</sup>.
5. The improvements will be satisfactorily completed no more than 180 days after the Note Date
6. The Mortgage is not secured by a Manufactured Home. This requirement does not apply to GreenCHOICE Mortgages or CHOICERenovation<sup>SM</sup> Mortgages.
7. The cost to complete the incomplete items does not exceed 10% of the ‘as completed’ value of the Mortgaged Premises; provided, however, if the Mortgage is a GreenCHOICE Mortgage meeting the requirements of Chapter 4606, the cost to complete the incomplete items may not exceed 15% of the “as completed” value of the Mortgaged Premises
8. The Seller has established a completion escrow account for the incomplete improvements. The Seller and the Borrower must execute a written escrow agreement detailing how the funds will be managed and disbursed. A copy of the escrow agreement must be retained in the Mortgage file.
9. The mortgage insurance and title insurance will not be impaired or adversely affected during and after the completion period
10. Upon completion of all improvements, the Seller/Servicer will have the appraiser perform the final inspection of the property and complete a certification of completion. The completion report must document that the property has been completed and must be retained in the Mortgage file. (See Section 5601.11 for more information.)

Note: Third parties may perform certain incomplete improvement functions identified above as obligations or requirements of the Seller or the Servicer. However, the Seller remains responsible for compliance with these and all requirements of the Purchase Documents. (See Section 4201.10 for more details.)

### **(c) Properties with solar panels**

Freddie Mac purchases Mortgages secured by properties with solar panels if the Mortgages meet the following property eligibility requirements:

#### **(i) Properties with solar panels owned by the Borrower**

If the Borrower owns the solar panels on the property, Sellers must ensure that the appraiser has recognized the existence of the solar panels, and considered the solar panels in the appraiser’s opinion of the market value of the property. Additionally, the property must maintain access to electrical utilities consistent with community standards.

See Section 5601.12(o) for additional requirements related to appraisals of properties with energy-efficient improvements.

**(ii) Properties with solar panels subject to a lease agreement, power purchase agreement (PPA) or similar type of agreement**

If the property has solar panels subject to a lease agreement, PPA or similar type of agreement:

- The solar panels must not be included in the appraised value of the property
- The property must maintain access to electrical utilities consistent with community standards; and
- The lease agreement, PPA or other similar agreement must provide that:
  - The owner of the solar panels agrees to not be a loss payee (or named insured) on the homeowners insurance policy covering the property; and
  - In the event of foreclosure, the Seller/Serviceicer may:
    - Terminate the lease agreement or PPA and require the owner of the equipment to remove the panels and supporting equipment
    - Become the beneficiary of the Borrower's lease agreement or PPA without incurring a transfer fee; or
    - Enter into a new lease agreement or PPA with the owner of the equipment under terms no less favorable than the existing lease agreement or PPA

See Section 5401.2(b)(v) for requirements related to solar panels subject to a lease agreement, PPA or similar type of agreement and the monthly debt payment-to-income ratio of the Borrower(s).

Any title insurance policy exceptions due to the existence of the lease agreement, PPA or similar type of agreement must comply with Section 4702.4.

## **5601.3: General appraisal requirements (09/14/17)**

Freddie Mac requires that the Seller obtain an appraisal report that accurately reflects the market value, condition and marketability of the property. The Seller is responsible for compliance with the Appraiser Independence Requirements (AIR), the selection of the appraiser, the appraiser's use of the appropriate Freddie Mac appraisal report forms, compliance with the Uniform Appraisal Dataset (UAD) and a successful submission of the appraisal report to the Uniform Collateral Data Portal<sup>®</sup> (UCDP<sup>®</sup>), all as specified in more detail in this chapter.

Freddie Mac's requirements relating to the appraisal report forms (including the certifications) convey our expectations for the property valuation and appraisal reporting processes, the appraiser's accountability for the quality of his or her appraisal report, and the appraiser's

compliance with both the Uniform Standards of Professional Appraisal Practice (USPAP) and Freddie Mac's requirements. Freddie Mac's requirements are supplemental to those of USPAP. See Section 5601.5 for more information on appraisal report forms and appraisal completion certification requirements.

#### **(a) Seller selection of appraisers and Appraiser Independence Requirements**

Freddie Mac does not select or approve individual appraisers or appraisal management companies. The Seller, **or a third party specifically authorized by the Seller**, approves and selects the appraiser. The Seller warrants that the appraisal services provided comply with the USPAP, applicable laws, and Freddie Mac requirements.

With respect to each conventional Mortgage **sold** to Freddie Mac, the Seller represents and warrants that the appraisal was obtained in a manner consistent with the requirements of Exhibit 35, Appraiser Independence Requirements ("Appraiser Independence Requirements").

The Seller must ensure that the individuals ordering and underwriting appraisal reports and performing collateral reviews are independent of loan production staff. If absolute lines of independence cannot be achieved as a result of the Seller's small size and limited staff, the Seller must be able to clearly demonstrate that it has prudent safeguards to isolate its collateral evaluation process from influence or interference from its Mortgage production process.

Freddie Mac requires Sellers to obtain appraisals in a manner consistent with the Appraiser Independence Requirements. Freddie Mac does not require the use of appraisal management companies or any other third-party vendor to order appraisals. The Appraiser Independence Requirements allow the use of staff (or in-house) appraisers and independent fee appraisers.

The appraisal report must be signed by an appraiser that the Seller, **or a third party specifically authorized by the Seller**, has approved.

#### **(b) Appraiser and supervisory appraiser qualification**

The appraiser or supervisory appraiser must:

- Be State-licensed or State-certified in the State in which the subject property is located (See subsection (c) below regarding unlicensed and trainee (or similar classification) appraisers)
- Have knowledge and experience in appraising the property type in the market area, and
- Have access to applicable data sources

#### **(c) Unlicensed and trainee appraisers**

**Freddie Mac permits unlicensed and trainee (or similar classification) appraisers to complete an appraisal in accordance with State law. If an appraisal form is completed by an unlicensed or trainee (or similar classification) appraiser, a supervisory appraiser must sign the appraisal form. A supervisory appraiser is not required to inspect the subject property or comparable sales unless required by State law.**

**(d) Seller representations and warranties regarding appraisers and appraisal reports**

In addition to the representations and warranties with respect to the Appraiser Independence Requirements, with respect to each appraisal report, the Seller represents and warrants that:

1. All information known to the Seller that may affect the estimate of market value or marketability has been provided to the appraiser in conjunction with the appraisal request
2. It has reviewed the report and has concluded that the Mortgaged Premises is adequate collateral for the Mortgage transaction, in accordance with the requirements of Section 4201.1
3. The appraisal report complies with all applicable requirements in Seller's Purchase Documents
4. The appraisal report is of professional quality and supports all of the appraiser's assumptions, data, analyses, rationale and conclusions that were relied upon in the appraiser's opinion of the market value of the property and in addressing the marketability of the Mortgaged Premises
5. The information in the appraisal report is accurate, internally consistent, written in clearly understandable language, fully supported and sufficiently documented

Deficient appraisals will be considered a breach of the Seller's warranty as to the acceptability of the Mortgage and will subject the Seller to the remedies available to Freddie Mac. In addition to reviewing the appraisal report submitted by the Seller, Freddie Mac may make property inspections and/or other investigations to assure property eligibility and proper underwriting of the Mortgages offered for sale to and sold to Freddie Mac.

**(e) Representations by appraisers and unacceptable appraisers**

Appraisers and appraisal management companies must not make any representation to third parties as being approved by Freddie Mac.

Freddie Mac may at any time refuse to accept appraisal reports made by a particular appraiser. (See Section 3101.1 for additional requirements on the Freddie Mac Exclusionary List and Section 3101.2 for additional requirements on the Federal Housing Finance Agency Suspended Counterparty Program.)

**(f) Definition of market value**

An appraisal must be based on the following definition of market value:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:



1. Buyer and seller are typically motivated
2. Both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest
3. A reasonable time is allowed for exposure in the open market
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto, and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions\* granted by anyone associated with the sale

\*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third-party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar-for-dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

The market value estimate of the subject property must not include value assigned to furniture or any other personal property.

**(g) Detrimental conditions**

The appraiser must note the presence of detrimental conditions, such as expansive soils, underground mines or subsidence in the immediate area of the subject property. In addition, the appraiser must note any evidence of dampness, infestation or abnormal settlement observed in the subject property and call for correction of the observed condition or professional inspections to determine the seriousness of the condition. The appraiser must also consider the effect of such conditions in estimating the subject property's market value and/or any effect on marketability.

For any appraisal that is made subject to inspections or conditions due to detrimental conditions, the Seller must include in the Mortgage file evidence of corrective action as called for by the inspector or appraiser. The evidence of the corrective action must meet Freddie Mac requirements. (See Section 5601.11 for requirements for final inspection and the completion report.)

**(h) Statement of Assumptions and Limiting Conditions, and Appraiser's Certification**

The Statement of Assumptions and Limiting Conditions, Appraiser's Certification and Supervisory Appraiser's Certification are incorporated into each appraisal report form. Modifications or deletions to these are not permitted. However, additional certifications that do not constitute material alterations to the report, such as those required by law or those

related to the appraiser's continuing education or membership in an appraisal organization, are permitted.

**(i) Owner of Record**

When a new appraisal is required, the Seller must verify:

- For purchase transactions:
  - The property seller listed on the sales contract is the Owner of Record of the subject property or
  - If the transaction involves the sale of land separate from the dwelling, the property seller listed on the sales contract for the land is the Owner of Record for the land
- For refinance transactions, the Borrower is an Owner of Record of the subject property
- For transactions that involve the payoff of a land contract, the property seller is the vendor on the recorded land contract and the Owner of Record of the subject property; and the Borrower is a vendee on the recorded land contract

If the property seller for purchase transactions or the Borrower for refinance transactions is not the Owner of Record, the Seller must investigate the circumstances of the transaction to ensure that the transaction is legitimate. The Seller must retain documentation evidencing the verification or legitimacy of the transaction in the Mortgage file. Such documentation may include, but is not limited to, the appraiser's analysis and conclusions in the appraisal, a property sales history report, a copy of the recorded deed, a copy of a property tax bill, or the title commitment or binder indicating the legal ownership of the property.

**(j) Information supplied to the appraiser**

The Seller warrants that they or a third party specifically authorized by the Seller provided the following information on the subject property, as applicable, to the appraiser in conjunction with all appraisal requests:

1. The complete legal description (see Section 4201.19 for legal description requirements)
2. The complete sales contract for purchase transactions, including:
  - All non-realty items
  - Financing terms
  - Financing and sales concessions granted by anyone associated with the transaction, and
  - Any gifts, buydowns or down payment assistance provided by anyone on behalf of the Borrowers

Note: A sales contract on a new home should state the base price of the house and itemize each option.

The Seller is not required to provide the appraiser with an updated sales contract unless the updated terms impact the physical description or condition of the property. In such cases, the Seller must obtain an updated appraisal for the property. Changes to the sales contract that are not required to be provided to the appraiser include, but are not limited to:

- Changes to the transaction terms such as sales price, financing or sale concessions, and
  - Date revisions, corrections to typographical errors, etc.
3. Any known affiliation between the property seller and the purchaser. (Refer to Section 5601.12(b)).
  4. Income and expense statements and property leases
  5. Generally acceptable energy reports such as the Home Energy Rating System (HERS<sup>®</sup>) report and U.S. Department of Energy (DOE) Home Energy Score report, if applicable; and
  6. Any other information that the Seller is aware of that may affect the market value, condition or marketability of the property. This information includes, but is not limited to:
    - Proposed changes to the use of the property
    - The presence of any Contaminated Site, Hazardous Substance or other adverse conditions affecting the property or the neighborhood in which the property is located. (Refer to Section 5601.12(d)(ii)).
  7. Ground lease for leasehold properties. (Refer to Section 5704.3).

### **5601.3: General appraisal requirements (Future effective date 12/01/19)**

Freddie Mac requires that the Seller obtain an appraisal report that accurately reflects the market value, condition and marketability of the property. The Seller is responsible for compliance with the Appraiser Independence Requirements (AIR), the selection of the appraiser, the appraiser's use of the appropriate Freddie Mac appraisal report forms, compliance with the Uniform Appraisal Dataset (UAD) and a successful submission of the appraisal report to the Uniform Collateral Data Portal<sup>®</sup> (UCDP<sup>®</sup>), all as specified in more detail in this chapter.

Freddie Mac's requirements relating to the appraisal report forms (including the certifications) convey our expectations for the property valuation and appraisal reporting processes, the

appraiser's accountability for the quality of his or her appraisal report, and the appraiser's compliance with both the Uniform Standards of Professional Appraisal Practice (USPAP) and Freddie Mac's requirements. Freddie Mac's requirements are supplemental to those of USPAP. See Section 5601.5 for more information on appraisal report forms and appraisal completion certification requirements.

#### **(a) Seller selection of appraisers and Appraiser Independence Requirements**

Freddie Mac does not select or approve individual appraisers or appraisal management companies. The Seller, or a third party specifically authorized by the Seller, approves and selects the appraiser. The Seller warrants that the appraisal services provided comply with the USPAP, applicable laws, and Freddie Mac requirements.

With respect to each conventional Mortgage sold to Freddie Mac, the Seller represents and warrants that the appraisal was obtained in a manner consistent with the requirements of Exhibit 35, Appraiser Independence Requirements ("Appraiser Independence Requirements").

The Seller must ensure that the individuals ordering and underwriting appraisal reports and performing collateral reviews are independent of loan production staff. If absolute lines of independence cannot be achieved as a result of the Seller's small size and limited staff, the Seller must be able to clearly demonstrate that it has prudent safeguards to isolate its collateral evaluation process from influence or interference from its Mortgage production process.

Freddie Mac requires Sellers to obtain appraisals in a manner consistent with the Appraiser Independence Requirements. Freddie Mac does not require the use of appraisal management companies or any other third-party vendor to order appraisals. The Appraiser Independence Requirements allow the use of staff (or in-house) appraisers and independent fee appraisers.

The appraisal report must be signed by an appraiser that the Seller, or a third party specifically authorized by the Seller, has approved.

#### **(b) Appraiser and supervisory appraiser qualification**

The appraiser or supervisory appraiser must:

- Be State-licensed or State-certified in the State in which the subject property is located (See subsection (c) below regarding unlicensed and trainee (or similar classification) appraisers)
- Have knowledge and experience in appraising the property type in the market area, and
- Have access to applicable data sources

#### **(c) Unlicensed and trainee appraisers**

Freddie Mac permits unlicensed and trainee (or similar classification) appraisers to complete an appraisal in accordance with State law. If an appraisal form is completed by an unlicensed or trainee (or similar classification) appraiser, a supervisory appraiser must sign the appraisal

form. A supervisory appraiser is not required to inspect the subject property or comparable sales unless required by State law.

**(d) Seller representations and warranties regarding appraisers and appraisal reports**

In addition to the representations and warranties with respect to the Appraiser Independence Requirements, with respect to each appraisal report, the Seller represents and warrants that:

1. All information known to the Seller that may affect the estimate of market value or marketability has been provided to the appraiser in conjunction with the appraisal request
2. It has reviewed the report and has concluded that the Mortgaged Premises is adequate collateral for the Mortgage transaction, in accordance with the requirements of Section 4201.1
3. The appraisal report complies with all applicable requirements in Seller's Purchase Documents
4. The appraisal report is of professional quality and supports all of the appraiser's assumptions, data, analyses, rationale and conclusions that were relied upon in the appraiser's opinion of the market value of the property and in addressing the marketability of the Mortgaged Premises
5. The information in the appraisal report is accurate, internally consistent, written in clearly understandable language, fully supported and sufficiently documented

Deficient appraisals will be considered a breach of the Seller's warranty as to the acceptability of the Mortgage and will subject the Seller to the remedies available to Freddie Mac. In addition to reviewing the appraisal report submitted by the Seller, Freddie Mac may make property inspections and/or other investigations to assure property eligibility and proper underwriting of the Mortgages offered for sale to and sold to Freddie Mac.

**(e) Representations by appraisers and unacceptable appraisers**

Appraisers and appraisal management companies must not make any representation to third parties as being approved by Freddie Mac.

Freddie Mac may at any time refuse to accept appraisal reports made by a particular appraiser. (See Section 3101.1 for additional requirements on the Freddie Mac Exclusionary List and Section 3101.2 for additional requirements on the Federal Housing Finance Agency Suspended Counterparty Program.)

**(f) Definition of market value**

An appraisal must be based on the following definition of market value:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated
2. Both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest
3. A reasonable time is allowed for exposure in the open market
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto, and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions\* granted by anyone associated with the sale

\*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third-party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar-for-dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

The market value estimate of the subject property must not include value assigned to furniture or any other personal property.

#### **(g) Detrimental conditions**

The appraiser must note the presence of detrimental conditions, such as expansive soils, underground mines or subsidence in the immediate area of the subject property. In addition, the appraiser must note any evidence of dampness, infestation or abnormal settlement observed in the subject property and call for correction of the observed condition or professional inspections to determine the seriousness of the condition. The appraiser must also consider the effect of such conditions in estimating the subject property's market value and/or any effect on marketability.

For any appraisal that is made subject to inspections or conditions due to detrimental conditions, the Seller must include in the Mortgage file evidence of corrective action as called for by the inspector or appraiser. The evidence of the corrective action must meet Freddie Mac requirements. (See Section 5601.11 for requirements for final inspection and the completion report.)

#### **(h) Statement of Assumptions and Limiting Conditions, and Appraiser's Certification**

The Statement of Assumptions and Limiting Conditions, Appraiser's Certification and Supervisory Appraiser's Certification are incorporated into each appraisal report form.

Modifications or deletions to these are not permitted. However, additional certifications that do not constitute material alterations to the report, such as those required by law or those related to the appraiser's continuing education or membership in an appraisal organization, are permitted.

**(i) Owner of Record**

When a new appraisal is required, the Seller must verify:

- For purchase transactions:
  - The property seller listed on the sales contract is the Owner of Record of the subject property or
  - If the transaction involves the sale of land separate from the dwelling, the property seller listed on the sales contract for the land is the Owner of Record for the land
- For refinance transactions, the Borrower is an Owner of Record of the subject property
- For transactions that involve the payoff of a land contract, the property seller is the vendor on the recorded land contract and the Owner of Record of the subject property; and the Borrower is a vendee on the recorded land contract

If the property seller for purchase transactions or the Borrower for refinance transactions is not the Owner of Record, the Seller must investigate the circumstances of the transaction to ensure that the transaction is legitimate. The Seller must retain documentation evidencing the verification or legitimacy of the transaction in the Mortgage file. Such documentation may include, but is not limited to, the appraiser's analysis and conclusions in the appraisal, a property sales history report, a copy of the recorded deed, a copy of a property tax bill, or the title commitment or binder indicating the legal ownership of the property.

**(j) Information supplied to the appraiser**

The Seller or a third party specifically authorized by the Seller **must** provide the following information on the subject property, as applicable, to the appraiser in conjunction with all appraisal requests:

1. The complete legal description (see Section 4201.19 for legal description requirements)
2. The complete sales contract for purchase transactions, including:
  - All non-realty items
  - Financing terms
  - Financing and sales concessions granted by anyone associated with the transaction, and

- Any gifts, buydowns or down payment assistance provided by anyone on behalf of the Borrowers

Note: A sales contract on a new home should state the base price of the house and itemize each option.

The Seller is not required to provide the appraiser with an updated sales contract unless the updated terms impact the physical description or condition of the property. In such cases, the Seller must obtain an updated appraisal for the property. Changes to the sales contract that are not required to be provided to the appraiser include, but are not limited to:

- Changes to the transaction terms such as sales price, financing or sale concessions, and
  - Date revisions, corrections to typographical errors, etc.
3. Any known affiliation between the property seller and the purchaser. (Refer to Section 5601.12(b)).
  4. Income and expense statements and property leases
  5. Generally acceptable energy reports such as the Home Energy Rating System (HERS®) report and U.S. Department of Energy (DOE) Home Energy Score report, if applicable; and
  6. Any other information that the Seller is aware of that may **adversely** affect the market value, condition or marketability of the property. This information includes, but is not limited to, the presence of any Contaminated Site, Hazardous Substance or other adverse conditions affecting the property or neighborhood in which the property is located. (Refer to Section 5601.12(d)(ii)).
  7. Ground lease for leasehold properties. (Refer to Section 5704.3).

#### **(k) Information supplied to the Borrower**

For purchase transactions, the Seller must provide the Borrower with information regarding environmental hazards directly impacting the subject property that have not been mitigated or remediated, provided the Borrower does not already have notice of such hazard(s), such as through the purchase contract or property inspection. Such hazard(s) must be disclosed to the Borrower when they come to the Seller's attention during the underwriting of the Mortgage prior to the Note Date and the hazard(s) adversely affects the market value, condition or marketability of the subject property. This includes, but is not limited to, the presence of any Contaminated Site, Hazardous Substance or other environmental conditions, not yet mitigated or remediated, which adversely affect the subject property.



## 5601.4: Unacceptable appraisal practices (03/02/16)

### Unacceptable appraisal practices

The following are examples of unacceptable appraisal practices. Evidence of any of the practices listed in this section will be a breach of Seller's warranty as to the professional quality of the appraisal.

1. Inclusion of inaccurate or incomplete data about the subject property, the neighborhood or any comparable sale used in the appraisal analysis
2. Failure to report and/or consider any apparent factor that has an adverse effect on the value and/or marketability of the subject property
3. Consideration of the age or location of a dwelling or the age of the neighborhood or census tract where the dwelling is located in a manner that has a discriminatory effect
4. Reliance in the appraisal analysis on comparable sales that were not personally inspected by the appraiser. A personal inspection requires at least a visual inspection of the exterior of the comparable property.
5. Reliance in any appraisal analysis on inappropriate comparable sales, or the failure to use comparable sales that are more similar to or nearer to the subject property without adequate explanation
6. Use of comparable sales data provided by interested parties to the transaction without verification by a disinterested party
7. The use of inordinate adjustments for differences between the subject property and the comparable sales that do not reflect the market's reaction to such differences, or the failure to make proper adjustments when they are clearly necessary
8. Consideration of the race, color, religion, sex, age, marital status, handicap, familial status or national origin of the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property (see also Section 1301.2 for equal opportunity compliance requirements, and Section 5601.12(c) for prohibition against discrimination in appraising)
9. Development of value and/or marketability conclusions that are not supported by available market data
10. The appraiser's or supervisory appraiser's breach of a certification or Statement of Assumptions and Limiting Conditions or comparable statements as found on any Freddie Mac approved appraisal report form or addendum.

See Section 5601.15 for unacceptable appraisal and inspection practices when using Electronic Signatures and using and maintaining Electronic Records.

## 5601.5: Appraisal reports and inspection types (09/19/18)

For each Mortgage transaction that requires an appraisal, the Mortgage file must contain an appraisal report that meets Freddie Mac's requirements to evidence that the Mortgaged Premises is acceptable collateral.

### (a) Appraisal report forms by property type and inspection type

The following table lists Freddie Mac's appraisal report forms and the applicable inspection types. For each Mortgage transaction that requires an appraisal, the appraisal report must be based on an interior and exterior property inspection. An appraisal report based on an exterior-only property inspection is acceptable for an appraisal update and a subsequent opinion of market value.

Appraisal Report Forms by Property Type and Inspection Type		
Property Type	Form Number and Title	Type of Inspection
1-unit property, including a unit in a Planned Unit Development (PUD) or a Detached Condominium Unit	Form 70, Uniform Residential Appraisal Report	Interior and exterior inspection
	Form 2055, Exterior-Only Inspection Residential Appraisal Report	Exterior-only inspection
Condominium Unit	Form 465, Individual Condominium Unit Appraisal Report	Interior and exterior inspection
	Form 466, Exterior-Only Inspection Individual Condominium Unit Appraisal Report	Exterior-only inspection

<b>Appraisal Report Forms by Property Type and Inspection Type</b>		
<b>Property Type</b>	<b>Form Number and Title</b>	<b>Type of Inspection</b>
Manufactured Home	Form 70B, Manufactured Home Appraisal Report	Interior and exterior inspection
2- to 4-unit property	Form 72, Small Residential Income Property Appraisal Report	Interior and exterior inspection
Any, as required by the original appraisal	Form 442, Appraisal Update and/or Completion Report	Interior and exterior inspection or exterior-only inspection Refer to Section 5601.11

**(b) Appraisal report review forms by property type and inspection type**

The following table lists the Freddie Mac appraisal review report forms and the applicable inspection types.

<b>Appraisal Report Review Forms by Property Type and Inspection Type</b>		
<b>Property Type</b>	<b>Form Number and Title</b>	<b>Type of Inspection</b>
1-unit property, including a unit in a PUD or a unit in a Condominium Project	<a href="#">Form 1032, One-Unit Residential Appraisal Field Review Report</a>	Exterior-only inspection
1-unit property, including a unit in a PUD or a unit in a Condominium Project	<a href="#">Form 1033, One-Unit Residential Appraisal Desk Review Report</a>	No inspection
2- to 4-unit property	<a href="#">Form 1072, Two- to Four-Unit Residential Appraisal Field Review Report</a>	Exterior-only inspection

## 5601.6: Loan Product Advisor<sup>®</sup> Minimum Assessment Feedback (07/11/16)

For Loan Product Advisor<sup>®</sup> Mortgages, the Minimum Assessment Feedback (MAF) will advise the Seller of the type of appraisal report required. The MAF is valid for 120 days. If the effective date of the Feedback Certificate is more than 120 days before the Note Date, the transaction must be resubmitted to Loan Product Advisor.

## 5601.7: Overview of appraisal report forms (06/28/18)

This section lists Freddie Mac's appraisal report forms. See Section 5601.10 for information about appraisal exhibits and addenda. See Section 5601.13 for information related to obtaining subsequent appraisal reports and reconciling multiple opinions of value.

### (a) Form 70, Uniform Residential Appraisal Report

Form 70 is designed to report the results of an appraisal of a 1-unit property, including a unit in a PUD or a 1-unit property with an accessory unit. It may also be used for a **Detached Condominium Unit** if the appraiser includes information about the project and its condition. The form may not be used for an appraisal of a Manufactured Home or a unit in an attached Condominium Project. An interior and exterior inspection of the subject property is required. Appraisals reported on Form 70 with an effective date on or after September 1, 2011, must be completed using the Uniform Appraisal Dataset (UAD) in accordance with Appendix D, UAD Field-Specific Standardization Requirements, of the Uniform Appraisal Dataset Specification ("UAD Specification") when reporting an appraisal for a conventional Mortgage. (See Section 5601.14.)

### (b) Form 2055, Exterior-Only Inspection Residential Appraisal Report

Form 2055 is designed to report the results of an appraisal of a 1-unit property, including a unit in a PUD or a 1-unit property with an accessory unit. It may also be used for a **Detached Condominium Unit** if the appraiser includes information about the project and its condition. The form may not be used for an appraisal of a Manufactured Home or a unit in an attached Condominium Project. An exterior-only inspection of the subject property is required. Appraisals reported on Form 2055 with an effective date on or after September 1, 2011, must be completed using the UAD in accordance with Appendix D, UAD Field-Specific Standardization Requirements, of the UAD Specification ("Appendix D") when reporting an appraisal for a conventional Mortgage. (See Section 5601.14.)

### Form 2055 upgrade requirements

The appraisal must be upgraded to a Form 70 when one or more of the following conditions exist:

- The appraiser cannot obtain sufficient information about both the interior and exterior physical characteristics of the subject property from third-party data sources in order to develop an accurate and adequately supported appraisal
- The appraiser cannot reconcile all significant discrepancies (e.g., size, condition, etc.) among available data sources
- The appraiser's exterior-only inspection does not provide sufficient information to develop an accurate and adequately supported appraisal, including the inability to view the property improvements from the street
- The subject property is new construction and has not yet been occupied
- The subject property is undergoing renovation or rehabilitation
- The data sources used to develop the appraisal (such as the sales contract for purchase transactions) indicate the presence of physical deficiencies or an adverse condition, or the appraiser observes apparent physical deficiencies or adverse property conditions during the exterior property inspection
- The condition rating is C5 or C6 based on the UAD (refer to Section 5601.12(e))
- The quality rating is Q6 based on the UAD (refer to Section 5601.12(e))

**(c) Form 70B, Manufactured Home Appraisal Report**

Form 70B is designed to report an appraisal of a 1-unit Manufactured Home, including a Manufactured Home in a Planned Unit Development (PUD). A Manufactured Home located in a Condominium Project requires the appraiser to inspect the project and complete the project information section of the Form 465, Individual Condominium Unit Appraisal Report, and attach it as an addendum to Form 70B. Form 70B must be used for all Mortgages secured by a Manufactured Home. Freddie Mac does not require the UAD to be used for appraisals reported on Form 70B. However, Form 70B may be completed using the standards contained in the UAD Specification to the extent those standards are applicable.

**(d) Form 72, Small Residential Income Property Appraisal Report**

Form 72 is designed to report the appraisal results for a 2- to 4-unit property. An interior and exterior inspection of the subject property is required. Freddie Mac does not require the UAD to be used for appraisals reported on Form 72. However, Form 72 may be completed using the standards contained in the UAD Specification to the extent those standards are applicable.

**(e) Form 465, Individual Condominium Unit Appraisal Report**

Form 465 is designed to report the results of an appraisal of a 1-unit property in a Condominium Project, whether attached or detached. An interior and exterior inspection of

the subject property is required. Appraisals reported on Form 465 with effective dates on or after September 1, 2011, must be completed using the UAD in accordance with Appendix D of the UAD Specification when reporting an appraisal for a conventional Mortgage. (See Section 5601.14.)

**(f) Form 466, Exterior-Only Inspection Individual Condominium Unit Appraisal Report**

Form 466 is designed to report the results of an appraisal of a unit in a Condominium Project, whether attached or detached. An exterior-only inspection of the subject property is required. Appraisals reported on Form 466 with effective dates on or after September 1, 2011, must be completed using the UAD in accordance with Appendix D of the UAD Specification when reporting an appraisal for a conventional Mortgage. (See Section 5601.14.)

**Form 466 upgrade requirements**

The appraisal must be upgraded to a Form 465 when one or more of the following conditions exist:

- The appraiser cannot obtain sufficient information about both the interior and exterior physical characteristics of the subject property from third-party data sources in order to develop an accurate and adequately supported appraisal
- The appraiser cannot reconcile all significant discrepancies (e.g., size, condition, etc.) among available data sources
- The appraiser's exterior-only inspection does not provide sufficient information to develop an accurate and adequately supported appraisal, including the inability to view the property improvements from the street
- The subject property is new construction and has not yet been occupied
- The subject property is undergoing renovation or rehabilitation
- The data sources used to develop the appraisal (including the Purchase Contract) indicate the presence of physical deficiencies or an adverse condition, or the appraiser observes apparent physical deficiencies or adverse property conditions during the exterior property inspection
- The condition rating is C5 or C6 based on the UAD (refer to Section 5601.12(e))
- The quality rating is Q6 based on the UAD (refer to Section 5601.12(e))

**(g) Form 442, Appraisal Update and/or Completion Report**

Form 442 is designed to report an update of an appraisal and/or to report a certification of completion for a 1- to 4-unit property. Refer to Section 5601.8 for information regarding appraisal updates and Section 5601.11 for information regarding completion reports.

**(h) Appraisal field review reports**

One of the following report forms must be used when the Seller obtains an appraisal field review report:

- Form 1032, One-Unit Residential Appraisal Field Review Report, for 1-unit properties
- Form 1072, Two- to Four-Unit Residential Appraisal Field Review Report, for 2- to 4-unit properties

**(i) Appraisal desk review report**

The Seller must use Form 1033, One-Unit Residential Appraisal Desk Review Report, when obtaining an appraisal desk review report for 1-unit properties.

## **5601.8: Age of appraisal reports and appraisal update requirements, age of automated collateral evaluation offers and re-use of an appraisal report for a subsequent transaction (05/01/19)**

**(a) Age of appraisal reports and appraisal update requirements**

**(i) Acceptable age of appraisal reports**

- If the effective date of the appraisal report is more than 120 days, but not more than 12 months before the Note Date, an appraisal update is required. The effective date of an appraisal update must be no more than 120 days before the Note Date.

For the purpose of Section 5601.8(a), the Note Date is equivalent to the Effective Date of Permanent Financing when the Mortgage is sold to Freddie Mac as a Construction Conversion or Renovation Mortgage.

- If the effective date of the appraisal report is more than 12 months before the Note Date, a new appraisal with an interior and exterior inspection is required

**(ii) Appraisal update reporting requirements**

Appraisal updates must be reported on Form 442, Appraisal Update and/or Completion Report.

- If the update indicates that the value of the subject property has not declined, a new appraisal is not required
- If the update indicates that the value of the subject property has declined, the Seller must obtain a new appraisal, based on either:
  - An exterior-only inspection reported on the appropriate Freddie Mac form for the property type (Form 2055 or 466, as applicable), or
  - An interior and exterior inspection reported on the appropriate Freddie Mac form for the property type (Form 70, 70B, 72 or 465, as applicable)

The original appraiser should perform the appraisal update. If the original appraiser is not available to perform the update, another appraiser may be used. Freddie Mac will accept an appraisal update performed by an unlicensed or trainee (or similar classification) appraiser if a supervisory appraiser signs the appraisal update.

See Section 5601.10(d) for appraisal update exhibit requirements.

**(iii) Appraisal requirements for Settlement Dates more than 120 days after the Note Date**

If the Settlement Date is more than 120 days after the Note Date, the Seller must warrant the value of the subject property at the time of the Settlement Date is not less than the appraised value as of the effective date of the appraisal. If the Seller cannot make this warranty, the Mortgage is eligible for sale only through a negotiated sales transaction through our bulk sales unit.

**(b) Age of the automated collateral evaluation offer**

**(i) Acceptable age of the automated collateral evaluation offer**

A Loan Product Advisor<sup>®</sup> Feedback Certificate message that offers the Seller an appraisal waiver is valid for 120 days. If the offer is more than 120 days old on the Note Date, a resubmission to Loan Product Advisor is required to determine ongoing appraisal waiver eligibility.

Note: If the Seller changes key loan data (address of the property, loan amount, purchase price, estimate of value, loan type, property type, occupancy of the property) in a subsequent submission, the original offer will be invalidated and Loan Product Advisor may provide a different appraisal waiver eligibility determination.

**(ii) Automated collateral evaluation requirements for Settlement Dates more than 120 days after the Note Date**

If the Settlement Date is more than 120 days after the Note Date, the Seller must warrant the value of the subject property at the time of the Settlement Date is not less than the estimated value or sales price used to underwrite the Mortgage in Loan Product Advisor.



If the Seller cannot make this warranty, the Mortgage is eligible for sale only through a negotiated sales transaction through our bulk sales unit.

**(c) Re-use of an appraisal report for a subsequent transaction**

When an appraisal is required for a subsequent transaction secured by the Mortgaged Premises, the **original** appraisal report may be re-used if the following requirements are met:

- (i) The Borrowers on the new transaction must be the Borrowers on the **original** transaction. The only exception is in the event of a divorce or legal separation. The Borrower for the new transaction must be one of the Borrowers on the **original** transaction, and the file must document that the Borrower for the new transaction obtained the property through a divorce or legal separation.
- (ii) Since the effective date of the **original** appraisal report, the Mortgaged Premises must not have undergone any substantial rehabilitation or renovation or have been affected by disaster to the extent that the improvement or deterioration of the property would affect **the value, condition or marketability**
- (iii) The new transaction **must be a “no cash-out” refinance**
- (iv) The appraisal report from the **original** transaction must meet all of the following requirements:
  - The effective date of the appraisal report must not be more than 12 months prior to the Note Date of the subsequent transaction. **When the effective date of the appraisal is more than 120 days prior to the Note Date of the subsequent transaction, an appraisal update is required.** The appraisal update must meet all requirements in Section 5601.8(a) and reflect the Mortgage transaction (e.g., the current Borrowers, the appropriate transaction type, owner of record, lender/client).
  - The lender/client is the Seller or a third party specifically authorized by the Seller **of the original transaction**

## **5601.9: Seller representations and warranties regarding the Mortgaged Premises (10/02/19)**

**(a) Representations and warranties**

In addition to all other representations and warranties specified in the Seller’s Purchase Documents, the Seller makes the following representations and warranties as of the Settlement Date.

**(i) Value warranty**

The Seller represents and warrants that the appraisal accurately reflects the market value of the Mortgaged Premises. See Section 5601.8 for information regarding requirements for Mortgages with Settlement Dates more than 120 days after the Note Date.

**(ii) Condition warranty**

As of the Settlement Date, the Seller represents and warrants that the Mortgaged Premises is not in C5 or C6 condition. For property types not required to utilize the Uniform Appraisal Dataset (UAD) condition ratings, the Seller represents that the property is in a condition consistent with condition ratings C1 through C4.

**(iii) Marketability warranty**

As of the Settlement Date, the Seller represents and warrants that the Mortgaged Premises is acceptable to typical purchasers in the market in which the property is located.

**(b) Appraised value representation and warranty relief – Loan Collateral Advisor®**

**(i) Overview**

For Mortgages with appraisals submitted to the Uniform Collateral Data Portal® (UCDP®) and assessed through Loan Collateral Advisor® that meet the eligibility requirements below, Freddie Mac will not exercise its remedies, including the issuance of repurchase requests, in connection with a breach of the Seller’s selling representations and warranties related to the appraised value of the Mortgaged Premises. The selling representation and warranty relief described in this subsection will be referred to as “appraised value representation and warranty relief.”

**(ii) Eligible Mortgages**

The following requirements must be met for Mortgages to be eligible for appraised value representation and warranty relief:

- The Mortgage must have a loan-to-value (LTV)/total TLTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio less than or equal to 95%
- The Mortgage must be secured by a 1-unit dwelling, including units in a Condominium Project or a Planned Unit Development (PUD)
- The Borrower must be an individual or a Living Trust
- The UCDP feedback message FRE4000 must be returned. It indicates “This appraisal is eligible for representation and warranty relief for property value, pending an assessment of the loan.”

Note: For Sellers that utilize Loan Collateral Advisor, representation and warranty relief eligibility will correspond to an appraisal with a risk score less than or equal to 2.5. Loan Collateral Advisor will also display a representation and warranty relief indicator of “eligible.” Upon submission to Loan Product Advisor and/or Loan Quality Advisor<sup>®</sup>, a corresponding representation and warranty relief message will also be provided in the feedback certificate.

- The final submission to Loan Selling Advisor<sup>®</sup> must indicate the representation and warranty relief status is “Y” or “Yes”

### **(iii) Ineligible Mortgages**

The following Mortgages are not eligible for appraised value representation and warranty relief:

- Mortgages secured by Manufactured Homes
- Mortgages secured by leasehold estates
- Mortgages secured by Mortgaged Premises subject to resale restrictions
- Freddie Mac Enhanced Relief Refinance Mortgages<sup>®</sup>
- Community Land Trust Mortgages

### **(iv) Loan Collateral Advisor appraised value representations and warranty exceptions**

For Mortgages that meet the eligibility requirements above, the Seller/Servicer remains responsible for compliance with the requirements below and will not be relieved from Freddie Mac’s enforcement of remedies, even if such matters are related to appraised value

- The requirement that the Mortgaged Premises (including units in a Condominium Project or a PUD, if applicable) meets Freddie Mac’s property eligibility requirements (e.g., not vacant or undeveloped land, not primarily used for agricultural or farming purposes or for a commercial enterprise, etc.) (Sections 5601.2 and 5701.2)
- The requirement that the Mortgaged Premises (including units in a Condominium Project or PUD, if applicable) not be subject to a pending legal proceeding for condemnation in whole or in part (Section 5601.2)
- The requirement that, when applicable, a certification of completion (Form 442) or completion report is obtained verifying that any outstanding conditions of the appraisal have been satisfied (Section 5601.11)
- The requirement to ensure the appraiser’s description of the subject property must be complete and accurate (e.g., accuracy of quality and condition ratings, photographs)

that support the quality and condition of the property, etc.) (Applicable language in Section 5601.12)

For Mortgages that are eligible for appraised value representation and warranty relief as described above, the Seller/Servicer is not responsible for underwriting the appraisal to ensure compliance with the following requirements:

- The appraisal report must justify and support the appraiser's opinion of market value and that the appraiser must explain how the final value conclusion was determined (Applicable language in Section 5601.12)
- The appraiser must make appropriate adjustments (Applicable language in Section 5601.12)
- The opinion of market value of the subject property must be accurate and adequately supported (Applicable language in Section 5601.12)

Nothing in this Section 5601.9(b) is meant to imply that the Seller is not responsible for compliance with other requirements of the Purchase Documents.

**(c) Automated collateral evaluation – value, condition and marketability representation and warranty relief**

**(i) Overview**

For certain Loan Product Advisor Mortgages, the automated collateral evaluation provides a Seller with the option to accept an appraisal waiver and originate the Mortgage without an appraisal.

When the appraisal waiver option is accepted, Freddie Mac will accept the estimated value submitted by the Seller for the purposes of underwriting the Mortgage, and will not exercise its remedies, including the issuance of repurchase requests, in connection with a breach of the Seller's selling representations and warranties related to value, condition, and marketability of the Mortgaged Premises.

**(ii) Process for qualifying for and accepting the appraisal waiver offer**

For a Mortgage to qualify for an appraisal waiver:

- The Seller must submit the Mortgage to Loan Product Advisor and receive a Risk Class of Accept
- Upon evaluation by Loan Product Advisor, the Last Feedback Certificate must indicate that the Mortgage is eligible for representation and warranty relief with an appraisal waiver (this represents the "offer"); and
- The final submission of the Mortgage to Loan Selling Advisor must indicate the representation and warranty relief status is "Y" or "Yes"

For Mortgages that receive the appraisal waiver offer, in order to accept the offer, the Seller must deliver the Mortgage with the ULDD Data Points described in the data delivery instructions in Section 6302.10(c).

**(iii) Eligible Mortgages**

The following requirements must be met for Mortgages to be eligible to receive an appraisal waiver offer:

- The Mortgage must be secured by a 1-unit dwelling, including a Condominium Unit
- The Mortgage must be secured by a Primary Residence or second home
- The Mortgage must have an LTV/TLTV ratio less than or equal to 80%
- The Mortgage must be a purchase transaction or a “no cash-out” refinance

**(iv) Ineligible Mortgages**

The following Mortgages are not eligible for an appraisal waiver:

- Mortgages for which an appraisal has been obtained in connection with the Mortgage
- Texas Equity Section 50(a)(6) Mortgages
- Mortgages secured by one of the following:
  - A Manufactured Home, or
  - A leasehold estate
- Mortgages secured by Mortgaged Premises subject to resale restrictions
- Construction Conversion and Renovation Mortgages
- Freddie Mac Enhanced Relief Refinance Mortgages
- Community Land Trust Mortgages
- Non-arm’s length transactions
- Purchases of REO properties (as identified in the sales contract)
- Mortgages with an estimate of value or purchase price greater than \$1,000,000
- GreenCHOICE Mortgages<sup>SM</sup>

- CHOICERenovation<sup>SM</sup> Mortgages

In addition, Sellers may not accept the appraisal waiver offer if any of the following apply:

- The Seller is required by law or regulation to obtain an appraisal
- The Seller is aware of conditions **that** warrant an appraisal being obtained.

Examples include, but are not limited to:

- A contaminated site or hazardous substance exists affecting the property or the neighborhood in which the property is located
- Adverse physical property conditions that are apparent based on the review of the sales contract, property inspection, disclosure from the Borrower, etc.

**(v) Maintaining appraisal waiver eligibility**

The appraisal waiver offer is valid for 120 days. If the offer is more than 120 days old on the Note Date, a resubmission to Loan Product Advisor is required to determine ongoing appraisal waiver eligibility.

Note: If the Seller changes loan data (e.g., address of the property, loan amount, purchase price, estimate of value, loan type, property type, occupancy of the property) in a subsequent submission, the original offer will be invalidated and Loan Product Advisor may provide a different appraisal waiver eligibility determination.

**(vi) Appraisal waiver eligibility in disaster areas**

Sellers may continue to accept an appraisal waiver offer if the Seller can represent and warrant the value and marketability of the Mortgaged Premises has not been adversely impacted. See Section 4407.1 for property condition requirements.

**(vii) Seller representation of property review or valuation**

A Seller that has accepted the appraisal waiver offer in connection with a Mortgage must not make any representation that Freddie Mac has performed a property review or obtained a valuation of the Mortgaged Premises.

## **5601.10: Required exhibits and addenda for appraisal report forms (08/29/18)**

At a minimum each appraisal report must include the exhibits required for the property type. The exhibits must meet the requirements provided in this section.

### **(a) Exhibit requirements for appraisal reports**

#### **(i) Photographs**

Photographs of the subject property must be original electronic images that are in color and illustrative of the property. The photographs must be clear, appropriately identified and must clearly show the improvements, including any physical deterioration of the property, amenities, conditions and external influences that have a material effect on the market value or marketability of the subject property.

Photographs of the comparable sales must be clear electronic images. Copies of multiple listing service (MLS) photographs are acceptable.

#### **(ii) Building sketch**

##### **(A) Detached properties and end-unit properties**

For detached 1-unit properties, end units in Planned Unit Developments (PUDs) and Detached Condominium Units, the exterior sketch of the improvements must include the dimensions and calculations the appraiser used to determine the size of the subject property.

##### **(B) Attached properties**

For interior units in PUDs and attached Condominium Units, an interior perimeter sketch is acceptable. Appraisers may have relied on the dimensions and estimates for gross living area as shown on the plat or exhibits to the Project Documents of a Condominium Project or Planned Unit Development, or provided legible photocopies of floor plans or individual unit plats that include the dimensions and calculations.

##### **(C) 2- to 4-unit properties**

For 2- to 4-unit properties, the sketch must also include each unit's layout and entries, and indicate the square feet of living area per unit and the gross building area (GBA).

#### **(iii) Location map**

The location map must identify the location of the subject property and any comparables including sale, rental and listing comparables as applicable. This map may be a

photocopy of a printed street map showing the location of the subject property and comparable properties in relation to major streets and influences such as parks and schools.

**(b) Exhibits required for appraisals with interior and exterior inspections (Forms 70, 70B, 72 and 465)**

The following exhibits that meet the requirements in Section 5601.10(a) are required for appraisals with interior and exterior inspections:

**(i) Photographs of the subject property**

An appraisal report with an interior and exterior inspection must include at least the following:

- A front view of the subject property
- A rear view of the subject property
- A street scene identifying the location of the subject property and showing neighboring improvements
- The kitchen of the subject property
- All bathrooms of the subject property
- The main living area of the subject property

The appraiser must include additional photographs, as needed, to show any physical deterioration, improvements, amenities, conditions and external influences that materially impact market value or marketability.

**(ii) Photographs of comparable sales**

The report of an appraisal with an interior and exterior inspection must include at least one clear photograph that shows the front of each comparable sale.

The appraiser must include additional photographs, as needed to show the improvements, amenities or external influences that materially impact market value or marketability.

**(iii) Building sketch**

See Section 5601.10(a).



**(iv) Location map**

See Section 5601.10(a).

**(c) Exhibits required for appraisals with exterior-only inspections (Forms 466 and 2055)**

An appraisal report based on an exterior-only inspection must include all the following that meet the requirements of Section 5601.10(a):

- At least one photograph that shows the front view of the subject property
- Location map indicating the location of the subject property and any comparables, whether comparable sales, listings or rentals

**(d) Exhibits required for appraisal updates (Form 442)**

If the photographs in the original appraisal report represent the subject property accurately, new photographs of the subject property are not required.

Photographs of any factors that affect the value, condition or marketability of the subject property should be provided if not already part of the original appraisal report.

Photographs that meet the requirements of Section 5601.10(a) are required for any new comparable sales.

**(e) Other necessary exhibits and addenda for appraisal reports**

The appraiser must provide any additional information or data that is needed to provide the lender/client with an accurate and adequately supported appraisal. The Seller may request that the appraiser provide additional exhibits or addenda as part of the appraisal scope of work. Any exhibit or addenda must be incorporated into the appraisal.

## **5601.11: Appraisals completed subject to completion, repairs or alterations, or an inspection (05/01/19)**

**(a)** For appraisals that are made subject to completion per plans and specifications, or are subject to repairs or alterations:

- An appraiser must perform the final inspection of the property and provide a completion report documenting that the property has been completed. Freddie Mac will accept a completion report performed by an unlicensed or trainee (or similar classification) appraiser if a supervisory appraiser signs the completion report
- The completion report must:

- Include photographs of the completed items
  - Be dated before the Settlement Date unless requirements for incomplete improvements or **GreenCHOICE Mortgages<sup>SM</sup>** have been met. (See Section 5601.2(b) or 4606.4, for more information.)
  - Be retained in the Mortgage file
- (b) For appraisals that are made subject to an inspection of the property, a licensed professional or another person trained in the particular field of concern (e.g., structural engineer, plumber, pest inspector, etc.) must perform the inspection of the property.

The inspector must provide either:

- A report stating that a repair(s) is not required, or
- A signed report or invoice stating that the repair has been completed and the issue corrected. The report or invoice must provide the professional's license number when available

The report or invoice must be:

- Dated before the Settlement Date
- Retained in the Mortgage file

## **5601.12: Property description and analysis (11/06/19)**

The appraiser's description of the subject property must be complete and accurate, and the opinion of the market value of the subject property must be accurate and adequately supported. In addition, the appraiser must have knowledge and experience appraising in the market area in which the property is located. This is particularly important when the property is located in a rural area because there are often a variety of different property types and land uses, which may result in a more challenging appraisal assignment.

The appraisal report forms require the appraiser to certify that the appraiser did not base, either partially or completely, their analysis and/or opinion of market value in the appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.

This section is intended to provide the Seller with information for reviewing the appraisal report and underwriting the property and is organized in the general order that the issues are addressed on appraisal report forms.

### **(a) Subject section**

The “Subject” section of the appraisal report must identify the subject property by providing a complete property address and legal description, and by identifying the owner of public record for the property. For appraisal reports that are required to be completed using the Uniform Appraisal Dataset (UAD), the format of the property address must conform to the United States Postal Service (USPS) Address Standards in Publication 28. If a legal description is lengthy, the appraiser may attach it as an addendum to the report. (Refer to Section 5601.14.)

The occupancy status of the property must be identified as either owner, tenant or vacant as of the effective date of the appraisal. The property rights appraised must be reported as either fee simple or leasehold, and the report also must indicate whether the property is currently offered for sale or was offered for sale within the 12 months prior to the effective date of the appraisal. The appraisal report must also state the data source(s) used, offering price(s), date(s) and the days on market for the subject property.

The appraisal report must include the name of the lender on the lender/client line. Any applicable appraisal management company should be reported in the appraiser’s certification section of the appraisal report form.

### **(b) Contract section**

Freddie Mac requires the contract for sale to include the sale or contract price, date of contract and loan charges to be paid by the property seller, and the financing and sales concessions to be paid by the property seller or any other interested party to the transaction.

The Seller is responsible for the appraiser being provided the complete contract for sale for the subject property with the appraisal request regardless of whether the appraisal is ordered by the Seller or another lender. The appraiser must have the necessary and appropriate data sources for the area in which the subject property is located.

The “Contract” section of the appraisal report must include the results of the appraiser’s analysis of the contract for sale, the contract price, the date of contract and to acknowledge if the property seller is the owner of public record, and the data source(s) used. The appraisal report must also include the total dollar amount and description of any financial assistance (loan charges, sales concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the Borrower.

For appraisal reports that are required to be completed using the UAD, the “Contract” section of the appraisal report must also indicate the type of sale for the transaction. Valid UAD sale types include REO sale, short sale, court ordered sale, estate sale, relocation sale, non-arms length sale and arms length sale. (Refer to Section 5601.14.)

### **(c) Neighborhood section**

The “Neighborhood” section of the appraisal report requires the appraiser to: identify the neighborhood boundaries; describe the neighborhood characteristics as either “Urban,” “Suburban” or “Rural”; describe the percent built-up as either “Over 75%,” “25-75%” or

“Under 25%”; describe the growth rate as either “Rapid,” “Stable” or “Slow”; and to report on market conditions, housing trends, price and age ranges and present land uses for the properties in the neighborhood.

Mortgages secured by residential properties in urban, suburban and rural market areas are eligible for delivery to Freddie Mac as long as the Mortgaged Premises is adequate collateral for the transaction based on the value, condition and marketability of the property. Neighborhood or market area characteristics and market conditions vary based on property location. Characteristics that are typical in certain locations may not exist in other locations; therefore, they must be viewed in the context of the location of the property.

For example:

Urban locations often consist of a variety of different property types that have different uses. It is not unusual to find properties with mixed-uses such as residential properties with a secondary business or commercial use in urban neighborhoods. Additionally, rural locations may have agricultural zoning and/or consist of a variety of different property types and land uses, such as large sites with an outbuilding(s), farms, ranches and undeveloped land, etc.

The existence of non-residential property types or land uses such as agricultural properties, undeveloped land and land development properties within the neighborhood or market area is a characteristic that the appraiser considers when performing the neighborhood or market area analysis. These non-residential properties or land uses in the neighborhood or market area do not make the residential properties in those locations ineligible. For example, a property located in a rural area where agricultural activities are prevalent may be eligible if it is determined the subject property is residential based on the subject property’s characteristics and land use.

Outbuildings on a property, such as barns or stables, must be considered in the underwriting process to determine whether the property is primarily residential or non-residential. A property with a small barn or stable may be acceptable if the contributory value of the outbuilding(s) is minimal in relation to the total appraised value of the subject property. The appraiser must demonstrate in the appraisal (e.g., through the use of comparable sales, pending sales or listings) that these characteristics are typical for residential properties in the market area.

When a property has a large outbuilding, such as a large barn, or silo, or multiple outbuildings or facilities for farm-type animals, it may indicate that the property is agricultural or non-residential regardless of whether the appraiser assigns value to these improvements, and ineligible as security for a Freddie Mac Mortgage.

Properties in rural locations often have relatively large sites as compared to other locations. In addition, there may be a lack of comparable sales due to the relatively low number of recent sales transactions in the market area. In such cases, appraisers may have to use comparable sales that are located a considerable distance from the subject property or comparable sales that are not very similar to the subject property. This is acceptable as long as the appraiser can justify and support the use of the comparable sales and analysis in the appraisal report. For example, if the subject property is a ranch-style home on a large parcel

of land (e.g., 44 acres), the most relevant comparable sales may be two-story homes located on smaller parcels (e.g., 6-12 acres) that are located some distance from the subject property (e.g., 8-18 miles away). If an appraiser uses comparable sales such as the ones in this example, he or she must provide a reasonable justification for the use and make appropriate adjustments to account for the differences between the properties and/or location.

#### **(d) Site section**

##### **(i) Property characteristics**

The “Site” section of the appraisal report must accurately describe the physical characteristics of the site, site improvements, site view and available utilities, and must fully analyze any locational factors affecting the site.

##### **(A) Zoning**

The appraisal report must accurately state:

- The zoning classification
- A description of the zoning classification
- Whether the land use of the subject property represents a legal, legal non-conforming (commonly referred to as grandfathered use), illegal use, or if there is no zoning

##### **(I) Eligible zoning classification**

Freddie Mac does not limit Mortgage purchases to Mortgages secured by properties with specific zoning classifications. However, the subject property’s zoning classification is an important characteristic to consider when determining whether the Mortgage is eligible for sale to Freddie Mac. For example, if a property is zoned for agricultural use, the Seller must ensure that the property is residential in nature, its residential use is a permissible use under the zoning classification and its use does not primarily involve commercial activities such as farming or ranching.

##### **(II) Eligible zoning compliance**

The Mortgaged Premises must conform to the jurisdiction’s zoning and land use requirements. The zoning compliance must be either legal non-conforming or legal conforming; however, if a property has an accessory unit that does not comply with the jurisdiction’s zoning and land use requirements (illegal zoning compliance), the Mortgaged Premises may be eligible if the requirements of Section 5601.12(e) are met. Mortgaged Premises that are located in jurisdictions with no zoning are acceptable.

For Mortgaged Premises with a land use that is legal non-conforming, the appraisal report must reflect any adverse effect the non-conforming use has on the opinion of market value.

A Mortgage is ineligible for sale to Freddie Mac if the Mortgage is secured by property that is subject to coastal tideland, wetland or setback laws and/or regulations that prevent the rebuilding or maintenance of the property improvements if they are damaged or destroyed.

**(B) Highest and best use**

For the Mortgage to be eligible for sale to Freddie Mac, the appraiser must report that the Mortgaged Premises' present use represents the highest and best use of the property as improved (or as proposed per plans and specifications).

**(C) Utilities**

The utilities serving the subject property must meet community standards. In addition, the comparable sales should have utilities similar to the subject property. When differences in utilities exist between the subject property and the comparable sales, any adjustments or lack of adjustments made to the comparable sales for significant differences must be explained in the comments area or on an attached addendum. In addition, the appraisal must evaluate the effect these differences have on the subject property's value or marketability.

**(D) Streets**

The subject property must have legal ingress and egress **by streets constructed and maintained in a manner that meets community standards. Refer to Section 4702.4(e) for requirements related to access provided by a private road, joint-driveway or easement.**

**The appraiser should use comparable sales with street access, ownership, maintenance and materials similar to the subject property. When differences in street access, ownership, maintenance or materials exist between the subject property and a comparable sale, the appraiser must justify and support adjustments, or lack of adjustments, made to the comparable sale. The appraiser should evaluate and explain the effect these differences have on the subject property's value or marketability.**

**(E) Site size**

Freddie Mac does not limit Mortgage purchases based on the size of the site. The appraiser must appraise the entire site. In addition, the comparable sales should have similar site sizes. When differences in site size exist between the subject property and the comparable sales, any adjustments or lack of adjustments made to the comparable sales for significant differences must be explained in the comments area or on an attached addendum, and the appraiser must explain the effect these differences have on the subject property's value or marketability.

**(F) Additional parcels**

The Mortgaged Premises may consist of more than one adjoining parcel of real estate, but cannot include an adjoining parcel that contains an additional residence. When the subject property includes two or more adjoining parcels of real estate, the site description must accurately describe the land and any improvements included in each of the parcels. In addition, the comparable sales should have adjoining parcels similar to the subject property. When differences in sites exist between the subject property and the comparable sales, any adjustments or lack of adjustments made to the comparable sales for significant differences must be explained in the comments area or on an attached addendum. In addition, the appraisal report must explain the effect these differences have on the subject property's value or marketability (see also Section 5601.2).

**(G) Flood hazard area**

The appraiser is not required to complete this section if the flood zone is determined by another party, such as a non-appraiser on the staff of the Seller, a surveyor or a specialized flood zone determination company.

If the property is in a "Special Flood Hazard Area" (SFHA) as identified by the Federal Emergency Management Agency (FEMA) through the National Flood Insurance Program (NFIP), the appraiser must comment on and consider any impacts this has on the subject property's market value or marketability.

See Section 8202.3 for flood zone determination and flood insurance requirements.

**(ii) Impact of Contaminated Sites, Hazardous Substances and other adverse conditions**

The appraiser must consider any known Contaminated Sites or Hazardous Substances and other adverse conditions that affect the property or the neighborhood in which the property is located. The appraiser must also report the presence of Contaminated Sites or Hazardous Substances and other adverse conditions, and make appropriate adjustments to reflect any impact on market value, and comment on any effect on the marketability of the subject property.

Examples of matters about which the appraiser must note and comment include but are not limited to:

- Any presence of asbestos, urea-formaldehyde or any similar insulation in the dwelling
- Proximity of the property and/or its neighborhood to a Contaminated Site
- Proximity of the property to ground water contamination, chemical or petroleum spills or other Hazardous Substances that are expected to impact the area for more than one year

- Proximity of the property to areas that may affect the value or marketability of the property including, but not limited to, the following:
  1. Industrial sites
  2. Waste or water treatment facilities
  3. Commercial establishments (other than retail establishments that serve the residential neighborhood)
  4. Airport approach paths
  5. Floodplains
  6. Landslide areas

**(e) Improvements section**

**(i) Property condition and quality of construction**

The appraisal report must contain an accurate description of the improvements and describe any factors that may affect the market value or marketability of the subject property. The appraiser is responsible for reporting the condition and quality that best describes the overall condition and quality of the subject property. For appraisal reports that are required to be completed using the Uniform Appraisal Dataset (UAD), the appraiser must utilize the condition and quality ratings and the level of updating definitions identified in Exhibit 36. For appraisal reports not required to be completed using the UAD, the UAD specifications may be utilized to the extent that they are applicable to the particular appraisal report form.

The condition and quality ratings must be based on a holistic view of the property and any improvements. When selecting the condition and quality ratings, an appraiser must:

- Consider all improvements to determine an overall condition and quality rating. The appraiser should then select the rating that best reflects the holistic view of the property. However, an exception exists for the Q6 quality rating and the C6 condition rating as identified below:
  - The Q6 quality rating is an exception because it indicates that the property is impacted by one or more deficiencies that negatively affect the safety, soundness or structural integrity of the property. If any portion of the improvements has a quality of construction consistent with a Q6 quality rating the property must be identified with a Q6 quality rating.
  - The C6 condition rating is also an exception because it indicates that the property is impacted by one or more deficiencies that negatively affect the safety, soundness or structural integrity of the property. If any portion of the improvements has a condition consistent with a C6 condition rating, the property must be identified with a C6 condition rating.



- Describe the subject property as of the effective date of the appraisal on an absolute basis, meaning the property must be rated on its own merits. It should be noted that the rating should not be selected on a relative basis, meaning it is not selected on how the property relates or compares to other properties in the neighborhood. The condition and quality ratings for comparable properties must also be made on an absolute basis and reflect the property as of the date of sale of the comparable property
- As necessary, provide additional commentary, descriptions and explanations to enable the intended users of the appraisal to understand the property condition and quality

**(A) Properties with a Q6 quality rating**

**A Mortgaged Premises with an overall quality rating of Q6 is not acceptable collateral to secure a Mortgage sold to Freddie Mac unless** all issues that caused the property to be rated with a Q6 quality rating are cured prior to delivery of the Mortgage. In such cases, the appraisal must be completed “subject to” and the reported quality rating must reflect the hypothetical condition that the repairs or alterations have been completed. See Section 5601.11 for additional information related to appraisals completed “subject to” completion, repairs or alterations, or an inspection.

Examples of conditions indicating the property has a Q6 quality rating and as a result has conditions that must be cured include, but are not limited to:

- Quality such that the property is not habitable as a year-round residence
- Minimal or non-existent electrical, plumbing, and/or other mechanical systems
- Substandard additions to the original structure, or
- Any other quality related items needed to make the Mortgaged Premises acceptable to typical purchasers in the market in which the property is located

**(B) Properties with a C5 or C6 condition rating**

**A Mortgaged Premises with an overall condition rating of C5 or C6 is not acceptable collateral to secure a Mortgage sold to Freddie Mac unless** all issues that caused the property to be rated with a C5 or C6 condition rating are cured prior to delivery of the Mortgage. In such cases, the appraisal must be completed “subject to” and the reported condition rating must reflect the hypothetical condition that the repairs or alterations have been completed. See Section 5601.11 for additional information related to appraisals completed “subject to” completion, repairs or alterations, or an inspection.

Examples of deficiencies identified by the appraiser that indicate the property is in C5 or C6 condition include, but are not limited to:

- Active roof leaks
- Water seepage or significant plumbing leaks
- Uncapped wiring
- Curled, cupped, or missing roof shingles
- Damaged or failing foundations
- A mechanical system where it is apparent it has exceeded its expected life or mechanical systems that are non-functional, or
- A sanitary system with evidence of failure

**(C) Appraisals completed “subject to” an inspection**

If an appraiser observes conditions that require further investigation, the appraiser must make the appraisal “subject to” an inspection by an appropriately licensed professional or another person trained in the particular field of concern. Examples of conditions that may require an inspection include, but are not limited to, observations of severe cracks in foundations or walls, active infestation, significant water damage and/or wet basements or crawl spaces, or a potentially contaminated water source. See Section 5601.11 for additional information related to appraisals completed “subject to” completion, repairs or alterations, or an inspection.

**(D) Existing properties with minor needed repairs or deficiencies or deferred maintenance**

Freddie Mac allows an appraisal to be completed “as is” for an existing property when there are minor needed repairs or deficiencies, or deferred maintenance. The appraiser must make appropriate adjustments for these conditions in the appraisal report, when necessary.

Examples of acceptable minor needed repairs or deficiencies, or deferred maintenance items include, but are not limited to:

- Worn floor finishes or coverings
- Minor cracks in windows
- Minor damage to interior walls
- Damaged or missing interior doors
- Damaged or missing window screens or cabinetry doors

- Missing handrails
- Damaged or deteriorating countertops
- Missing hardware such as handles
- Missing light fixtures, electrical switches or faceplates
- Damaged or missing trim
- Minor plumbing leaks that do not cause damage (such as dripping faucets), or
- Deteriorated sidewalks

**(ii) Required permits**

If the appraiser notes that additions or alterations were made without required permits, the appraisal report should also contain comments on the quality and appearance of the work. In addition, the appraiser should note special energy-efficient items and adverse environmental conditions.

**(iii) Mixed-use**

If the property has been modified to accommodate mixed-use, the appraiser should address whether the modifications affect the property's marketability as a residence and whether the cost to restore the property to solely residential use will affect its value.

**(iv) Unusual floor plans**

An unusual floor plan, such as a home with tandem bedrooms or a bathroom off the kitchen, does not make a property ineligible for financing. The appraiser should address whether an unusual floor plan or similar obsolescence is also found in other properties in the neighborhood, and to the extent possible, comparables used should also have similar obsolescence in order to demonstrate marketability and support value.

**(v) Property with an accessory unit**

Freddie Mac will purchase an eligible Mortgage on a 1-unit property that has an accessory unit. A Mortgage is eligible if the accessory unit is either legal or legal non-conforming based on the zoning and land use requirements. If the accessory unit is illegal based on the zoning and land use requirements, a Mortgage is eligible according to the requirements below. A Mortgage secured by a 2- to 4-unit property with one or more accessory units is not eligible for purchase by Freddie Mac.

An accessory unit is an additional living area that includes at least a kitchen, a bathroom, and a separate entrance and is independent of the primary dwelling unit. Examples of such properties include a dwelling with a unit above a garage, a dwelling with an attached or detached guest apartment or a dwelling with a unit in the basement. The primary factor

that differentiates a 2-unit property from a 1-unit property with an accessory unit is the zoning and land use requirements.

For a 1-unit property with an accessory unit the appraiser must describe the accessory unit and appraise the property based on its current use. Any effect the accessory unit has on the market value or marketability of the subject property must be analyzed and reported.

- If the subject property accessory unit complies with the zoning and land use requirements, the appraisal report must include:
  - At least one comparable sale with an accessory unit, when available, to demonstrate the property's conformity and marketability to its market area. If a recent comparable sale with an accessory unit is not available in the subject neighborhood, the appraiser can use an older sale with an accessory unit from the subject neighborhood or a sale with an accessory unit from a competing neighborhood as a comparable sale or as supporting market data. The appraiser may always use more than three comparable sales, including contract sales (pending sales) and/or current listings, to justify and support his or her opinion of market value, as long as at least three are actual closed (settled) sales.
  - If a comparable sale with an accessory unit is not available, the appraiser can use a comparable sale in the subject neighborhood without an accessory unit as long as the appraiser can justify and support such use in the appraisal report. Freddie Mac will purchase eligible Mortgages secured by a property with an accessory unit if the appraiser can develop an accurate opinion of market value for the property.
- If the subject property accessory unit does not comply with the zoning and land use requirements, the Mortgage is eligible if:
  - The "Site" section of the appraisal report indicates that the accessory unit does not comply with zoning and land use requirements
  - At least two comparable sales with an accessory unit must be included in the appraisal report. The accessory unit of each comparable sale must also be non-compliant with the zoning and land use requirements to demonstrate the conformity and marketability of the subject property to its market area; and
  - The Seller confirms that the existence of the accessory unit will not jeopardize future hazard insurance claims

**(vi) Rehabilitated or renovated property**

For properties that have recently undergone rehabilitation or renovation, the appraiser must list the changes made and provide photographs of the rehabilitation or renovation. The photographs must meet the requirements of Section 5601.12(a).

**(vii) Non-conformity to the neighborhood**

When the subject property does not conform to its neighborhood in terms of type, design, age, and the materials and techniques used in its construction, the appraisal must evaluate the effect the nonconformance has on the property's value and marketability. The appraisal must not improperly take into consideration the age of the dwelling. (See Section 5601.4 for unacceptable appraisal practices.)

**(viii) Remaining economic life**

Freddie Mac does not require an estimate of remaining economic life.

**(f) Sales comparison approach**

Freddie Mac considers the sales comparison approach to be the most reliable approach to value. Therefore, a Seller must place primary emphasis on this approach when reviewing and judging the acceptability of each appraisal report.

**(i) Adjustments**

Each comparable sale must be analyzed for similarities and differences between it and the subject property. **When the appraiser's analysis concludes an adjustment is necessary**, the appraiser must make an adjustment for differences and indicate the dollar amount of the adjustment to reflect the value of the differences to the market. **The appraiser may also need to consider whether the income approach, cost analysis, market surveys or other methods are appropriate for supporting adjustments.**

Comparable sales must be adjusted to the subject property, except for sales and financing concessions that must be adjusted to the market at the time of the sale. **Large adjustments typically occur in rural markets, and with unique properties, due to limited market activity. Freddie Mac does not have limitations on gross or net adjustment percentages.**

**(ii) Sales and financing concessions**

The appraiser must independently verify and analyze all pending and recent sales of comparable properties, report how the sales were verified and whether concessions were granted. At least three verified, closed (settled) sales of comparable properties must be analyzed and market-based adjustments made for significant differences between the comparable sales and the subject property.

Sales or financing concessions are offered by interested parties to the transaction (e.g., the builder, developer, property seller or real estate agent). Because the effect of concessions on sale prices can vary with the type and amount of the concessions, any adjustments to comparable sales must be based on the market reaction to them. The appraiser should provide comparable sales that sold without concessions to justify and support the adjustments made in determining the market reaction to the concessions. Adjustments may not be based solely on dollar-for-dollar deductions equal to the dollar value of the concessions. If comparable sales without concessions are not available, adjustments to comparable sales with concessions must reflect the differences between

what the comparable sales actually sold for with the concessions and what they would have sold for without the concessions.

The appraiser's opinion of market value must reflect the value of the subject property without the concessions. The appraiser must also provide the dollar value of the concessions as a comment in the appraisal report.

For Seller treatment of concessions, see Section 5501.5.

### **(iii) Location**

For appraisal report forms that are required to be completed using the UAD, the appraisal report form must include a rating of the location of the subject property and each comparable sale by providing a rating of either "Neutral," "Beneficial" or "Adverse." The location rating is for the location of the subject property within the neighborhood or market area, and is not a rating for the overall neighborhood or market area. See Appendix D – Field Specific Standardization Requirements of the Uniform Appraisal Dataset Specification ("UAD Specification") for additional requirements regarding location.

The location rating (which will be abbreviated as N, B, or A in the appraisal report form) should describe the overall effect on value and marketability of the location of the property within the neighborhood.

### **(iv) View**

For appraisal report forms that are required to be completed using the UAD, the overall view associated with the subject property and each comparable sale must be rated as either "Neutral," "Beneficial" or "Adverse." The UAD view rating (which will be abbreviated as N, B, or A in the appraisal) should describe the overall effect on value and marketability of the view associated with the property. See Appendix D – Field Specific Standardization Requirements of the UAD Specification for additional requirements regarding view.

In all appraisals, appropriate adjustments must be made for differences in view between the subject property and each comparable property to reflect the value of the differences, if any, to the market.

Refer to Section 5601.14.

### **(v) Condition and quality**

In all appraisals, appropriate adjustments must be made for differences in condition and quality between the subject property and each comparable property to reflect the value, if any, of the differences to the market. Sometimes, it may be appropriate for an appraiser to make an adjustment for differences in quality and condition between the subject property and a comparable property even though the properties have the same UAD quality or condition rating. The appraiser is expected to provide a sufficient explanation of the basis and rationale for all adjustments (or, if necessary, lack of adjustments) within the appraisal report or addenda.

Refer to Sections 5601.12(e) and 5601.14 and Exhibit 36.

**(vi) Selection of comparable sales and analysis**

The appraiser must report a minimum of three comparable sales as part of the sales comparison approach. The appraiser may submit more than three comparable sales, including contract sales (pending sales) and/or current listings, to justify and support his or her opinion of market value, as long as at least three are actual closed (settled) sales. Generally, the appraiser should use comparable sales that have been closed within the last 12 months. However, the appraiser may use older comparable sales, as long as the appraiser can justify and support such use in the appraisal report. The appraiser must comment on the reasons for using any comparable sales that are more than six months old.

Each comparable sale that is used in the sales comparison approach must be analyzed for differences and similarities between it and the property that is being appraised. The appraiser must make appropriate adjustments for location, terms and conditions of sale, date of sale, and the physical characteristics of the properties. The proper selection of comparable properties minimizes both the need for, and the size of, any price adjustments.

**(A) Comparable sale requirements for properties in established subdivisions, units in established Planned Unit Developments (PUDs) or units in Established Condominium Projects**

For properties located in established subdivisions, units in established PUDs or units in Established Condominium Projects, the appraiser should use comparable sales from within the subject subdivision or project when they are the best indicators of value for the subject property.

**(B) Comparable sale requirements for properties in new subdivisions, units in new PUDs or units in recently converted or New Condominium Projects**

To demonstrate the marketability and develop an opinion of market value for units in new subdivisions, units in new PUDs or units in recently converted or New Condominium Projects, the appraiser must comply with the following requirements:

- One comparable sale must be from inside the subject subdivision or project, when available. Additionally:
  - The comparable sale from inside the subject subdivision or project can be a sale by the builder or developer of the subject property
  - If there are no closed comparable sales from inside the subject subdivision or project, contract sales may be used from inside the subject subdivision or project to satisfy this requirement. However, the use of contract sales must be in addition to the three actual closed sales obtained from outside the subject subdivision or project.

- ❑ In the event the subject subdivision or project is so new that a closed sale or a contract sale is not available, comparable sales from outside the subject subdivision or project may be used. However, the appraiser must comment on the marketability of the new subdivision or project and justify and support the use of the comparable sales from outside the new subdivision or project.
- One comparable sale must be from outside the subject subdivision or project, and
- The third comparable sale may be from either inside or outside the subject subdivision or project

When resales are available from inside the subject subdivision or project, they are preferable and should be given significant consideration as they provide a reliable indicator of the market value of units within the subdivision or project.

At a minimum, at least two comparable sales must be sales in which the builder or developer of the subject property is not involved in the sale transaction.

**(C) Comparable sale requirements for a 1-unit property with an accessory unit (legal or legal non-conforming zoning compliance)**

The appraiser must include:

- At least one comparable sale with an accessory unit, when available, to demonstrate the property's conformity and marketability to its market area. If a recent comparable sale with an accessory unit is not available in the subject neighborhood, the appraiser can use an older sale with an accessory unit from the subject neighborhood, or a sale with an accessory unit from a competing neighborhood as a comparable sale or as supporting market data. The appraiser may always use more than three comparable sales, including contract sales (pending sales) and/or current listings, to justify and support his or her opinion of market value, as long as at least three are actual closed (settled) sales.
- If a comparable sale with an accessory unit is not available, the appraiser can use a comparable sale in the subject neighborhood without an accessory unit as long as the appraiser can justify and support such use in the appraisal report. Freddie Mac will purchase eligible Mortgages secured by a property with an accessory unit if the appraiser can develop an accurate opinion of market value for the property.

**(D) Comparable sale requirements for a 1-unit property with an accessory unit (illegal zoning compliance)**

The appraiser must include at least two comparable sales with each having only one accessory unit. The accessory unit of each comparable sale must also be non-compliant with the zoning and land use requirements to demonstrate the conformity and marketability of the subject property to its market area.



The Seller should be aware that there are varying conditions that characterize different types of locations. Conditions that are typical of certain locations may not be present in other locales. This does not mean that the conditions are unacceptable, rather that they must be viewed in context with the nature of the area in which the Mortgaged Premises is located.

For example:

When the Mortgaged Premises is located in a suburban or urban area, the appraiser would most likely use comparable sales in the immediate vicinity of the property since suburban and urban areas are usually more densely developed and comparable sales are typically available in the subject neighborhood.

Rural areas often have less real estate sales activity than more populated locations. Property sales in rural locations often involve a variety of property types and may have relatively large parcels as compared to other locations. Given the potential challenges with appraising properties in these market areas, the appraiser must be knowledgeable about the varying conditions that characterize properties in a particular geographic area. In such cases, appraisers may have to use older comparable sales, comparable sales that are located a considerable distance from the subject property or comparable sales that are not similar to the subject property. The appraiser must justify and support such use in the appraisal report.

Mortgages secured by non-traditional types of properties are eligible for delivery to Freddie Mac. Examples of non-traditional or unique property types include, but are not limited to, “barndominiums” (barn conversions or barn-style buildings), “shouses” (living-space and work/storage combinations), berm homes, log homes and geodesic dome dwellings. The appraiser must demonstrate that the dwelling type or style is marketable and must ensure the property has an acceptable quality and condition rating. Additional analysis may be required to determine whether the design or style represents a mixed-use configuration. (See Sections 5601.12(e)(iii) and 5601.12(p) for mixed-use requirements.)

The appraiser may use traditional homes as comparable sales for non-traditional or unique properties as long as the appraiser determines and adjusts for any differences between the subject property and the comparable sales and can justify and support the use of the comparable sales in the appraisal report.

Occasionally, there may be no similar or truly comparable sales for a particular property because of the uniqueness of the property or other conditions. As a result, additional due diligence on behalf of the appraiser may be necessary. In such cases, the appraiser must use knowledge and judgment to select comparable sales that represent the best indicators of value for the subject property.

In addition, comparable sales may be taken from a competing neighborhood if:

- The appraiser has established that the neighborhoods are comparable and compete for the same buyers, and

- Comparable sales taken from the competing neighborhood are better indicators of current market trends in the subject neighborhood than the existing comparable sales available in the subject neighborhood

### **(g) Sale and listing history**

The appraiser must research, verify, analyze and report:

- Any current agreement for sale for the subject property
- Any offering for sale of the subject property in the twelve months prior to the effective date of the appraisal
- Any prior sales or transfers of the subject property for the three years prior to the effective date of the appraisal
- Any prior sales or transfers of each comparable sale for the year prior to the date of sale of each comparable sale

The Seller's review of the acceptability of each appraisal should include an analysis of the sale and listing history. The Seller must confirm that the sale price trend in relation to the appraiser's opinion of market value is reasonable and representative of the market.

For purchase transactions, the Seller should analyze the appraisal report and the current contract for sale for the subject property.

For both purchase and refinance transactions, the Seller's underwriting analysis of the appraisal report should include any current listing or offering for sale for the subject property, the sales history of the subject property and comparable sales, and the current ownership of the subject property.

To reduce the Seller's risk of liability resulting from fraudulent or inaccurate appraisals, the Seller should analyze the subject property and comparable sales and evaluate the time elapsed between the date(s) the property was acquired and the date(s) resold, or the date of the current resale contract, if applicable. If the sales history of the subject property or comparable sales indicates current or prior sale prices may be excessive, and resale dates occurred shortly after the property seller's acquisition of the property, the appraisal report should provide evidence to justify and support a rapidly appreciating real estate market, significant improvements that resulted in a corresponding increase in the property value or a previous sale that was below market value due to a distress or tax sale.

### **(h) Reconciliation**

The data and information presented in the appraisal report must justify and support the appraiser's opinion of market value. The appraiser must explain how the final value conclusion was determined, and the rationale must be consistent with the comments, conclusions and assumptions stated throughout the appraisal report.

The reconciliation must contain any conditions of the appraisal on which the final opinion of market value is based.

If the subject transaction involves sales or financing concessions, the appraiser's opinion of market value must reflect the value of the subject property without the concessions. The appraiser must also provide the dollar value of the concessions as a comment in the appraisal report.

### **(i) Cost approach**

The cost approach to value is required for appraisals of Manufactured Homes. It is not required for appraisals of attached Planned Unit Development or Condominium Units.

The Seller may request the appraiser to develop and report the cost approach to value when not required for the transaction. The appraiser must develop and report the result of any approach to value that is applicable and necessary for an appraisal, even if the Seller did not request it.

In markets with unique property styles, a lack of comparable sales, or the presence of unique features such as outbuildings, the cost approach to value can provide support for adjustments made in the sales comparison approach. The cost approach to value may be appropriate especially when appraising properties that are:

- New or proposed construction
- Under renovation
- Unique because of property features (e.g., outbuildings, stables, pole-barns, or shops)
- Unique because of their styles or construction methods (e.g., barn conversions (“barndominiums”), “shouses” (living-space and work/storage combinations), berm homes, log homes, or geodesic dome dwellings), or
- Not typical for the market or have functional obsolescence

When the cost approach to value is developed, the appraiser must make proper adjustments for any items detrimental to stability or marketability, such as physical, functional and external depreciation that are not typical for the market.

Appraisals that rely primarily on the cost approach to value for the opinion of market value are unacceptable.

### **(j) Income approach**

The income approach to value is required for appraisals of 2- to 4-unit properties. The Seller may request the appraiser to develop and report the income approach to value when not required for the transaction. The appraiser must develop and report the result of any approach to value that is applicable and necessary for an appraisal, even if the Seller did not request it.

Appraisals that rely primarily on the income or cost approaches to value in order to estimate market value are unacceptable.

### **(k) Condominium Units**

See Section 5701.8(a) for appraisal requirements for units in Condominium Projects.

### **(l) Manufactured Homes**

See Section 5703.6 for appraisal requirements for Manufactured Homes.

### **(m) 2- to 4-unit properties**

In addition to the other requirements and guidelines set forth in this chapter, the following requirements and guidelines are applicable to completing Form 72, Small Residential Income Property Appraisal Report, for 2- to 4-unit properties.

#### **(i) Comparable rent data for 2- to 4-unit properties**

At least three rental comparables must be analyzed in the “comparable rental data” section. These rental comparables must:

- Have current rental information
- Be units similar to and located near the subject property

The rental comparables are usually not the same comparable properties used in the sales comparison approach. The appraisal report should state that the units and properties selected as rental comparables are comparable to the subject property (both the units and the overall property) and should accurately represent the rental market for the subject property unless otherwise stated in the report.

#### **(ii) Subject’s rent schedule for 2- to 4-unit properties**

This section contains the subject property’s current actual rents and the estimated market rents. The estimated market rents for the subject property must be supported in the appraisal report and be consistent with the data presented throughout the report.

#### **(iii) Sales comparison approach for 2- to 4-unit properties**

In addition to the other requirements in this chapter, the appraisal must contain the unadjusted units of comparison for the comparable sales. If the appraisal is prepared in conjunction with a purchase transaction, the units of comparison must be provided for the subject property as well. These units of comparison are the sales price per square foot of gross building area (GBA), per unit and per room and the gross rent multiplier (GRM). The comment area of the sales comparison analysis must reconcile the adjusted sales prices of the comparable sales and the unadjusted units of comparison, as appropriate, according to the manner in which such properties sell in the defined market area.

The appraiser must indicate in the comments area which factors are deemed most consistent and which factors typical investors or purchasers in that market consider when purchasing a similar property.

## **(n) Leasehold estates**

See Section 5704.3 for appraisal requirements for leasehold estates

## **(o) Properties with energy-efficient improvements**

Energy-efficient features (e.g. photovoltaic systems, water efficient improvements, energy-efficient windows) or high-performing energy-efficient homes must be identified and any impact to market value must be recognized in the appraisal report. The contributory value of energy improvements and any premium paid for a high-performing energy-efficient home must be measured based on the market reaction, similar to any other property feature.

Appraisers must be familiar with energy reports, energy ratings or other new concepts that may be developed to identify the energy efficiency of a home. If relied upon, any reports must be generally acceptable and, if available, these reports and information must be included in the appraisers' analysis.

If the high-performing energy-efficient home or energy improvements are new to the market, there may be a lack of sales with similar features or a lack of data available from traditional data sources. As a result, additional due diligence on behalf of the appraiser may be necessary. In these cases, the appraiser may also need to consider whether methods such as the income approach, cost analysis, discounted cash flows, market surveys or any other applicable methods are appropriate. If the appraiser's analysis concludes an adjustment is necessary, the appraiser must justify and support the analysis and conclusions. This information may be included in an addendum or in supplementary documentation, if necessary.

Solar panels subject to a lease agreement, power purchase agreement (PPA) or similar type of agreement may not be included in the appraised value of a property.

Visit the following web pages for Seller resources related to energy-efficient properties and the appraisal of properties with energy-efficient features:

- Resources provided by The Appraisal Foundation
- The Home Energy Rating System (HERS<sup>®</sup>) Index provided by the Residential Energy Services Network (RESNET<sup>®</sup>)
- The Home Energy Score provided by the U.S. Department of Energy's Better Buildings<sup>®</sup> initiative

## **(p) Mixed-Use Properties**

The appraiser must provide the following when appraising a mixed-use property:

- An appraisal with an interior and exterior inspection
- A detailed description of any accommodations made for the commercial use of the subject property

- A discussion of any adverse impacts of the commercial use
- A statement describing any market resistance to the commercial use, and adjustments for any commercial features made to the comparable sales
- An opinion of market value based on the property's residential nature

Each residential property with mixed-use must meet all of the following requirements:

- The property must be located in a residential neighborhood, be primarily residential, and must be typical for the properties in the market
- The use must represent a legal, permissible use of the property under the local zoning requirements
- The property must be a 1-unit Primary Residence
- If the property has a commercial use, the Borrower must be the owner and the operator of the business
- The dwelling may not be modified in a manner that has an adverse impact on its marketability as a residence
- The commercial use must not have an adverse effect on the habitability and safety of the property or site

## **5601.13: Obtaining subsequent appraisal reports and reconciling multiple opinions of market value (03/22/17)**

### **(a) Reviewing appraisal reports**

The Seller is required to evaluate an appraisal to determine whether or not the appraisal report meets the requirements of this chapter and the Seller's other Purchase Documents and that the opinion of market value is accurate and adequately supported.

Before rejecting an appraisal, the Seller should request the appraiser to provide additional information and/or address any deficiencies with the appraisal report. If the appraiser does not adequately address the Seller's concerns and the Seller is unable to conclude that the appraisal report meets Freddie Mac requirements, then the appraisal must be rejected and a new appraisal must be obtained.

**(b) Obtaining subsequent appraisal reports, appraisal desk review reports and appraisal field review reports**

Exhibit 35, Appraiser Independence Requirements, (“Appraiser Independence Requirements”) permits the Seller to obtain a second or subsequent appraisal if:

- There is a reasonable basis to believe that the initial appraisal was flawed or tainted and such basis is clearly and appropriately noted in the Mortgage file
- The appraisal is obtained pursuant to written, pre-established bona fide pre- or post-funding appraisal review or quality control processes or underwriting guidelines as long as the Seller adheres to a policy of selecting the most reliable appraisal, rather than the appraisal that states the highest value; or
- It is required by law

**(c) Reconciling multiple opinions of market value**

If the initial appraisal report was not rejected and a second or subsequent appraisal report, appraisal desk review report or an appraisal field review report is obtained in compliance with the requirements of this chapter, the Seller’s other Purchase Documents and the Appraiser Independence Requirements, the Seller must determine which of the opinions of market value is the most accurate.

The Seller must comply with the Appraiser Independence Requirements and adhere to a policy of selecting the most reliable appraisal, rather than the appraisal that states the highest value. The Seller’s appraisal review and reconciliation process must result in the Seller relying on the most accurate and supported opinion of market value.

A copy of all valuation documents used in the analysis as well as written documentation justifying the decision as to which appraisal (or appraisal field review) report was used to underwrite the Mortgage must be retained in the Mortgage file.

The value used to underwrite the Mortgage is the basis for the Seller’s value warranty and is the value that must be delivered to Freddie Mac.

## **5601.14: Appraisal data and delivery; Uniform Appraisal Dataset (UAD) and Uniform Collateral Data Portal® (UCDP®) (10/30/17)**

**(a) Overview**

This section contains information and requirements relating to the Uniform Appraisal Dataset (UAD), the Uniform Appraisal Dataset Specification (“UAD Specification”), which includes

the UAD Field-Specific Standardization Requirements (“Appendix D”), and the Uniform Collateral Data Portal<sup>®</sup> (UCDP<sup>®</sup>).

- The UAD standardizes key appraisal data elements for a subset of fields on certain uniform residential appraisal report forms and includes all data points required to complete these appraisal report forms.
- The UAD Specification documents the business and technical requirements for the implementation of the UAD.

Appendix D provides field-specific standardization requirements for completing Freddie Mac’s residential appraisal report forms that are required to be completed using the UAD. It lists the requirements for the data that must be included in specific forms and how the data should be reported on the appraisal report form.

- The UCDP is a portal for the electronic collection and delivery of certain appraisal report forms and the associated appraisal data to Freddie Mac.

#### **(b) Uniform Appraisal Dataset (UAD)**

For appraisals with effective dates on or after **September 1, 2011**, the following appraisal report forms must be completed using the UAD in accordance with Appendix D when reporting results of an appraisal for a conventional Mortgage:

- Form 70, Uniform Residential Appraisal Report
- Form 465, Individual Condominium Unit Appraisal Report
- Form 466, Exterior-Only Inspection Individual Condominium Unit Appraisal Report
- Form 2055, Exterior-Only Inspection Residential Appraisal Report

Other appraisal report forms may be completed using the standards contained in the UAD Specification to the extent those standards are applicable to that particular form.

The UAD Specification may be amended from time to time. The current version can be found on **www.freddiemac.com**.

Sellers must validate that appraisal reports meet the requirements of Appendix D. Compliance with the UAD does not relieve the Seller from other Freddie Mac appraisal requirements and does not affect Seller representations and warranties regarding appraisals and the Mortgaged Premises.

#### **(c) Delivery of appraisals through the UCDP**

For conventional Mortgages that require appraisal reports and have residential loan applications dated on or after **December 1, 2011** and Delivery Dates on or after **March 19,**



**2012**, the following appraisal report forms, including all exhibits and addenda, must be submitted to the UCDP and receive a “Successful” status before the Delivery Date of the Mortgage:

- Form 70, Uniform Residential Appraisal Report
- Form 70B, Manufactured Home Appraisal Report
- Form 72, Small Residential Income Property Appraisal Report
- Form 465, Individual Condominium Unit Appraisal Report
- Form 466, Exterior-Only Inspection Individual Condominium Unit Appraisal Report
- Form 2055, Exterior-Only Inspection Residential Appraisal Report

**Sellers have the option of submitting** Form 442, Appraisal Update and/or Completion Report, to the UCDP.

Freddie Mac appraisal report forms not listed above must not be submitted to the UCDP.

Sellers may use the UCDP as a tool to aid in determining UAD compliance. However, the submission of appraisal report forms to the UCDP does not relieve the Seller from Freddie Mac appraisal requirements, including the requirement that the appraisal must comply with Appendix D of the UAD and does not affect Seller representations and warranties regarding appraisals and the Mortgaged Premises.

The Seller’s ability to select an appraisal management company or other party in connection with the use of the UCDP does not constitute Freddie Mac’s endorsement or approval of the appraisal management company or other party and does not relieve Seller of any obligations pursuant to the Guide or Seller’s other Purchase Documents, including the requirements in Section 3101.1 related to the Freddie Mac Exclusionary List.

#### **(d) UCDP messaging**

When an appraisal report is submitted to the UCDP, the Seller may receive a variety of feedback messages designed to assist the Seller in evaluating the appraisal report to determine whether it meets the requirements of this chapter (e.g., the accuracy of the appraiser’s opinion of market value, UAD compliance, etc.). The Seller should be prepared to address these feedback messages as part of their appraisal report review and property underwriting process.

For certain Mortgages, the Seller may receive a message indicating the appraisal is eligible for collateral representation and warranty relief. See Section 5601.9 for more details and eligibility requirements related to this representation and warranty relief.

Note: The presence of one or more feedback message(s) with a “warning” severity indicator does not prevent the “successful” submission of an appraisal report to the UCDP, and does

not deem the property ineligible or the appraisal report unacceptable. In addition, the absence of feedback messages does not represent Freddie Mac's acceptance of the appraised value or relief from Seller representations and warranties.

**(e) Information and data submitted to the UCDP**

Freddie Mac and its agents and contractors have the right to use, reproduce, modify, disclose, sublicense, distribute and retain all information and data submitted to the UCDP and designated for delivery to Freddie Mac, including, but not limited to, any field on an appraisal report and the contents thereof, all information and data entered by Seller or on Seller's behalf, and any other information and data obtained by or transmitted through the UCDP, (collectively, the "UCDP Data") as follows: (i) for all purposes related to the UCDP, the appraisal, the loan and any securities to which the UCDP Data relates, (ii) for analytic, modeling, quality control, fraud detection, information security and similar purposes, (iii) in connection with other data and services obtained or provided by Freddie Mac, (iv) for internal purposes, including, without limitation, system monitoring, maintenance and security, (v) as required to comply with applicable laws, regulations, court orders and the order of an agency that either regulates or has jurisdiction over Freddie Mac, and (vi) in order to enforce Freddie Mac's rights and remedies.

## **5601.15: Electronic transmission of appraisal reports (03/02/16)**

The Seller may use and maintain an Electronic Record of the appraisal report as an original Mortgage file document if all of the following conditions are met:

- The electronic appraisal report otherwise complies with the applicable requirements of Chapter 5601
- The appraiser electronically transmits the electronic appraisal report directly to the Seller or any third party specifically authorized by the Seller, as applicable
- The electronically transmitted photographs and any addenda are clear and otherwise satisfy the requirements of Section 5601.10(a) and Section 5601.10(e)
- The Seller represents and warrants that the appraiser's Electronic Signature, and a supervisory appraiser's signature if applicable, are attached to or logically associated with the electronic appraisal report in accordance with the federal Electronic Signatures in Global and National Commerce Act ("E-SIGN") and other applicable State and federal laws
- The Seller represents and warrants that the electronic appraisal report is as effective, enforceable and valid as a paper original of the appraisal report duly executed by the appraiser, and the supervisory appraiser if applicable

In addition to the unacceptable appraisal practices set forth in Section 5601.4, the following are unacceptable electronic appraisal report practices and will constitute a breach of the Seller's warranty of the professional quality of the appraisal report:

- Failure of the appraiser to take reasonable precautions to protect his or her electronic signature from identity and signature theft, including granting a trainee, administrative personnel or other third party permission to use the appraiser's or supervisory appraiser's electronic signature
- Failure to maintain proper security controls to protect against alteration of the appraisal report or data used in connection with preparing the report by someone other than the appraiser, or supervisory appraiser if applicable, ultimately responsible for the report
- Failure to securely store the electronic appraisal report, including all original photographs, maps and supporting documents, as originally reported by the appraiser

The Seller retains liability for the authenticity and accuracy of the electronic appraisal report, including all original photographs, maps and supporting documents. In the event the Seller is concerned about the accuracy or reliability of the electronic appraisal report or photographs, maps and supporting documents, the Seller shall immediately obtain a paper duplicate of the electronic appraisal report signed with pen and ink by the appraiser, and the supervisory appraiser if applicable, and maintain the paper duplicate of the electronic appraisal report in the Mortgage file. The Seller shall provide the electronic or original appraisal report and photographs, as applicable, to Freddie Mac at any time upon Freddie Mac's request. After receiving the paper duplicate of the original appraisal report signed with pen and ink by the appraiser, and the supervisory appraiser if applicable, the Seller may maintain a copy of the paper duplicate of the original appraisal report and photographs reproduced from the original of such documents, in accordance with the requirements of Section 3302.2. The Seller shall provide Freddie Mac with a copy of the original appraisal report and photographs upon Freddie Mac's request.

The Seller represents and warrants that any appraisal report, including photographs received from an appraiser by the Seller or any third party specifically authorized by the Seller as an Electronic Record, is a copy of the original appraisal report, including photographs, that was signed by the appraiser and a supervisory appraiser if applicable, and that it complies with applicable State and federal laws and regulations. The Seller agrees that the appraisal report and photographs received from an appraiser by the Seller or any third party specifically authorized by the Seller as an Electronic Record are subject to the Seller's representations, warranties, covenants, agreements and requirements contained in Chapter 1401.

In the event the Seller becomes aware of the unauthorized or improper use of the appraiser's signature and a supervisory appraiser's signature if applicable, in connection with any electronic appraisal report, including photographs, or if the Seller suspects unauthorized alteration of any appraisal report, the Seller must notify Freddie Mac immediately.

# Chapter 5701: Condominiums

## 5701.1: Seller’s assessment of project risks; terms used in this chapter (10/02/19)

### (a) Seller’s assessment of project risks

Freddie Mac requires a Condominium Project review to address certain project risks including, but not limited to, the marketability and condition of the project, the marketability of the units within the project, the financial stability and viability of the project, project-level litigation, restrictions on unit owners’ rights to occupy the unit, ownership and use of the project common areas and amenities and the adequacy of insurance coverage to protect the project from damage and loss.

Freddie Mac expects the Seller to have staff that is experienced and knowledgeable about Condominium Project risks and to place as much emphasis on the adequacy of the property as collateral as it does on underwriting the Borrower’s creditworthiness. The quality of a Mortgage secured by a unit in a Condominium Project can be impacted by the financial stability and viability of the particular project, among other project characteristics. The conclusion that a Mortgage is acceptable to Freddie Mac must be based on the determination that the Borrower is creditworthy and the Mortgaged Premises is adequate collateral for the Mortgage transaction.

If a Seller determines that an Established Condominium Project does not meet certain Freddie Mac project eligibility requirements and concludes that the Mortgaged Premises is still adequate collateral for the Mortgage transaction, then the Seller may request that Freddie Mac consider a waiver. See Section 5701.1(c) for information on requesting Freddie Mac to consider a waiver of its project eligibility requirements.

### (b) Glossary definitions and other terms used in this chapter

#### (i) Glossary definitions: Condominium Projects and unit type

The Seller should be familiar with the Glossary definitions of the following terms:

Project/Unit Type	Glossary Definition
<b>2- to 4-Unit Condominium Project</b>	A project that is comprised of at least two but no more than four 1-unit dwellings that are each separately owned with separate legal descriptions. The units may be attached, detached or semi detached units or a mixture of attached, detached and/or semi detached units.

Project/Unit Type	Glossary Definition
<b>Detached Condominium Project</b>	A Condominium Project comprised solely of Detached Condominium Units.
<b>Detached Condominium Unit</b>	A Condominium Unit that is completely detached from any other unit in a Condominium Project. A Detached Condominium Unit can be in a Detached Condominium Project or in a Condominium Project that contains a mixture of attached, detached and/or semi detached units.
<b>Established Condominium Project</b>	<p>An Established Condominium Project is a Condominium Project in which:</p> <ul style="list-style-type: none"> <li>■ The Condominium Project (all Condominium Units, Common Elements and Amenities) and related facilities owned by any Master Association are complete and not subject to any additional phasing</li> <li>■ With respect to unit ownership: <ul style="list-style-type: none"> <li>□ At least 75% of the total units in the project have been conveyed to the unit purchasers or</li> <li>□ If the project is a 2- to 4-Unit Condominium Project, all units in the project have been conveyed to the unit purchasers, and</li> </ul> </li> <li>■ The unit owners control the homeowners association</li> </ul>
<b>New Condominium Project</b>	<p>A New Condominium Project is a Condominium Project in which:</p> <ul style="list-style-type: none"> <li>■ The Condominium Project (all Condominium Units, Common Elements and Amenities) and related facilities owned by any Master Association are not complete, or are subject to additional phasing, except that for 2- to 4-Unit Condominium Projects, all Condominium Units, Common Elements and Amenities of the Condominium Project are complete and not subject to any additional phasing</li> <li>■ Fewer than 75% of the total number of units in the project must have been conveyed to the unit purchasers, except that for 2- to 4-Unit Condominium Projects, all but one unit in the project must have been conveyed or must be under contract to the unit purchasers, or</li> <li>■ The developer has not turned control of the homeowners association over to the unit owners</li> </ul>

## (ii) Other Glossary definitions

The Seller should also be familiar with Freddie Mac's Glossary definitions of the following terms:

- Amenities
- Common Elements
- Condominium Hotel
- Condominium Project
- Condominium Unit
- Condominium Unit Mortgage
- Limited Common Elements
- Project Documents

## (iii) Other terms

The following additional terms are used in this chapter:

<b>Term</b>	<b>Definition</b>
<b>Condo Project Advisor<sup>®</sup> Feedback Certificate</b>	The printed or printable document returned by Condo Project Advisor that details the approval of a Project Waiver Request submission.
<b>Gut Rehabilitation</b>	The rehabilitation of an existing building(s) to its shell. The rehabilitation involves all new mechanical equipment (such as heating, exhaust, insulation, roofing, plumbing and electrical). The renovations include new interiors, fixtures, appliances, and flooring for individual units and common areas.
<b>Homeowners Association (HOA)</b>	A Homeowners Association is an association comprised of unit owners that maintains the Common Elements for the benefit of the unit owners. In a Condominium Project, the association has no ownership interest in the Common Elements.

Term	Definition
<b>Non-Gut Rehabilitation</b>	The rehabilitation of an existing building(s) that does not involve substantial rehabilitation of the building(s) or individual units or the substantial replacement of mechanical equipment

**(c) Freddie Mac Condo Project Advisor®**

Freddie Mac Condo Project Advisor®, accessible through Freddie Mac Loan Advisor<sup>SM</sup>, allows authorized Sellers to submit a request for single loan exceptions (referred to as a Project Waiver Request (PWR)) for Established Condominium Projects that do not meet certain Condominium Project eligibility requirements. Approved PWRs are issued a Condo Project Advisor Feedback Certificate.

**(i) General eligibility**

**(A) Established Condominium Project**

To be eligible for a PWR, the Condominium Unit Mortgage **must be secured by a Condominium Unit** in an Established Condominium Project. **However, a Condominium Project that meets all other requirements for an Established Condominium Project, other than the 75% percentage conveyance to unit purchasers, may still be considered as an Established Condominium Project on a case-by-case basis if:**

1. **The developer retained more than 25% of the units for rental purposes; and**
2. **The developer has owned these units for a minimum of 10 years**

**(B) Project eligibility categories**

**The Condominium Project** must comply with the project eligibility requirements for Established Condominium Projects detailed in Section 5701.5 and all other applicable requirements in Chapter 5701, except for the following Condominium Project eligibility categories:

1. Delinquent assessments – Section 5701.5(d)
2. Excessive commercial space – Section 5701.3(d)
3. Pending litigation – Section 5701.3(i)
4. Owner occupancy (referred to as ‘Project Unit Occupancy’ in Condo Project Advisor) – Section 5701.5(b)
5. Reserves for capital expenditures and deferred maintenance – Section 5701.5(c)

6. Excessive single investor concentration (referred to as ‘Single Entity Ownership’ in Condo Project Advisor) – Section 5701.3(j)

**(C) Submission timing**

The PWR may be submitted at any time during the loan origination process, but must be submitted prior to sale of the related Condominium Unit Mortgage to Freddie Mac

**(D) Mortgage identification**

An approved PWR is applicable to only the Mortgage identified on the Condo Project Advisor Feedback Certificate and is not applicable to any other Mortgage secured by a Condominium Unit located in the same Condominium Project. The Mortgage identified will be the Mortgage in connection with which the Seller enters one of the following in the “Enter ID/Key” field in Condo Project Advisor:

1. The Loan Product Advisor key alphanumeric identifier
2. The Fannie Mae Desktop Underwriter key alphanumeric identifier (referred to as Casefile ID in Desktop Underwriter), or
3. The Doc File ID alphanumeric identifier issued in connection with submission of the appraisal data to the Uniform Collateral Data Portal

**(ii) Documentation requirements for Mortgages with approved PWRs**

The Condo Project Advisor feedback certificate must be maintained in the applicable Mortgage file.

**(iii) Representations and warranties**

In connection with a Mortgage with an approved PWR, Freddie Mac will accept the Condo Project Advisor Feedback Certificate, and will not exercise its remedies, including the issuance of repurchase requests, in connection with a breach of the Seller’s selling representations and warranties related to the Condominium Project review and eligibility requirements identified on the Condo Project Advisor Feedback Certificate. The Seller remains responsible for compliance with all other requirements of their Purchase Documents.

**(iv) Delivery requirements**

Condominium Unit Mortgages with approved PWRs, must be delivered to Freddie Mac within 180 days from the date of the Condo Project Advisor Feedback Certificate. If the Condominium Unit Mortgage is not delivered within 180 days from the date of the Condo Project Advisor Feedback Certificate, the Seller must submit a new PWR and obtain a new Condo Project Advisor Feedback Certificate prior to delivery.



**(v) Condo Project Advisor license**

Condo Project Advisor is a “System” within the meaning of Section 2401.1, and as such, the Seller’s use of Condo Project Advisor is licensed pursuant to the terms of Section 2401.1.

## **5701.1: Seller’s assessment of project risks; terms used in this chapter (Future effective date 11/21/19)**

**Refer to Bulletin 2019-22, which announced updates to delivery requirements for Condominium Unit Mortgages with approved Project Waiver Requests (PWRs), which may be implemented prior to the mandatory effective February 6, 2020 version of this section.**

**(a) Seller’s assessment of project risks**

Freddie Mac requires a Condominium Project review to address certain project risks including, but not limited to, the marketability and condition of the project, the marketability of the units within the project, the financial stability and viability of the project, project-level litigation, restrictions on unit owners’ rights to occupy the unit, ownership and use of the project common areas and amenities and the adequacy of insurance coverage to protect the project from damage and loss.

Freddie Mac expects the Seller to have staff that is experienced and knowledgeable about Condominium Project risks and to place as much emphasis on the adequacy of the property as collateral as it does on underwriting the Borrower’s creditworthiness. The quality of a Mortgage secured by a unit in a Condominium Project can be impacted by the financial stability and viability of the particular project, among other project characteristics. The conclusion that a Mortgage is acceptable to Freddie Mac must be based on the determination that the Borrower is creditworthy and the Mortgaged Premises is adequate collateral for the Mortgage transaction.

If a Seller determines that an Established Condominium Project does not meet certain Freddie Mac project eligibility requirements and concludes that the Mortgaged Premises is still adequate collateral for the Mortgage transaction, then the Seller may request that Freddie Mac consider a waiver. See Section 5701.1(c) for information on requesting Freddie Mac to consider a waiver of its project eligibility requirements.

**(b) Glossary definitions and other terms used in this chapter**

**(i) Glossary definitions: Condominium Projects and unit type**

The Seller should be familiar with the Glossary definitions of the following terms:

Project/Unit Type	Glossary Definition
<b>2- to 4-Unit Condominium Project</b>	A project that is comprised of at least two but no more than four 1-unit dwellings that are each separately owned with separate legal descriptions. The units may be attached, detached or semi detached units or a mixture of attached, detached and/or semi detached units.
<b>Detached Condominium Project</b>	A Condominium Project comprised solely of Detached Condominium Units.
<b>Detached Condominium Unit</b>	A Condominium Unit that is completely detached from any other unit in a Condominium Project. A Detached Condominium Unit can be in a Detached Condominium Project or in a Condominium Project that contains a mixture of attached, detached and/or semi detached units.
<b>Established Condominium Project</b>	<p>An Established Condominium Project is a Condominium Project in which:</p> <ul style="list-style-type: none"> <li>■ The Condominium Project (all Condominium Units, Common Elements and Amenities) and related facilities owned by any Master Association are complete and not subject to any additional phasing</li> <li>■ With respect to unit ownership: <ul style="list-style-type: none"> <li>□ At least 75% of the total units in the project have been conveyed to the unit purchasers or</li> <li>□ If the project is a 2- to 4-Unit Condominium Project, all units in the project have been conveyed to the unit purchasers, and</li> </ul> </li> <li>■ The unit owners control the homeowners association</li> </ul>
<b>New Condominium Project</b>	<p>A New Condominium Project is a Condominium Project in which:</p> <ul style="list-style-type: none"> <li>■ The Condominium Project (all Condominium Units, Common Elements and Amenities) and related facilities owned by any Master Association are not complete, or are subject to additional phasing, except that for 2- to 4-Unit Condominium Projects, all Condominium Units, Common Elements and Amenities of the Condominium Project are complete and not subject to any additional phasing</li> <li>■ Fewer than 75% of the total number of units in the project must have been conveyed to the unit purchasers, except that for 2- to 4-Unit Condominium Projects, all but one unit in the project must have been</li> </ul>

Project/Unit Type	Glossary Definition
	<p>conveyed or must be under contract to the unit purchasers, or</p> <ul style="list-style-type: none"> <li>■ The developer has not turned control of the homeowners association over to the unit owners</li> </ul>

**(ii) Other Glossary definitions**

The Seller should also be familiar with Freddie Mac's Glossary definitions of the following terms:

- Amenities
- Common Elements
- Condominium Hotel
- Condominium Project
- Condominium Unit
- Condominium Unit Mortgage
- Limited Common Elements
- Project Documents

**(iii) Other terms**

The following additional terms are used in this chapter:

Term	Definition
<b>Condo Project Advisor<sup>®</sup> Feedback Certificate</b>	The printed or printable document returned by Condo Project Advisor that details the approval of a Project Waiver Request submission.
<b>Gut Rehabilitation</b>	The rehabilitation of an existing building(s) to its shell. The rehabilitation involves all new mechanical equipment (such as heating, exhaust, insulation, roofing, plumbing and electrical). The renovations include new interiors, fixtures, appliances, and flooring for individual units and common areas.

Term	Definition
<b>Homeowners Association (HOA)</b>	A Homeowners Association is an association comprised of unit owners that maintains the Common Elements for the benefit of the unit owners. In a Condominium Project, the association has no ownership interest in the Common Elements.
<b>Non-Gut Rehabilitation</b>	The rehabilitation of an existing building(s) that does not involve substantial rehabilitation of the building(s) or individual units or the substantial replacement of mechanical equipment

**(c) Freddie Mac Condo Project Advisor<sup>®</sup>**

Freddie Mac Condo Project Advisor<sup>®</sup>, accessible through Freddie Mac Loan Advisor<sup>SM</sup>, allows authorized Sellers to submit a request for single loan exceptions (referred to as a Project Waiver Request (PWR)) for Established Condominium Projects that do not meet certain Condominium Project eligibility requirements. Approved PWRs are issued a Condo Project Advisor Feedback Certificate.

**(i) General eligibility**

**(A) Established Condominium Project**

To be eligible for a PWR, the Condominium Unit Mortgage must be secured by a Condominium Unit in an Established Condominium Project. However, a Condominium Project that meets all other requirements for an Established Condominium Project, other than the 75% percentage conveyance to unit purchasers, may still be considered as an Established Condominium Project on a case-by-case basis if:

1. The developer retained more than 25% of the units for rental purposes; and
2. The developer has owned these units for a minimum of 10 years

**(B) Project eligibility categories**

The Condominium Project must comply with the project eligibility requirements for Established Condominium Projects detailed in Section 5701.5 and all other applicable requirements in Chapter 5701, except for the following Condominium Project eligibility categories:

1. Delinquent assessments – Section 5701.5(d)
2. Excessive commercial space – Section 5701.3(d)

3. Pending litigation – Section 5701.3(i)
4. Owner occupancy (referred to as ‘Project Unit Occupancy’ in Condo Project Advisor) – Section 5701.5(b)
5. Reserves for capital expenditures and deferred maintenance – Section 5701.5(c)
6. Excessive single investor concentration (referred to as ‘Single Entity Ownership’ in Condo Project Advisor) – Section 5701.3(j)

**(C) Submission timing**

The PWR may be submitted at any time during the loan origination process, but must be submitted prior to sale of the related Condominium Unit Mortgage to Freddie Mac

**(D) Mortgage identification**

An approved PWR is applicable to only the Mortgage identified on the Condo Project Advisor Feedback Certificate and is not applicable to any other Mortgage secured by a Condominium Unit located in the same Condominium Project. The Mortgage identified will be the Mortgage in connection with which the Seller enters one of the following in the “Enter ID/Key” field in Condo Project Advisor:

1. The Loan Product Advisor key alphanumeric identifier
2. The Fannie Mae Desktop Underwriter key alphanumeric identifier (referred to as Casefile ID in Desktop Underwriter), or
3. The Doc File ID alphanumeric identifier issued in connection with submission of the appraisal data to the Uniform Collateral Data Portal

**(ii) Documentation requirements for Mortgages with approved PWRs**

The Condo Project Advisor feedback certificate must be maintained in the applicable Mortgage file.

**(iii) Representations and warranties**

In connection with a Mortgage with an approved PWR, Freddie Mac will accept the Condo Project Advisor Feedback Certificate, and will not exercise its remedies, including the issuance of repurchase requests, in connection with a breach of the Seller’s selling representations and warranties related to the Condominium Project review and eligibility requirements identified on the Condo Project Advisor Feedback Certificate. The Seller remains responsible for compliance with all other requirements of their Purchase Documents.

**(iv) Delivery requirements**

Condominium Unit Mortgages with approved PWRs, must be delivered to Freddie Mac within 180 days from the date of the Condo Project Advisor Feedback Certificate. If the

Condominium Unit Mortgage is not delivered within 180 days from the date of the Condo Project Advisor Feedback Certificate, the Seller must submit a new PWR and obtain a new Condo Project Advisor Feedback Certificate prior to delivery.

**(v) Condo Project Advisor license**

Condo Project Advisor is a “System” within the meaning of Section 2401.1, and as such, the Seller’s use of Condo Project Advisor is licensed pursuant to the terms of Section 2401.1.

## **5701.1: Seller’s assessment of project risks; terms used in this chapter (Future effective date 02/06/20)**

**(a) Seller’s assessment of project risks**

Freddie Mac requires a Condominium Project review to address certain project risks including, but not limited to, the marketability and condition of the project, the marketability of the units within the project, the financial stability and viability of the project, project-level litigation, restrictions on unit owners’ rights to occupy the unit, ownership and use of the project common areas and amenities and the adequacy of insurance coverage to protect the project from damage and loss.

Freddie Mac expects the Seller to have staff that is experienced and knowledgeable about Condominium Project risks and to place as much emphasis on the adequacy of the property as collateral as it does on underwriting the Borrower’s creditworthiness. The quality of a Mortgage secured by a unit in a Condominium Project can be impacted by the financial stability and viability of the particular project, among other project characteristics. The conclusion that a Mortgage is acceptable to Freddie Mac must be based on the determination that the Borrower is creditworthy and the Mortgaged Premises is adequate collateral for the Mortgage transaction.

If a Seller determines that an Established Condominium Project does not meet certain Freddie Mac project eligibility requirements and concludes that the Mortgaged Premises is still adequate collateral for the Mortgage transaction, then the Seller may request that Freddie Mac consider a waiver. See Section 5701.1(c) for information on requesting Freddie Mac to consider a waiver of its project eligibility requirements.

**(b) Glossary definitions and other terms used in this chapter**

**(i) Glossary definitions: Condominium Projects and unit type**

The Seller should be familiar with the Glossary definitions of the following terms:

Project/Unit Type	Glossary Definition
<b>2- to 4-Unit Condominium Project</b>	A project that is comprised of at least two but no more than four 1-unit dwellings that are each separately owned with separate legal descriptions. The units may be attached, detached or semi detached units or a mixture of attached, detached and/or semi detached units.
<b>Detached Condominium Project</b>	A Condominium Project comprised solely of Detached Condominium Units.
<b>Detached Condominium Unit</b>	A Condominium Unit that is completely detached from any other unit in a Condominium Project. A Detached Condominium Unit can be in a Detached Condominium Project or in a Condominium Project that contains a mixture of attached, detached and/or semi detached units.
<b>Established Condominium Project</b>	<p>An Established Condominium Project is a Condominium Project in which:</p> <ul style="list-style-type: none"> <li>■ The Condominium Project (all Condominium Units, Common Elements and Amenities) and related facilities owned by any Master Association are complete and not subject to any additional phasing</li> <li>■ With respect to unit ownership: <ul style="list-style-type: none"> <li>□ At least 75% of the total units in the project have been conveyed to the unit purchasers or</li> <li>□ If the project is a 2- to 4-Unit Condominium Project, all units in the project have been conveyed to the unit purchasers, and</li> </ul> </li> <li>■ The unit owners control the homeowners association</li> </ul>
<b>New Condominium Project</b>	<p>A New Condominium Project is a Condominium Project in which:</p> <ul style="list-style-type: none"> <li>■ The Condominium Project (all Condominium Units, Common Elements and Amenities) and related facilities owned by any Master Association are not complete, or are subject to additional phasing, except that for 2- to 4-Unit Condominium Projects, all Condominium Units, Common Elements and Amenities of the Condominium Project are complete and not subject to any additional phasing</li> <li>■ Fewer than 75% of the total number of units in the project must have been conveyed to the unit purchasers, except that for 2- to 4-Unit Condominium Projects, all but one unit in the project must have been</li> </ul>

Project/Unit Type	Glossary Definition
	<p>conveyed or must be under contract to the unit purchasers, or</p> <ul style="list-style-type: none"> <li>■ The developer has not turned control of the homeowners association over to the unit owners</li> </ul>

**(ii) Other Glossary definitions**

The Seller should also be familiar with Freddie Mac's Glossary definitions of the following terms:

- Amenities
- Common Elements
- Condominium Hotel
- Condominium Project
- Condominium Unit
- Condominium Unit Mortgage
- Limited Common Elements
- Project Documents

**(iii) Other terms**

The following additional terms are used in this chapter:

Term	Definition
<p><b>Condo Project Advisor<sup>®</sup> Feedback Certificate</b></p>	<p>The printed or printable document returned by Condo Project Advisor that details the approval of a Project Waiver Request submission.</p>
<p><b>Gut Rehabilitation</b></p>	<p>The rehabilitation of an existing building(s) to its shell. The rehabilitation involves all new mechanical equipment (such as heating, exhaust, insulation, roofing, plumbing and electrical). The renovations include new interiors, fixtures, appliances, and flooring for individual units and common areas.</p>



<b>Term</b>	<b>Definition</b>
<b>Homeowners Association (HOA)</b>	A Homeowners Association is an association comprised of unit owners that maintains the Common Elements for the benefit of the unit owners. In a Condominium Project, the association has no ownership interest in the Common Elements.
<b>Non-Gut Rehabilitation</b>	The rehabilitation of an existing building(s) that does not involve substantial rehabilitation of the building(s) or individual units or the substantial replacement of mechanical equipment

**(c) Freddie Mac Condo Project Advisor®**

Freddie Mac Condo Project Advisor®, accessible through Freddie Mac Loan Advisor<sup>SM</sup>, allows authorized Sellers to submit a request for single loan exceptions (referred to as a Project Waiver Request (PWR)) for Established Condominium Projects that do not meet certain Condominium Project eligibility requirements. Approved PWRs are issued a Condo Project Advisor Feedback Certificate.

**(i) General eligibility**

**(A) Established Condominium Project**

To be eligible for a PWR, the Condominium Unit Mortgage must be secured by a Condominium Unit in an Established Condominium Project. However, a Condominium Project that meets all other requirements for an Established Condominium Project, other than the 75% percentage conveyance to unit purchasers, may still be considered as an Established Condominium Project on a case-by-case basis if:

1. The developer retained more than 25% of the units for rental purposes; and
2. The developer has owned these units for a minimum of 10 years

**(B) Project eligibility categories**

The Condominium Project must comply with the project eligibility requirements for Established Condominium Projects detailed in Section 5701.5 and all other applicable requirements in Chapter 5701, except for the following Condominium Project eligibility categories:

1. Delinquent assessments – Section 5701.5(d)
2. Excessive commercial space – Section 5701.3(d)

3. Pending litigation – Section 5701.3(i)
4. Owner occupancy (referred to as ‘Project Unit Occupancy’ in Condo Project Advisor) – Section 5701.5(b)
5. Reserves for capital expenditures and deferred maintenance – Section 5701.5(c)
6. Excessive single investor concentration (referred to as ‘Single Entity Ownership’ in Condo Project Advisor) – Section 5701.3(j)

**(C) Submission timing**

The PWR may be submitted at any time during the loan origination process, but must be submitted prior to sale of the related Condominium Unit Mortgage to Freddie Mac

**(D) Mortgage identification**

An approved PWR is applicable to only the Mortgage identified on the Condo Project Advisor Feedback Certificate and is not applicable to any other Mortgage secured by a Condominium Unit located in the same Condominium Project. The Mortgage identified will be the Mortgage in connection with which the Seller enters one of the following in the “Enter ID/Key” field in Condo Project Advisor:

4. The Loan Product Advisor key alphanumeric identifier
5. The Fannie Mae Desktop Underwriter key alphanumeric identifier (referred to as Casefile ID in Desktop Underwriter), or
6. The Doc File ID alphanumeric identifier issued in connection with submission of the appraisal data to the Uniform Collateral Data Portal

**(ii) Documentation requirements for Mortgages with approved PWRs**

The Condo Project Advisor feedback certificate must be maintained in the applicable Mortgage file.

**(iii) Representations and warranties**

In connection with a Mortgage with an approved PWR, Freddie Mac will accept the Condo Project Advisor Feedback Certificate, and will not exercise its remedies, including the issuance of repurchase requests, in connection with a breach of the Seller’s selling representations and warranties related to the Condominium Project review and eligibility requirements identified on the Condo Project Advisor Feedback Certificate. The Seller remains responsible for compliance with all other requirements of their Purchase Documents.

**(iv) Delivery requirements**

Condominium Unit Mortgages with approved PWRs, must be delivered to Freddie Mac within 120 days after the Note Date. If the Condominium Unit Mortgage is not delivered within 120 days after the Note Date, the Seller must submit a new PWR and obtain a new Condo Project Advisor Feedback Certificate prior to delivery.

**(v) Condo Project Advisor license**

Condo Project Advisor is a “System” within the meaning of Section 2401.1, and as such, the Seller’s use of Condo Project Advisor is licensed pursuant to the terms of Section 2401.1.

## **5701.2: Condominium Project review and general Condominium Project eligibility requirements (06/05/19)**

The Seller must determine compliance with Freddie Mac’s project review and eligibility requirements in this section.

**(a) Condominium Project review requirements**

Except for 2-to-4-Unit Condominium Projects, Detached Condominium Units and Freddie Mac owned “no cash-out” refinance Condominium Unit Mortgages delivered in accordance with the requirements in Section 5701.7, the Seller must ensure that:

1. The Condominium Unit Mortgage, the Condominium Unit and the Condominium Project comply with project eligibility requirements for *one* of the following project review types:
  - Streamlined reviews (Section 5701.4)
  - Established Condominium Projects (Section 5701.5)
  - New Condominium Projects (Section 5701.6)
  - Reciprocal project reviews (Section 5701.9)
2. The project is not an ineligible project (Section 5701.3)
3. The Seller reviews and determines that a Condominium Project complies with Freddie Mac’s requirements as follows:

<b>Project review type</b>	<b>Expiration of project review</b>
Streamlined reviews (Section 5701.4) Established Condominium Projects (Section 5701.5)	Within one year prior to the Note Date
New Condominium Projects (Section 5701.6)	Within 180 days prior to the Note Date

If the Condominium Project does not meet Freddie Mac’s project eligibility requirements on the Note Date, the Seller may deliver the Condominium Unit Mortgage at the time the Condominium Project complies with all of the project eligibility requirements as long as all other applicable requirements have been met.

4. The Condominium Project remains in full compliance with the applicable State law, the requirements of the jurisdiction in which the Condominium Project is located, and with all other applicable laws and regulations governing the Condominium Project

**(b) General Condominium Project eligibility requirements**

The Seller must also review and determine compliance with the following requirements:

1. The project must have insurance that complies with the applicable requirements of Chapter 8202
2. The Condominium Unit must be covered by a title insurance policy that complies with requirements of Chapter 4702
3. If a Condominium Project is on a leasehold estate, the lease must comply with the requirements of Chapter 5704
4. The Seller must deliver a Condominium Unit Mortgage no later than 120 days after the Note Date. If the Condominium Unit Mortgage is not delivered within 120 days after the Note Date, the Seller must update the review and determination of the Condominium Project eligibility.
5. The Seller must have policies and procedures in place, and must take appropriate steps to ensure that the Condominium Unit, the Condominium Unit Mortgage and the Condominium Project comply with applicable requirements
6. The Seller must retain all documentation related to the review of the Condominium Project. Upon request, the Seller must provide the project information and documentation to Freddie Mac.

**(c) Freddie Mac right to review**

Freddie Mac reserves the right to conduct its own review of the Condominium Project for Condominium Unit Mortgages delivered to Freddie Mac

**(d) Overview of Condominium Project review and eligibility requirements and project review types**

Below is a table illustrating an overview of our Condominium Project Review and eligibility requirements and project review types:

	Seller must determine compliance with		
	Project review requirements in Section 5701.2(a)	General project eligibility requirements in Section 5701.2(b)	Ineligible projects Section 5701.3
<b>Freddie Mac project review types</b>			
<i>Streamlined reviews</i> <sup>1</sup> Section 5701.4	X	X	X
<i>Established Condominium Projects</i> Section 5701.5	X	X	X
<i>New Condominium Projects</i> Section 5701.6	X	X	X
<i>Reciprocal project reviews</i> Section 5701.9		X	X
<b>If delivered in accordance with the requirements in Section 5701.7:</b>			
<i>2- to 4- Unit Condominium Projects</i>		X	
<i>Detached Condominium Units</i>		X	
<i>Freddie Mac owned “no cash-out” refinance Condominium Unit Mortgage</i>		X	

<sup>1</sup> Condominium Project must meet the Glossary definition of an Established Condominium Project

## 5701.3: Ineligible projects (10/02/19)

Except for 2- to 4-Unit Condominium Projects, Detached Condominium Units and Freddie Mac-owned “no cash-out” refinance Condominium Unit Mortgages delivered in accordance with the requirements in Section 5701.7, Mortgages secured by units in any of the following types of projects are not eligible for sale to Freddie Mac.

### (a) Projects in which the unit owners do not have an undivided ownership interest or leasehold interest in the land on which the project is located

A project in which, when control of the Homeowners Association (HOA) has been or will be turned over to the unit owners, the unit owners do not have either: (1) an undivided ownership interest in the land on which the project is located; or (2) a leasehold interest in the land on which the project is located.

### (b) Condominium Hotel

Any project that is a Condominium Hotel or similar type of transient housing.

Projects that have one or more of the following characteristics are considered a Condominium Hotel or similar type of transient housing, and are ineligible projects:

- Projects that include hotel type services and characteristics such as registration services, rentals of units on a daily basis, daily cleaning services, central telephone service, central key systems and restrictions on interior decorating
- Condominium Projects that are conversions of a hotel (or a conversion of a similar type of transient housing) unless the project was a Gut Rehabilitation and the resulting Condominium Units no longer have the characteristics of a hotel or similar type of transient housing
- Projects with mandatory or voluntary rental-pooling and revenue-sharing agreements (or similar agreements that restrict the unit owner’s ability to occupy the unit such as blackout dates and occupancy limits) to assure an inventory of units for rent on a frequent basis, such as daily, weekly, monthly or seasonally, and
- Projects and/or HOAs that are licensed as a hotel, motel or similar type of transient housing

If owners of Condominium Units in projects in resort locations rent their units (either individually or through a rental management company) on a short-term basis, this alone does not indicate that the project is to be considered a Condominium Hotel. Sellers must fully analyze all the characteristics of the project and related information to determine if the project is a Condominium Hotel. Related informational resources may include but are not limited to, Project Documents (e.g., by-laws, project budgets and financial statements),

offering statements (or their equivalent) and marketing materials, web sites, contracts for sale and appraisal reports.

**(c) Project with multi-dwelling units**

A project in which an owner may hold a single deed evidencing ownership of more than one dwelling unit.

**(d) Project with excessive commercial or non-residential space**

A project in which more than 35% of the total above and below grade square footage of the project (or more than 35% of the total above and below grade square footage of the building in which the project is located) is used as commercial or non-residential space.

The division of the total commercial or non-residential square footage by the total square footage of the project or building will determine the total amount of commercial or non-residential space. In calculating the amount of commercial or non-residential space, Sellers must determine:

- The total square footage of the project (or the building in which the project is located);
- The square footage of the commercial or non-residential space; and
- The residential space square footage

Below is a table illustrating what must be included or may be excluded from the calculation of commercial or non-residential space:

Type of commercial or non-residential space	Include in the commercial or non-residential space calculation?
Retail and other commercial or non-residential space (for example, restaurants and stores)	Yes
Residential rental apartments, hotels, motels and other similar types of space, although such space may have residential characteristics	Yes
Non-residential space that the HOA does not own, but that is owned by a private individual or entity outside of the HOA structure (for example, private fitness facilities that are membership-based rather than owned by the HOA for the sole use of the residential unit owners)	Yes

Type of commercial or non-residential space	Include in the commercial or non-residential space calculation?
The total square footage of commercial or non-residential space even when the HOA representing the residential owners is different from the association representing the commercial owners	Yes
Commercial parking facilities	No
Project Amenities and facilities that are residential in nature, owned by the HOA or unit owners, and allocated for the sole use of the residential unit owners	No

**(e) Tenancy-in Common apartment project**

A tenancy-in-common apartment project is owned by several owners as tenants-in-common or by a Homeowners Association (HOA). Individuals have an undivided interest in the residential apartment building (including the units) and land on which the building is located, and may or may not have the right of exclusive occupancy of a specific apartment unit in the building.

**(f) Timeshare project or project with segmented ownership**

A project in which there is an arrangement under which a purchaser receives an interest in real estate and the right to use a unit or Amenities, or both, for a specified period and on a recurring basis such as the 15th week of the year, or ownership that is for a limited period such as for the subsequent five years.

**(g) Houseboat project**

A project comprised of boats that have been designed or modified to be used primarily as dwelling units.

**(h) Project in which the unit owners do not possess sole ownership of the Common Elements**

A project in which the unit owners are not the sole owners of, and do not have the right to the use of, the Common Elements, including all buildings, roads, parking, facilities and Amenities is not eligible except as specified below.

A project with shared Amenities is eligible if two or more HOAs share the Amenities (such as recreational or fitness facilities, swimming pools and clubhouses) for the sole use of the unit owners, and the HOAs have an agreement specifying:



- A description of the shared Amenities and the terms of the unit owners' permitted use of the shared Amenities
- How the shared Amenities will be funded, managed and maintained, and
- The method for resolving disputes between the HOAs regarding the shared Amenities  
The developer must not retain any ownership interest in the Common Elements, facilities and Amenities, except as unit owner. The Common Elements, including parking and Amenities, such as recreational facilities, must not be subject to a lease between the unit owners or the HOA (as lessee) and any other party (as lessor), with the exception of commercial leases for parking, or permit arrangements for parking, entered into with parties unrelated to the developer.

**(i) Project in litigation**

A project in which: (i) the HOA is named as a party to pending litigation, or (ii) the project sponsor or developer is named as a party to pending litigation that relates to the safety, structural soundness, functional use or habitability of the project.

If the Seller determines that the reason for the pending litigation involves minor matters that do not affect the safety, structural soundness, functional use or habitability of the project, the project is eligible if the litigation is limited to one of the following:

1. The litigation amount is known, the insurance company has committed to provide the defense and the litigation amount is covered by the insurance policy
2. The litigation amount is unknown, the Seller has documented the Mortgage file with a copy of the complaint, or the most recent amended complaint, and with an attorney letter that supports the Seller's determination that the litigation involves minor matters. The attorney letter must state: (i) the reason for the litigation; (ii) that the insurance company has committed to provide the defense; and (iii) that any potential monetary judgment against the HOA, or settlement with the HOA, including punitive damages, will likely be covered by the HOA's insurance policy. If the attorney indicates the matter will not likely be covered by the HOA's insurance policy, then the project is ineligible; or
3. The matter involves:
  - i. A non-monetary neighbor dispute or right of quiet enjoyment, or
  - ii. The HOA is the plaintiff in a foreclosure action or action for past due HOA assessments, or
  - iii. The HOA is the plaintiff in the litigation seeking reimbursement for expenditures made to repair the project's component(s) which may have included items that related to the safety, structural soundness, functional use or habitability of the project, the repair permanently resolved the defect or issue and the expenditures did not significantly impact the financial stability or future solvency of the HOA.

4. The valid estimation of or known litigation amount is not expected to exceed 10% of the project's funded reserves, provided that this does not violate the applicable jurisdiction's laws and regulations

The Seller must retain documentation to support its analysis that the reason for the dispute meets Freddie Mac's requirements for minor matters as described above.

**(j) Project with excessive single investor concentration**

Any project in which an individual or a single entity such as an investor group, partnership or corporation owns more than the following total number of units in the project:

<b>Number of units in the project</b>	<b>Total number of units owned by individual or single entity</b>
Two to four	One <sup>1</sup>
Five to 20	Two
21 or more	25%

<sup>1</sup>This requirement applies to Condominium Projects reviewed under the following review types: streamlined review (Section 5701.4), Established Condominium Projects review (Section 5701.5), New Condominium Projects review (Section 5701.6) and reciprocal review (Section 5701.9)

The following may be excluded from the single investor concentration calculation:

1. Vacant units being actively marketed by the developer. Any units leased by the developer must be included in the calculation of the developer's percentage of ownership.
2. Units that a non-profit entity controls or owns for the purpose of providing affordable housing
3. Units held in affordable housing programs (including units subject to non-eviction rent regulation codes), and
4. Units retained for workforce housing by higher-education institutions

**(k) Continuing Care Retirement Community (CCRC)**

A CCRC is a residential project designed to meet the health and housing needs of seniors as their needs change over time. CCRCs are distinguished from age-restricted communities in that residents in CCRCs contract in advance for a lifetime commitment from the facility to care for them, regardless of the future health or housing needs. CCRCs may also be known as Life-Care Facilities.

**(l) Manufactured Homes**

Condominium Projects that contain Manufactured Homes are ineligible, except when approved through the Fannie Mae Project Eligibility Service (PERS) process (refer to Section 5701.9(a) for additional information).

**(m) Project with mandatory dues or similar membership fees for use of Amenities such as clubhouses or recreational facilities**

Projects with mandatory dues or similar membership fees, including initiation or joining fees, which allow for the use of Amenities such as clubhouses or recreational facilities are ineligible unless the HOA and/or Master Association solely own the Amenities and Condominium Unit owners within the HOA or Master Association are the only persons or entities eligible for membership. Full rights and privileges to the use of these Amenities are the primary benefit of membership.

## 5701.4: Streamlined reviews (10/02/19)

In addition to the project review and eligibility requirements in Section 5701.2, Condominium Unit Mortgages must comply with all of the following requirements to be eligible for the streamlined project review type.

**(a) Project type**

The Condominium Unit must be located in an Established Condominium Project.

**(b) Maximum loan-to-value/total LTV/Home Equity Line of Credit TLTV ratios**

The Mortgage must not exceed the loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) (HTLTV) ratios for the occupancy type as indicated in the following charts:

Occupancy type	Maximum LTV/TLTV/HTLTV ratios	
	Projects not located in Florida	Projects located in Florida
Primary Residence	90%	75/90/90%
Second Home	75%	70/75/75%
Investment Property	75%	70/75/75%

**Note:** If the requirements for streamlined reviews in this Section 5701.4 are met, then the Seller is not required to comply with the requirements for any of the other project review types in Sections 5701.5, 5701.6, 5701.7 and 5701.9.

## **5701.5: Established Condominium Projects (10/02/19)**

To be eligible for the Established Condominium Projects review type, the Condominium Project must meet the definition of an Established Condominium Project.

In addition to the project review and eligibility requirements in Section 5701.2, if the Mortgages secured by Condominium Units in Established Condominium Projects do not comply with the eligibility requirements for streamlined reviews in Section 5701.4, the Mortgages must comply with all of the following eligibility requirements:

### **(a) Project completion requirements for Established Condominium Projects**

All units, Common Elements and Amenities must be complete.

### **(b) Owner-occupancy requirements for Established Condominium Projects**

1. If the property will be used as a Primary Residence or second home, there is no owner-occupancy requirement for the Condominium Project
2. If the property will be used as an Investment Property:
  - ❑ At least 50% of the total number of Condominium Units in the Condominium Project (including 2- to 4-Unit Condominium Projects comprised of 2 or 4 units) must have been conveyed to purchasers who occupy their units as a Primary Residence or second home
  - ❑ For 2- to 4-Unit Condominium Projects comprised of 3 units, all but one unit in the Condominium Project must have been conveyed to purchasers who occupy their units as a Primary Residence or second home

### **(c) Project budget requirements for Established Condominium Projects**

The project's budget **for the current fiscal year** must comply with the following:

1. Be consistent with the nature of the project
2. Appropriate assessments must be established to manage the project
3. There must be appropriate allocations for line items pertinent to the type and status of the Condominium Project
4. There must be adequate funding for insurance deductible amounts

5. At least 10% of the budget must provide funding for replacement reserves for capital expenditures and deferred maintenance based on the project's age, estimated remaining life and replacement cost of major Common Elements
  - The replacement reserve percentage is determined by dividing: (i) the annual budgeted replacement reserve allocation by (ii) the homeowners association's (HOA's) annual budgeted assessment income (including regular common expense fees)
  - The calculation may exclude: (i) special assessment income, (ii) income allocated to or in reserve accounts, (iii) incidental income not relied upon for maintenance operations or capital improvements and (iv) amounts collected from unit owners (but usually paid individually by them) for items or utilities such as internet access
6. A Seller may rely on a reserve study instead of the project budget providing a replacement reserve of at least 10%, provided the conditions in section (e) below are met
7. An HOA must not receive more than 10% of its budgeted income from the rental or leasing of commercial parking facilities

Mortgages secured by Condominium Units in 2- to 4-Unit Condominium Projects are not required to comply with the requirements in this Section 5701.5(c).

**(d) Delinquent assessments for Established Condominium Projects**

No more than 15% of the total number of units in a project are 60 or more days delinquent in the payment of their HOA assessments, or, if the project is a 2- to 4-Unit Condominium Project, none of the units are 60 or more days delinquent in the payment of their HOA assessments.

**(e) Requirements when a Seller relies on a project reserve study for Established Condominium Projects**

The reserve study must comply with the following requirements:

1. The reserve study generally must include:
  - An inventory of major components of the project
  - Financial analysis and evaluation of current reserve fund adequacy, and
  - Proposed annual reserve funding plan
2. A reserve study's financial analysis must validate that the project has appropriately allocated the recommended reserve funds to provide the Condominium Project with

sufficient financial protection comparable to Freddie Mac's standard budget requirements for replacement reserves

3. The reserve study's annual reserve funding plan, which details total costs identified for replacement components, must meet or exceed the study's recommendation and conclusion
4. The most current reserve study (or update) must be dated within 36 months of the Seller's determination that a Condominium Project is eligible (see Section 5701.2(a)(3))
5. The reserve study must be prepared by an independent expert skilled in performing such studies (such as a reserve study professional, a construction engineer, a certified public accountant who specializes in reserve studies or any professional with demonstrated experience and knowledge in completing reserve studies)
6. The reserve study must meet or exceed requirements set forth in any applicable state statutes
7. The reserve study must comment favorably on the project's age, estimated remaining life, structural integrity and the replacement of major components

If the Seller relies on a reserve study that meets the requirements of this section, the project's budget must contain appropriate allocations to support the costs identified in the study.

The Seller must obtain and retain in the Mortgage file a copy of the reserve study. The Seller must also perform an analysis of the study and retain this analysis in the Mortgage file.

Mortgages secured by Condominium Units in 2- to 4-Unit Condominium Projects are not required to comply with the requirements in this Section 5701.5(e).

**Note:** If the requirements for Established Condominium Projects in this Section 5701.5 are met, then the Seller is not required to comply with the requirements for any of the other project review types in Sections 5701.4, 5701.6, 5701.7 and 5701.9.

## **5701.6: New Condominium Projects (10/02/19)**

To be eligible for the New Condominium Projects review type, the Condominium Project must meet the definition of a New Condominium Project.

In addition to the project review and eligibility requirements in Section 5701.2, Mortgages secured by Condominium Units in New Condominium Projects must comply with all of the following requirements:

**(a) Project completion requirements**

The subject legal phase (or the subject building) and any prior legal phases in which units have been offered for sale are substantially complete, except as stated below for 2- to 4-Unit Condominium Projects. “Substantially complete” indicates that the Common Elements are complete and the units are complete subject to the selection of buyer preference items.

For 2- to 4-Unit Condominium Projects, all Condominium Units, Common Elements and Amenities of the Condominium Project are complete and not subject to any additional phasing.

**(b) Owner-occupancy requirements for New Condominium Projects**

At least 50% of the total units in the project (or at least 50% of the sum of the subject legal phase and prior legal phases) must have been conveyed or must be under contract to purchasers who will occupy the units as their Primary Residences or second homes. For 2- to 4-Unit Condominium Projects, all but one unit in the project must have been conveyed or must be under contract to purchasers who will occupy the units as their Primary Residences or second homes.

For the purpose of calculating owner-occupancy under this Section 5701.6, a single building can only have one legal phase regardless of whether the Condominium Project is comprised solely of that single building or multiple buildings. Legal phases are defined by the Project Documents. Construction phases developed for the convenience of the developer are not necessarily legal phases.

**(c) Project budget requirement for New Condominium Projects**

The project’s budget **for the current fiscal year** must comply with the following:

1. The homeowners association’s (HOA’s) assessments must begin once the developer has ceased to pay operating expenses attributable to the Condominium Project, whether or not all units have been sold. When any unit owner other than the developer pays assessments, the developer must pay the assessments attributable to the unsold units
2. The project’s budget (or its projected budget if the project has not been turned over to the unit owners) must be consistent with the nature of the project
3. Appropriate assessments must be established to manage the project
4. There must be appropriate allocations for line items pertinent to the type and status of the Condominium Project
5. If the project was recently converted, the developer must have initially funded a working capital fund, through contributions made by the developer and/or purchasers of the

Condominium Units, in an amount consistent with the estimated remaining life of the Common Elements

6. There must be adequate funding for insurance deductible amounts
7. At least 10% of the budget must provide funding for replacement reserves for capital expenditures and deferred maintenance based on the project's age, estimated remaining life and replacement cost of major Common Elements
  - The replacement reserve percentage is determined by dividing (i) the annual budgeted replacement reserve allocation by (ii) the HOA's annual budgeted assessment income (including regular common expense fees)
  - The calculation may exclude: (i) special assessment income, (ii) income allocated to or in reserve accounts, (iii) incidental income not relied upon for maintenance, operations or capital improvements and (iv) amounts collected from unit owners (but usually paid individually by them) for items or utilities such as internet access
8. If the budget does not provide a replacement reserve of at least 10%, a Seller may rely on either: (i) a reserve study, provided the conditions in Section 5701.6(k) below are met; or (ii) contributions to a working capital fund, provided the conditions in Section 5701.6(l) below are met. These contributions can be in addition to or in lieu of any working capital fund contributions made by the developer in the case of a recently converted project.
9. An HOA must not receive more than 10% of its budgeted income from the rental or leasing of commercial parking facilities

Mortgages secured by Condominium Units in 2- to 4-Unit Condominium Projects are not required to comply with the requirements in this Section 5701.6(c).

#### **(d) Delinquent assessments for New Condominium Projects**

No more than 15% of the total number of units in a project are 60 or more days delinquent in the payment of their HOA assessments, or, if the project is a 2- to 4-Unit Condominium Project, none of the units are 60 or more days delinquent in the payment of their HOA assessments.

#### **(e) Compliance with laws**

The Condominium Project has been created and exists in full compliance with the applicable State law, the requirements of the jurisdiction in which the Condominium Project is located, and with all other applicable laws and regulations governing creation of the Condominium Project.



**(f) Limitations on ability to sell/Right of first refusal**

Any right of first refusal in the Project Documents will not adversely impact the rights of a mortgagee or its assignee to:

- Foreclose or take title to a Condominium Unit pursuant to the remedies in the Mortgage
- Accept a deed or assignment in lieu of foreclosure in the event of default by a mortgagor, or
- Sell or lease a unit acquired by the mortgagee or its assignee

Mortgages secured by Condominium Units in 2- to 4-Unit Condominium Projects are not required to comply with the requirements in this Section 5701.6(f).

**(g) Conversions**

For a Condominium Project that was created by conversion of a building(s) with a prior use the following requirements must be met for the Seller's review and determination of project eligibility:

- For a conversion involving a Non-Gut Rehabilitation of a prior use of the building that was legally created within the past three years, the engineer's report (or functionally equivalent documentation for jurisdictions that do not require an engineer's report) must state that the project is structurally sound, the condition and remaining useful life of the major project components are sufficient to meet the residential needs of the project, and that there is no evidence that any of these conditions have not been met. Major components include the roof, elevators and mechanical systems such as HVAC, plumbing and electricity.
- All rehabilitation work involved in the conversion (Non-Gut Rehabilitation **and** Gut Rehabilitation) must be completed in a professional manner
- A review of the engineer's report (or functionally equivalent documentation) is not required for conversions involving:
  - A Gut-Rehabilitation, and
  - A Non-Gut Rehabilitation if more than three years have elapsed since the legal creation of the project

**(h) Mortgagee consent**

1. The Project Documents or applicable State law must provide that amendments of a material adverse nature to First Lien mortgagees be agreed to by mortgagees that

represent at least 51% of the unit votes (based on one vote for each first Mortgage owned) subject to First Lien Mortgages

2. The Project Documents or applicable State law must provide that any action to terminate the legal status of the project or to use insurance proceeds for any purpose other than to rebuild, must be agreed to by First Lien mortgagees that represent at least 51% of the unit votes (based on one vote for each first Mortgage owned) that are subject to First Lien Mortgages
3. The Project Documents may allow implied approval to be assumed when the then current mortgagee of record fails to submit a response to any written proposal for an amendment within 60 days after the then current mortgagee of record actually receives proper notice of the proposal, provided the notice was delivered by certified or registered mail, with a "return receipt" requested

Mortgages secured by Condominium Units in 2- to 4-Unit Condominium Projects are not required to comply with the requirements in this Section 5701.6(h).

**(i) Rights of Condominium mortgagees and guarantors**

The Project Documents, applicable State law, or any applicable insurance policy must give the mortgagee and guarantor of the Mortgage on any unit in a Condominium Project the right to timely written notice of:

1. Any condemnation or casualty loss that affects either a material portion of the Condominium Project or the unit securing its Mortgage
2. Any 60-day Delinquency in the payment of assessments or charges owed by the owner of any unit for which it holds the Mortgage
3. A lapse, cancelation, or material reduction of any insurance policy maintained by the HOA
4. Any proposed action that requires the consent of a specified percentage of mortgagees

Mortgages secured by Condominium Units in 2- to 4-Unit Condominium Projects are not required to comply with the requirements in this Section 5701.6(i).

**(j) First mortgagee's rights confirmed**

The Project Documents must not give a Condominium Unit owner or any other party priority over any rights of the first mortgagee of the Condominium Unit pursuant to its Mortgage in the case of payment to the unit owner of proceeds from termination, or insurance proceeds or condemnation awards for losses to or a taking of Condominium Units and/or Common Elements.

Mortgages secured by Condominium Units in 2- to 4-Unit Condominium Projects are not required to comply with the requirements in this Section 5701.6(j).

**(k) Requirements when a Seller relies on a project reserve study for New Condominium Projects**

The reserve study must comply with the following requirements:

1. The reserve study generally must include:
  - An inventory of major components of the project
  - Financial analysis and evaluation of current reserve fund adequacy, and
  - Proposed annual reserve funding plan
2. A reserve study's financial analysis must validate that the project has appropriately allocated the recommended reserve funds to provide the Condominium Project with sufficient financial protection comparable to Freddie Mac's standard budget requirements for replacement reserves
3. The reserve study's annual reserve funding plan, which details total costs identified for replacement components, must meet or exceed the study's recommendation and conclusion
4. The most current reserve study (or update) must be dated within 36 months of the Seller's determination that a Condominium Project is eligible (see Section 5701.2(a)(2))
5. The reserve study must be prepared by an independent expert skilled in performing such studies (such as a reserve study professional, a construction engineer, a certified public accountant who specializes in reserve studies, or any professional with demonstrated experience and knowledge in completing reserve studies)
6. The reserve study must meet or exceed requirements set forth in any applicable state statutes
7. The reserve study must comment favorably on the project's age, estimated remaining life, structural integrity and the replacement of major components

If the Seller relies on a reserve study that meets the requirements of this section, the project's budget must contain appropriate allocations to support the costs identified in the study.

The Seller must obtain and retain in the Mortgage file a copy of the reserve study. The Seller must also perform an analysis of the study and retain this analysis in the Mortgage file.

Mortgages secured by Condominium Units in 2- to 4-Unit Condominium Projects are not required to comply with the requirements in this Section 5701.6(k).

**(l) Requirements when a Seller relies on contributions to a working capital fund for New Condominium Projects**

The following requirements must be met:

- The Project Documents require the purchaser of a Condominium Unit to pay a non-refundable and non-transferable assessment to a working capital fund which must be established for the periodic maintenance, repair and replacement of the Common Elements
- The assessment must be equal to a minimum of at least two months of the HOA fees attributable to the Condominium Unit and be due and payable at closing
- The developer is in control of the HOA

**(m) New Condominium Project sold with excessive Seller contributions**

If a builder, developer or property seller offers financing or sale arrangements (such as rent-backs, payments of principal, interest, taxes and insurance) for Condominium Unit Mortgages in a New Condominium Project these contributions must comply with the requirements of Section 5501.5.

**(n) New Condominium Projects in Florida**

Mortgages secured by attached units in New Condominium Projects in Florida are not eligible, except when approved through the Fannie Mae Project Eligibility Service (PERS) process (refer to Section 5701.9(a) for additional information).

Note: If the requirements for New Condominium Projects in this Section 5701.6 are met, then the Seller is not required to comply with the requirements for any of the other project review types in Sections 5701.4, 5701.5, 5701.7 and 5701.9.

## **5701.6: New Condominium Projects (Future effective date 01/02/20)**

To be eligible for the New Condominium Projects review type, the Condominium Project must meet the definition of a New Condominium Project.

In addition to the project review and eligibility requirements in Section 5701.2, Mortgages secured by Condominium Units in New Condominium Projects must comply with all of the following requirements:

### **(a) Project completion requirements**

The subject legal phase (or the subject building) and any prior legal phases in which units have been offered for sale are substantially complete, except as stated below for 2- to 4-Unit Condominium Projects. “Substantially complete” indicates that the Common Elements are complete and the units are complete subject to the selection of buyer preference items.

For 2- to 4-Unit Condominium Projects, all Condominium Units, Common Elements and Amenities of the Condominium Project are complete and not subject to any additional phasing.

For the purpose of determining project completion under this Section 5701.6, a single building can only have one legal phase regardless of whether the Condominium Project is comprised solely of that single building or multiple buildings. Legal phases are defined by the Project Documents. Construction or marketing phases developed for the convenience of the developer are not necessarily legal phases and are not eligible.

### **(b) Owner-occupancy requirements for New Condominium Projects**

At least 50% of the total units in the project (or at least 50% of the sum of the subject legal phase and prior legal phases) must have been conveyed or must be under contract to purchasers who will occupy the units as their Primary Residences or second homes. For 2- to 4-Unit Condominium Projects, all but one unit in the project must have been conveyed or must be under contract to purchasers who will occupy the units as their Primary Residences or second homes.

For the purpose of calculating owner-occupancy under this Section 5701.6, a single building can only have one legal phase regardless of whether the Condominium Project is comprised solely of that single building or multiple buildings. Legal phases are defined by the Project Documents. Construction or marketing phases developed for the convenience of the developer are not necessarily legal phases and are not eligible.

### **(c) Project budget requirement for New Condominium Projects**

The project’s budget for the current fiscal year must comply with the following:

1. The homeowners association’s (HOA’s) assessments must begin once the developer has ceased to pay operating expenses attributable to the Condominium Project, whether or not all units have been sold. When any unit owner other than the developer pays assessments, the developer must pay the assessments attributable to the unsold units
2. The project’s budget (or its projected budget if the project has not been turned over to the unit owners) must be consistent with the nature of the project
3. Appropriate assessments must be established to manage the project

4. There must be appropriate allocations for line items pertinent to the type and status of the Condominium Project
5. If the project was recently converted, the developer must have initially funded a working capital fund, through contributions made by the developer and/or purchasers of the Condominium Units, in an amount consistent with the estimated remaining life of the Common Elements
6. There must be adequate funding for insurance deductible amounts
7. At least 10% of the budget must provide funding for replacement reserves for capital expenditures and deferred maintenance based on the project's age, estimated remaining life and replacement cost of major Common Elements
  - The replacement reserve percentage is determined by dividing (i) the annual budgeted replacement reserve allocation by (ii) the HOA's annual budgeted assessment income (including regular common expense fees)
  - The calculation may exclude: (i) special assessment income, (ii) income allocated to or in reserve accounts, (iii) incidental income not relied upon for maintenance, operations or capital improvements and (iv) amounts collected from unit owners (but usually paid individually by them) for items or utilities such as internet access
8. If the budget does not provide a replacement reserve of at least 10%, a Seller may rely on either: (i) a reserve study, provided the conditions in Section 5701.6(k) below are met; or (ii) contributions to a working capital fund, provided the conditions in Section 5701.6(l) below are met. These contributions can be in addition to or in lieu of any working capital fund contributions made by the developer in the case of a recently converted project.
9. An HOA must not receive more than 10% of its budgeted income from the rental or leasing of commercial parking facilities

Mortgages secured by Condominium Units in 2- to 4-Unit Condominium Projects are not required to comply with the requirements in this Section 5701.6(c).

#### **(d) Delinquent assessments for New Condominium Projects**

No more than 15% of the total number of units in a project are 60 or more days delinquent in the payment of their HOA assessments, or, if the project is a 2- to 4-Unit Condominium Project, none of the units are 60 or more days delinquent in the payment of their HOA assessments.

#### **(e) Compliance with laws**

The Condominium Project has been created and exists in full compliance with the applicable State law, the requirements of the jurisdiction in which the Condominium Project is located,

and with all other applicable laws and regulations governing creation of the Condominium Project.

**(f) Limitations on ability to sell/Right of first refusal**

Any right of first refusal in the Project Documents will not adversely impact the rights of a mortgagee or its assignee to:

- Foreclose or take title to a Condominium Unit pursuant to the remedies in the Mortgage
- Accept a deed or assignment in lieu of foreclosure in the event of default by a mortgagor, or
- Sell or lease a unit acquired by the mortgagee or its assignee

Mortgages secured by Condominium Units in 2- to 4-Unit Condominium Projects are not required to comply with the requirements in this Section 5701.6(f).

**(g) Conversions**

For a Condominium Project that was created by conversion of a building(s) with a prior use the following requirements must be met for the Seller's review and determination of project eligibility:

- For a conversion involving a Non-Gut Rehabilitation of a prior use of the building that was legally created within the past three years, the engineer's report (or functionally equivalent documentation for jurisdictions that do not require an engineer's report) must state that the project is structurally sound, the condition and remaining useful life of the major project components are sufficient to meet the residential needs of the project, and that there is no evidence that any of these conditions have not been met. Major components include the roof, elevators and mechanical systems such as HVAC, plumbing and electricity.
- All rehabilitation work involved in the conversion (Non-Gut Rehabilitation **and** Gut Rehabilitation) must be completed in a professional manner
- A review of the engineer's report (or functionally equivalent documentation) is not required for conversions involving:
  - A Gut-Rehabilitation, and
  - A Non-Gut Rehabilitation if more than three years have elapsed since the legal creation of the project

#### **(h) Mortgagee consent**

1. The Project Documents or applicable State law must provide that amendments of a material adverse nature to First Lien mortgagees be agreed to by mortgagees that represent at least 51% of the unit votes (based on one vote for each first Mortgage owned) subject to First Lien Mortgages
2. The Project Documents or applicable State law must provide that any action to terminate the legal status of the project or to use insurance proceeds for any purpose other than to rebuild, must be agreed to by First Lien mortgagees that represent at least 51% of the unit votes (based on one vote for each first Mortgage owned) that are subject to First Lien Mortgages
3. The Project Documents may allow implied approval to be assumed when the then current mortgagee of record fails to submit a response to any written proposal for an amendment within 60 days after the then current mortgagee of record actually receives proper notice of the proposal, provided the notice was delivered by certified or registered mail, with a "return receipt" requested

Mortgages secured by Condominium Units in 2- to 4-Unit Condominium Projects are not required to comply with the requirements in this Section 5701.6(h).

#### **(i) Rights of Condominium mortgagees and guarantors**

The Project Documents, applicable State law, or any applicable insurance policy must give the mortgagee and guarantor of the Mortgage on any unit in a Condominium Project the right to timely written notice of:

1. Any condemnation or casualty loss that affects either a material portion of the Condominium Project or the unit securing its Mortgage
2. Any 60-day Delinquency in the payment of assessments or charges owed by the owner of any unit for which it holds the Mortgage
3. A lapse, cancelation, or material reduction of any insurance policy maintained by the HOA
4. Any proposed action that requires the consent of a specified percentage of mortgagees

Mortgages secured by Condominium Units in 2- to 4-Unit Condominium Projects are not required to comply with the requirements in this Section 5701.6(i).

#### **(j) First mortgagee's rights confirmed**

The Project Documents must not give a Condominium Unit owner or any other party priority over any rights of the first mortgagee of the Condominium Unit pursuant to its Mortgage in



the case of payment to the unit owner of proceeds from termination, or insurance proceeds or condemnation awards for losses to or a taking of Condominium Units and/or Common Elements.

Mortgages secured by Condominium Units in 2- to 4-Unit Condominium Projects are not required to comply with the requirements in this Section 5701.6(j).

**(k) Requirements when a Seller relies on a project reserve study for New Condominium Projects**

The reserve study must comply with the following requirements:

1. The reserve study generally must include:
  - An inventory of major components of the project
  - Financial analysis and evaluation of current reserve fund adequacy, and
  - Proposed annual reserve funding plan
2. A reserve study's financial analysis must validate that the project has appropriately allocated the recommended reserve funds to provide the Condominium Project with sufficient financial protection comparable to Freddie Mac's standard budget requirements for replacement reserves
3. The reserve study's annual reserve funding plan, which details total costs identified for replacement components, must meet or exceed the study's recommendation and conclusion
4. The most current reserve study (or update) must be dated within 36 months of the Seller's determination that a Condominium Project is eligible (see Section 5701.2(a)(2))
5. The reserve study must be prepared by an independent expert skilled in performing such studies (such as a reserve study professional, a construction engineer, a certified public accountant who specializes in reserve studies, or any professional with demonstrated experience and knowledge in completing reserve studies)
6. The reserve study must meet or exceed requirements set forth in any applicable state statutes
7. The reserve study must comment favorably on the project's age, estimated remaining life, structural integrity and the replacement of major components

If the Seller relies on a reserve study that meets the requirements of this section, the project's budget must contain appropriate allocations to support the costs identified in the study.

The Seller must obtain and retain in the Mortgage file a copy of the reserve study. The Seller must also perform an analysis of the study and retain this analysis in the Mortgage file.

Mortgages secured by Condominium Units in 2- to 4-Unit Condominium Projects are not required to comply with the requirements in this Section 5701.6(k).

**(l) Requirements when a Seller relies on contributions to a working capital fund for New Condominium Projects**

The following requirements must be met:

- The Project Documents require the purchaser of a Condominium Unit to pay a non-refundable and non-transferable assessment to a working capital fund which must be established for the periodic maintenance, repair and replacement of the Common Elements
- The assessment must be equal to a minimum of at least two months of the HOA fees attributable to the Condominium Unit and be due and payable at closing
- The developer is in control of the HOA

**(m) New Condominium Project sold with excessive Seller contributions**

If a builder, developer or property seller offers financing or sale arrangements (such as rent-backs, payments of principal, interest, taxes and insurance) for Condominium Unit Mortgages in a New Condominium Project these contributions must comply with the requirements of Section 5501.5.

**(n) New Condominium Projects in Florida**

Mortgages secured by attached units in New Condominium Projects in Florida are not eligible, except when approved through the Fannie Mae Project Eligibility Service (PERS) process (refer to Section 5701.9(a) for additional information).

Note: If the requirements for New Condominium Projects in this Section 5701.6 are met, then the Seller is not required to comply with the requirements for any of the other project review types in Sections 5701.4, 5701.5, 5701.7 and 5701.9.

## **5701.7: Exempt From Review (02/01/19)**

To be eligible under Exempt From Review:

1. The Mortgage must be:
  - Secured by a Condominium Unit in a 2- to 4-Unit Condominium Project, or
  - Secured by a Detached Condominium Unit, or

- A Freddie Mac owned “no cash-out” refinance Condominium Unit Mortgage

2. The applicable requirements in the following table must be met:

2- to 4- Unit Condominium Projects	<ul style="list-style-type: none"> <li>■ The Condominium Project meets the Glossary definition of a 2- to 4- Unit Condominium Project. (Note: The Glossary definitions of Established Condominium Project and New Condominium Project are not applicable.)</li> <li>■ The Condominium Project must not include Manufactured Homes</li> </ul>
Detached Condominium Units	<ul style="list-style-type: none"> <li>■ The Condominium Unit securing the Condominium Unit Mortgage meets the Glossary definition of a Detached Condominium Unit</li> <li>■ The Condominium Project must not include Manufactured Homes</li> </ul>
Freddie Mac owned “no cash-out” refinance Condominium Unit Mortgages	<p>If the Condominium Unit Mortgage being refinanced is currently owned by Freddie Mac in whole or in part or securitized by Freddie Mac then the Mortgage is exempt from project review provided the following requirements are met:</p> <ul style="list-style-type: none"> <li>■ The maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio is 80%</li> <li>■ The Condominium Project is not a Condominium Hotel, houseboat project, timeshare project or project with segmented ownership (all as described in Section 5701.3)</li> <li>■ If available, proof of the ULDD Data Point <i>Related Investor Loan Identifier</i> of the existing Condominium Unit Mortgage is provided in the Mortgage file</li> <li>■ The delivery requirements in Section 6302.16(b)(ii) are met</li> </ul>

3. The general project eligibility requirements in Section 5701.2(b) must be met

Attached and semi detached units within projects containing Detached Condominium Units may not be delivered as Exempt From Review unless the attached or semi detached units are within a 2- to 4-Unit Condominium Project or meet the requirements for Freddie Mac owned “no cash-out” refinance Condominium Unit Mortgages.

**Note:** If the requirements for Exempt From Review in this Section 5701.7 are met, then the Seller is not required to comply with the requirements for any of the other project review types in Sections 5701.4, 5701.5, 5701.6 and 5701.9.

## **5701.8: Condominium appraisal and underwriting requirements (06/28/18)**

### **(a) Appraisal requirements for Condominium Units**

#### **(i) General appraisal requirements**

The appraiser must report the project name, the assessments, including special assessments and the property rights for each comparable sale and must compare them to the subject project. The appraiser must also identify the Common Elements including the Amenities available to the unit owners, comment on their condition and analyze how they compare to the Common Elements and Amenities of competing projects.

Comparable sales must be from Condominium Projects in the same market, be similar to the subject Project and compete for the same purchasers.

#### **(ii) Comparable sales selection**

Refer to Section 5601.12(f) for specific requirements applicable to units in Established Condominium Projects or in recently converted or New Condominium Projects.

#### **(iii) Additional appraisal requirements for **Detached Condominium Units****

The appraiser must use similar **Detached Condominium Unit** comparable sales from the same project or from the same market area. The appraiser may use **other types of 1-unit** detached comparable sales that are not located in a Condominium Project only if the appraiser supports the use of such sales in the appraisal report and reflects any effect that the condominium form of ownership has on the market value and marketability of the subject property. Each appraisal report must comply with the requirements in Sections 5601.5, 5601.7, 5601.10 and 5601.12.

### **(b) Underwriting considerations for Condominium Projects with mixed uses and Condominium Projects with live-work Condominium Units**

#### **(i) Condominium Projects with mixed uses**

Freddie Mac will purchase eligible Condominium Mortgages in Condominium Projects with a combination of residential, commercial, industrial, office and/or institutional uses provided that the Condominium Mortgages comply with all applicable Freddie Mac requirements, including the requirements of Section 5701.2 and Section 5701.3(d).

## **(ii) Live-work Condominium Units**

Freddie Mac will purchase eligible Condominium Mortgages in Condominium Projects with live-work Condominium Units provided that:

- The Condominium Mortgage complies with all applicable Freddie Mac requirements, including the requirements of Section 5701.2, and
- The primary use of the live-work Condominium Unit is residential and the non-residential use of such Condominium Unit is secondary

## **(c) Underwriting considerations for Common Elements and Amenities**

The project's Common Elements, including Amenities and Limited Common Elements, must be consistent with the nature of the project and similar to competing Condominium Projects in the market area.

## **(d) Financing of Limited Common Elements**

Limited Common Elements are portions of Common Elements reserved for use by one or more unit owners but not all unit owners. Limited Common Elements are defined in the Project Documents, and may include, but are not limited to, balconies or patios serving a single unit, assigned parking spaces or storage bins.

Limited Common Elements that are purchased as part of the Condominium Unit may be financed as part of the Mortgage, and the cost of such Limited Common Elements may be included when determining the sale price and loan-to-value (LTV) ratio.

Only Limited Common Elements may be financed along with the Condominium Unit. Facilities serving the Condominium Unit which are made available to the Condominium Unit by a permit, license or lease (other than in a leasehold condominium), must not be financed as part of a Mortgage, and the cost of the use of such facilities may not be included when determining the sale price and LTV ratio.

# **5701.9: Reciprocal project reviews (06/05/19)**

Condominium Unit Mortgages secured by Condominium Units located in Condominium Projects approved by other secondary market participants are eligible for sale to Freddie Mac if the Condominium Unit Mortgages comply with the following requirements:

## **(a) Fannie Mae-approved and certified projects**

With the exception of Mortgages secured by units in Condominium Projects that receive Fannie Mae Special Approval designations or Fannie Mae Project Eligibility Review Service (PERS) Conditional Approval designations, Freddie Mac will purchase Mortgages secured

by 1-unit residential dwellings in Condominium Projects that (i) Fannie Mae has approved through Final Project Approval through PERS, or (ii) the Seller has approved as a Fannie Mae “Full Review”, submitted to Fannie Mae’s Condo Project Manager™ (CPM™) (Condo Project Manager and CPM are trademarks of Fannie Mae) and received a project acceptance certification, if the Mortgage complies with the requirements below.

As of the Settlement Date:

1. The project complies with all applicable Fannie Mae eligibility requirements and lender warranties
2. Any terms and conditions set forth in the acceptance have not expired, and have not been rescinded or modified in any way
3. The Mortgage file contains documentation of Fannie Mae’s approval (e.g. a copy of the appropriate web page showing that the Condominium Project has received a Fannie Mae PERS Final Project Approval (1028/PERS) or documentation of the Seller’s project approval as a Fannie Mae “Full Review” completed with a CPM project acceptance certification)
4. The Condominium Project is not an ineligible project (Section 5701.3) and it complies with the general project eligibility requirements in Section 5701.2(b)
5. **The Seller must comply with any conditions set by Fannie Mae on the final PERS approval**

For those Mortgages approved through CPM and that are secured by Condominium Units located in attached Established Condominium Projects in Florida, the Seller also warrants that:

1. The loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit TLTV (HTLTV) ratio is 75/90/90% or less for a Primary Residence
2. The LTV/TLTV/HTLTV ratio is 70/75/75% or less for a second home **or an Investment Property**

Mortgages secured by attached Condominium Units in New Condominium Projects in Florida are only eligible for sale to Freddie Mac if the project is approved through PERS.

Mortgages secured by Condominium Units in Condominium Projects comprised of Manufactured Homes are only eligible for sale to Freddie Mac if the project has Final Project Approval through PERS.

#### **(b) FHA-Approved Project review for condominiums**

**To be eligible under FHA-Approved Project review for condominiums:**

- (i) **The Mortgage must be** secured by a 1-unit residential dwelling in a Condominium Project that:
1. **Appears** on the list of projects approved by FHA, **either by the FHA HUD Review and Approval Process (HRAP) or the FHA Direct Endorsement Lender Review and Approval Process (DELRAP)**, provided that the Mortgage **is an FHA Mortgage, VA Mortgage, Section 502 GRH Mortgage, or HUD-Guaranteed Section 184 Native American Mortgage** that complies with the applicable requirements of the Guide, **or:**
  2. **Appears on the list of projects approved by FHA by the FHA HUD Review and Approval Process (HRAP) only**, provided that the Mortgage is a conventional Mortgage and:
    - **The Condominium Project must meet the definition of an Established Condominium Project**
    - **The Condominium Project is not an ineligible project (Section 5701.3)**
    - **All general project eligibility requirements in Section 5701.2(b) must be met, and**
    - **The Mortgage must comply with all other applicable requirements of the Guide**
- (ii) When the Seller sells Freddie Mac a Mortgage secured by a unit in a project that **meets the requirements in (i) above**, the Seller warrants all of the following as of the Settlement Date:
1. The project is in the “approved” status, complies with any FHA-approval conditions noted on the FHA web site, the approval has not yet expired and has not been rescinded or modified in any way
  2. The Mortgage file contains documentation of FHA’s approved status (for example, a copy of the appropriate web page showing that the project is approved and that the approval is current)
  3. The Seller is not aware of any circumstances that would make the project ineligible for approval

**Note:** If the requirements for reciprocal project reviews in this Section 5701.9 are met, then the Seller is not required to comply with the requirements for any of the other project review types in Sections 5701.4, 5701.5, 5701.6 and 5701.7.

## **5701.10: Condominium Hotel (10/17/18)**

**Effective October 17, 2018, Section 5701.10 is deleted.**

## 5701.11: Projects with excessive commercial or non-residential space (10/02/19)

Effective October 2, 2019, the content of Section 5701.11 has moved to Section 5701.3 and Section 5701.11 is deleted.

## 5701.12: Delivery requirements (06/05/19)

### (a) Uniform underwriting and transmittal summary form

The Seller must select the appropriate project classification on Form 1077, Uniform Underwriting and Transmittal Summary, or indicate the appropriate project classification on an alternative equivalent form, and check the appropriate boxes based upon the Uniform Loan Delivery Dataset (ULDD) valid values in the chart below. These categories correspond to the valid values to be delivered, as indicated.

Project/Unit Type or Project Review Type	Project classification - Form 1077, Uniform Underwriting Transmittal Summary or alternative equivalent form	<i>Project Classification Identifier (Sort ID 42)</i>
Streamlined reviews (see Section 5701.4)	Streamlined Review	Streamlined Review *see “Notes” for Sort ID 42 in Section 6302.20(b)
Established Condominium Projects (see Section 5701.5)	Established Project	Full Review
New Condominium Projects (see Section 5701.6)	New Project	Full Review
2- to 4- Unit Condominium Project (see Section 5701.7)	2- to 4-unit Project or Exempt From Review	Full Review or Streamlined Review or Exempt From Review



<b>Project/Unit Type or Project Review Type</b>	<b>Project classification - Form 1077, Uniform Underwriting Transmittal Summary or alternative equivalent form</b>	<b><i>Project Classification Identifier (Sort ID 42)</i></b>
Detached Condominium Project (see Section 5701.7)	Detached Project or Exempt From Review	Full Review or Exempt From Review *see “Notes” for Sort ID 42 in Section 6302.20(b)
Detached Condominium Units - see Section 5701.7)	Established Project, New Project, Detached Project or 2- to 4-unit Project or Exempt From Review	Full Review or Exempt From Review
Freddie Mac-owned “no cash-out” refinance Condominium Unit Mortgage (see Section 5701.7)	Exempt From Review	Exempt From Review
Reciprocal project reviews (see Section 5701.9)	Reciprocal review and enter CPM Project ID# in the CPM Project ID# field	Condo Project Manager™ Review
Reciprocal review – FHA Approved Project (see Section 5701.9)	Reciprocal review and FHA-approved	FHA_Approved

<b>Project/Unit Type or Project Review Type</b>	<b>Project classification - Form 1077, Uniform Underwriting Transmittal Summary or alternative equivalent form</b>	<b><i>Project Classification Identifier (Sort ID 42)</i></b>
Reciprocal review – Project Eligibility Review Service (PERS)  (see Section 5701.9)	Reciprocal review and enter “PERS” in the CPM Project ID# field	Project Eligibility Review Service

The Seller must use only one category of Freddie Mac’s project classifications listed on Form 1077 or an alternative equivalent form. Below are examples of the appropriate category to select for an Established Condominium Project with a streamlined review and a Condominium Project that contains a mix of attached and detached units.

**Example 1: Established Condominium Project with a streamlined review**

Although the Seller could classify a Condominium Project in more than one category (i.e., an Established Condominium Project with a streamlined review could be coded either as an “Established project” or a “Streamlined review”), the Seller should classify such a Condominium Project as a “Streamlined review”; the Seller should select the “Established project” category only if Seller is unable to use the Streamlined review and must do a Full Review for an Established project.

**Example 2: Condominium Project that contains a mix of attached, detached and semi detached units**

If a Condominium Project contains a mix of attached, detached and semi detached units and the valid value for ULDD Data Point, *Project Attachment Type*, (Sort ID 41) is “Attached,” the Seller may perform a streamlined review in compliance with the requirements of Section 5701.4. In this case, the Seller must select the appropriate project classification of “Streamlined review” on Form 1077 or alternative equivalent form.

The Seller should select the “Detached project” category and enter “Detached” for the valid value for ULDD Data Point, *Project Attachment Type*, (Sort ID 41) only if the project meets the Glossary definition of a Detached Condominium Project (i.e., is comprised solely of Detached Condominium Units).

When a “Reciprocal Review” is **identified**, the Seller must also provide additional information as shown above. For example, when there is a reciprocal review utilizing Fannie

Mae's Condo Project Manager (CPM™), the CPM Project ID# must be entered in the "Fannie Mae Condo Project Manager™ Project ID" field. For reciprocal reviews using Fannie Mae's PERS, "PERS" must be entered in the "Fannie Mae Condo Project Manager™ Project ID#" field.

**(b) Other delivery requirements**

See Section 6302.20 for delivery and pooling requirements for Condominium Unit Mortgages.

**(c) Requesting Homeowners Association (HOA) taxpayer identification number(s) (TIN(s))**

Sellers are encouraged to obtain the TIN(s) for the HOA and retain this information as part of the project review documentation.

NOTE: This information is not a current ULDD Data Point and is not required for delivery of Condominium Unit Mortgages sold to Freddie Mac.

# Chapter 5702: Planned Unit Developments

## 5702.1: Eligibility requirements for Planned Unit Developments (PUDs) (04/11/18)

Sellers should be familiar with the Glossary definitions of Planned Unit Development (PUD) and Common Elements. A development must have all the characteristics listed in the Glossary definition to be considered a PUD.

### (a) PUD and Homeowners Association

When reviewing a PUD to determine if it meets the requirement in this section, Sellers must consider all units and spaces that the Homeowners Association holds title to or has insured.

A Homeowners Association is comprised of unit owners that maintain the Common Elements in a PUD for the benefit of the unit owners. In PUDs, the Homeowners Association owns the Common Elements, and maintains them for the benefit of the unit owners.

### (b) Condominium Units in PUDs

If a Condominium Unit is located in a PUD, the Seller must comply with the Condominium requirements and warranties in Chapter 5701 and the PUD requirements and warranties in this chapter.

### (c) Leasehold estates

If the PUD unit or any PUD Common Element is on a leasehold estate, the Seller must comply with the leasehold estate requirements in Chapter 5704 and the PUD requirements and warranties in this chapter.

### (d) Insurance

The Seller must represent and warrant that the property insurance requirements in Sections 8202.2, 8202.3 and 8202.10 have been met.

## 5702.2: Seller warranties for Planned Unit Developments (03/22/17)

Effective March 22, 2017, the content of this section has moved to Section 5702.1.

## **5702.3: Appraisal requirements for units in Planned Unit Developments (03/22/17)**

Effective March 22, 2017, this section is deleted.

## **5702.4: Reciprocal project reviews for Planned Unit Developments (03/02/16)**

Freddie Mac will purchase (i) Mortgages secured by a 1-unit residential dwelling in a Planned Unit Development that Fannie Mae has approved, and (ii) Mortgages secured by a 1-unit residential dwelling in an FHA-approved Planned Unit Development, provided they meet the following requirements.

As of the Settlement Date:

- The Planned Unit Development must comply with the applicable eligibility requirements and warranties; any terms and conditions set forth in the acceptance/approval have not expired, and have not been rescinded or modified in any way
- The Seller is not aware of any circumstances that would make the Planned Unit Development ineligible for approval/acceptance

# Chapter 5703: Manufactured Homes

## 5703.1: Purchase of Mortgages secured by Manufactured Homes (03/02/16)

Freddie Mac will purchase Mortgages secured by Manufactured Homes under the terms of the Guide and this chapter.

Unless specifically made applicable to Mortgages secured by Manufactured Homes, negotiated underwriting provisions stated in the Purchase Documents will not apply to such Mortgages. In addition, unless specifically permitted, the special negotiated Mortgage products described in the Purchase Documents may not be used with Mortgages secured by Manufactured Homes.

Sellers should be familiar with the following terms used in this chapter.

### **HUD Codes for Manufactured Homes (HUD Codes)**

The HUD Codes for Manufactured Homes (HUD Codes) refer to a series of regulations that establish requirements for Manufactured Homes in compliance with the National Manufactured Home Construction and Safety Standards Act of 1974, 42 U.S.C. 5401-5426. The codes are administered by HUD and include but are not necessarily limited to:

- Federal Manufactured Home Construction and Safety Standards (MHCSS; 24 C.F.R. Part 3280)
- Manufactured Home Procedural and Enforcement Regulations (24 C.F.R. Part 3282)
- Model Manufactured Home Installation Standards (MIS; 24 C.F.R. Part 3285 or 3286)
- Other codes incorporated by reference, e.g. FEMA 85, Manufactured Home Installation in Flood Hazard Areas

### **HUD Certification Label (HUD label or tag)**

The HUD Certification Label is a metal plate that is affixed to the exterior of each transportable section of the Manufactured Home. The HUD Certification Number appears on each HUD Certification Label and evidences compliance with the Federal Manufactured Home Construction and Safety Standards.

### **HUD Data Plate/Compliance Certificate (Data Plate)**

The HUD Data Plate/Compliance Certificate is a paper label mounted in the Manufactured Home that contains, among other things, the manufacturer's name, trade/model name, year manufactured and serial number, a list of the Certification Label number(s), etc. The Data Plate

is typically affixed in a readily accessible and visible location (e.g., near the main electrical panel, or in a kitchen cabinet, or a bedroom closet).

### **New Manufactured Home**

A New Manufactured Home is a Manufactured Home that is purchased directly from a retailer or a developer, has never been occupied, and has never been affixed to a permanent foundation on another site.

## **5703.2: Property eligibility for Manufactured Homes (08/07/19)**

### **(a) A Manufactured Home must have the following characteristics:**

- The Manufactured Home must have been built on or after June 15, 1976
- The Manufactured Home must be built on a permanent chassis in compliance with the applicable HUD Codes for Manufactured Homes (HUD Codes) in effect as of the date the Manufactured Home was constructed

To evidence the Manufactured Home is built in compliance with the Federal Manufactured Home Construction and Safety Standards, both the HUD Certification Label and HUD Data Plate must be present and legible. The HUD Data Plate section of the Manufactured Home Appraisal Report (Form 70B) must be completed with the information from both sources.

When either the HUD Certification Label or the HUD Data Plate is not present or not legible, Freddie Mac will accept the following alternative documentation as evidence of compliance:

#### **□ HUD Certification Label (HUD label or tag)**

A “HUD Label Verification Letter,” with the same information contained on the HUD Certification Label, from the Institute for Building Technology and Safety (IBTS)

#### **□ HUD Data Plate/Compliance Certificate (Data Plate)**

- A duplicate Data Plate or substitute Data Plate; a Performance Verification Certificate (PVC) from the IBTS, or
- A copy of the Data Plate from the In-Plant Primary Inspection Agency (IPIA) or manufacturer (a list of IPIA offices is posted on HUD’s website)

If the original or alternative documentation of compliance cannot be obtained for both the HUD Certification Label and HUD Data Plate, a Mortgage secured by a Manufactured Home is not eligible for sale to Freddie Mac.

- The Manufactured Home must be legally classified as real property; it must be a 1-unit dwelling that is permanently affixed to a permanent foundation in a way that makes it part of the real property
- The anchoring system must comply with the HUD Codes.

If the Manufactured Home was installed prior to October 20, 2008, the anchoring system must comply with the manufacturer's design or a design by a licensed (registered) professional engineer.

Anchoring systems refer to all components of the anchoring and support systems such as piers, footings, ties, anchoring equipment, anchoring assemblies, and any other equipment, materials, and methods of construction that support and secure the Manufactured Home to the ground.

- The permanent foundation must be designed for the site conditions, home design features, and the loads the home was designed to withstand in accordance with the manufacturer's instructions or a design by a licensed (registered) professional engineer. The foundation must meet all local, State or federal codes, as applicable.
- The Manufactured Home must be at least 12 feet wide and have a minimum of 600 square feet of gross living area

**(b) A Manufactured Home must meet the following requirements:**

- If any structural modifications or add-ons have been made to a 1-unit dwelling and any portion of the dwelling is a Manufactured Home, the Mortgage securing such property must be delivered as a Manufactured Home in compliance with the requirements of this chapter
- The Manufactured Home must be a 1-unit dwelling comprised of a single section (a "single-wide Manufactured Home") or multiple sections (a "multiwide Manufactured Home")
- The wheels, axles, and towing hitches must be removed from the Manufactured Home
- The land on which the Manufactured Home is situated must be owned by the Borrower in fee simple. Mortgages secured by Manufactured Homes located in a Condominium Project are eligible for sale to Freddie Mac if project eligibility is determined through a reciprocal review. See Section 5701.9. A Mortgage secured by a Manufactured Home located on a leasehold estate is not eligible for sale to Freddie Mac.



- A multiwide Manufactured Home may be located on an individual lot or in a subdivision or Planned Unit Development. A Mortgage secured by a single-wide Manufactured Home is eligible for sale to Freddie Mac only if the Manufactured Home is located in a Planned Unit Development or if located in a Condominium Project, and project eligibility is determined through a reciprocal review. See Section 5701.9.
- The Manufactured Home must be permanently connected to utilities in compliance with the HUD Codes. Utilities include power, water, and a sewage disposal system.
- The Mortgaged Premises must conform to all applicable use restrictions and must be zoned for residential use, and not commercial or business uses
- The square footage and room dimensions must be acceptable to typical purchasers in the market area
- The Manufactured Home must be permanently affixed to the permanent foundation, in compliance with the HUD Codes.

If the installation was prior to October 20, 2008, the foundation must be designed for the site conditions, home design features, and the loads the home was designed to withstand in accordance with the manufacturer's instructions or a design by a licensed (registered) professional engineer. The foundation must meet all applicable local, State or federal codes. Any structural modifications to an existing Manufactured Home must be approved by a licensed professional engineer or the local, State or federal authority.

- Any improvements, modifications or repairs that affect the safety, soundness or habitability of the Manufactured Home must be completed prior to the sale of the Mortgage to Freddie Mac

**(c) Other types of factory-built housing**

Freddie Mac does not include other types of factory-built housing not subject to the National Manufactured Construction and Safety Standards Act, such as modular or panelized housing, in the definition of Manufactured Homes. Freddie Mac will purchase a Mortgage secured by one of those other types of factory-built housing, as long as Freddie Mac's Mortgage and property eligibility requirements are met.

## **5703.3: General eligibility requirements for Mortgages secured by Manufactured Homes (06/05/19)**

**(a) Eligible Mortgages**

A Mortgage secured by a Manufactured Home must be submitted to Loan Product Advisor<sup>®</sup>. The following Mortgages are eligible:

- An Accept Mortgage, or
- An A-minus Mortgage, or
- A Mortgage that was submitted to Loan Product Advisor and received:
  - An evaluation status of invalid, ineligible or incomplete, or
  - A Risk Class of Caution and was not eligible as an A-minus Mortgage

And

- A fully amortizing fixed-rate Mortgage, or
- A 7/1 ARM, or
- A 10/1 ARM

**(b) Ineligible Mortgages**

A Mortgage secured by a Manufactured Home must not be:

- An ARM, other than those listed in Section 5703.3(a)
- A Non-Loan Product Advisor Mortgage that has never been submitted to Loan Product Advisor
- A Mortgage subject to a temporary subsidy buydown
- A Renovation Mortgage
- A Seller-Owned Converted Mortgage
- A Seller-Owned Modified Mortgage
- An Investment Property Mortgage
- A Seasoned Mortgage
- A leasehold Mortgage
- A Mortgage securing a Manufactured Home that was moved from its original site and was previously occupied or installed on a permanent foundation
- A Freddie Mac HomeOne<sup>SM</sup> Mortgage

- A Community Land Trust Mortgage
- A Mortgage secured by property subject to income-based resale restrictions

**(c) Occupancy**

A Manufactured Home must be a Primary Residence or a second home.

An Investment Property Mortgage secured by a Manufactured Home is ineligible for delivery.

**(d) Maximum loan term**

For a purchase or “no cash-out” refinance transaction secured by a Primary Residence that is an Accept Mortgage, the maximum loan term is:

- 30 years, for Mortgages with loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios less than or equal to 95%

For a purchase or “no cash-out” refinance transaction secured by a Primary Residence that is an A-minus Mortgage, or a Mortgage that was submitted to Loan Product Advisor and received an evaluation status of invalid, ineligible or incomplete, or a Risk Class of Caution and was not eligible as an A-minus Mortgage, the maximum loan term is:

- 20 years, for Mortgages with LTV/TLTV/HTLTV ratios greater than 90% and less than or equal to 95%
- 30 years, for Mortgages with LTV/TLTV/HTLTV ratios less than or equal to 90%

For a purchase or “no cash-out” refinance transaction secured by a second home, the maximum loan term is:

- 30 years, for Mortgages with LTV/TLTV/HTLTV ratios less than or equal to 85%

For a cash-out refinance transaction secured by a Primary Residence, the maximum loan term is:

- 20 years, for Mortgages with LTV/TLTV/HTLTV ratios less than or equal to 65%

**(e) Maximum LTV/TLTV/HTLTV ratios**

The maximum LTV/TLTV/HTLTV ratios for a Mortgage secured by a Manufactured Home are as follows:

**PURCHASE AND "NO CASH-OUT" REFINANCE TRANSACTIONS**

**ACCEPT MORTGAGES  
(Fixed-rate, 7/1 ARM and 10/1 ARM with a maximum 30-year loan term)**

<b>Occupancy type</b>	<b>Maximum LTV/TLTV/HTLTV ratio</b>
Primary Residence	95%

**A-MINUS MORTGAGES, CAUTION MORTGAGES AND MORTGAGES THAT WERE SUBMITTED TO LOAN PRODUCT ADVISOR AND RECEIVED AN EVALUATION STATUS OF INVALID, INELIGIBLE OR INCOMPLETE  
(Fixed-rate, 7/1 ARM and 10/1 ARM with a maximum 30-year loan term)**

<b>Occupancy type</b>	<b>Maximum LTV/TLTV/HTLTV ratio</b>
Primary Residence	90%

**A-MINUS MORTGAGES, CAUTION MORTGAGES AND MORTGAGES THAT WERE SUBMITTED TO LOAN PRODUCT ADVISOR AND RECEIVED AN EVALUATION STATUS OF INVALID, INELIGIBLE OR INCOMPLETE  
(Fixed-rate, 7/1 ARM and 10/1 ARM with a maximum 20-year loan term)**

<b>Occupancy type</b>	<b>Maximum LTV/TLTV/HTLTV ratio</b>
Primary Residence	95%

**ACCEPT MORTGAGES, A-MINUS MORTGAGES, CAUTION MORTGAGES AND MORTGAGES THAT WERE SUBMITTED TO LOAN PRODUCT ADVISOR AND RECEIVED AN EVALUATION STATUS OF INVALID, INELIGIBLE OR INCOMPLETE  
(Fixed-rate, 7/1 ARM and 10/1 ARM with a maximum 30-year loan term)**

<b>Occupancy type</b>	<b>Maximum LTV/TLTV/HTLTV ratio</b>
Second home	85%

<b>CASH-OUT REFINANCE TRANSACTIONS</b>	
<b>ACCEPT MORTGAGES, A-MINUS MORTGAGES, CAUTION MORTGAGES AND MORTGAGES THAT WERE SUBMITTED TO LOAN PRODUCT ADVISOR AND RECEIVED AN EVALUATION STATUS OF INVALID, INELIGIBLE OR INCOMPLETE (Fixed-rate, 7/1 ARM and 10/1 ARM with a maximum 20-year loan term)</b>	
<b>Occupancy Type</b>	<b>Maximum LTV/TLTV/HTLTV ratio</b>
Primary Residence	65%

**(f) Mortgage insurance requirements**

A Mortgage secured by a Manufactured Home must have mortgage insurance coverage as stated in Section 4701.1.

The Mortgage can include Borrower-paid mortgage insurance premiums as provided for in Section 4701.2.

## **5703.4: Eligible transaction types for Mortgages secured by Manufactured Homes (10/27/18)**

A Mortgage secured by a Manufactured Home may be a purchase transaction, “no cash-out” refinance transaction or a cash-out refinance transaction.

**(a) Purchase transactions**

A purchase transaction is one in which the loan proceeds are used to finance the purchase of the Manufactured Home. The proceeds may also be used to purchase the land, or the Borrower may separately own the land. The purchase price may include documented costs for delivery and setup, site development, installation, and permanent utility connections, including well and/or septic systems. Credits for wheels and axles, and any Manufactured Home retailer rebates, must be deducted from the purchase price along with any sales concessions in accordance with Section 5501.5. Financing of any forms of insurance, except for mortgage insurance, or other costs is not allowed for purchase transactions.

The maximum loan-to-value (LTV) (and total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios, if applicable) for a purchase transaction Mortgage secured by a newly built Manufactured Home (i.e., not previously owned) and/or not affixed to a permanent foundation as of the application date, is based on value calculated as the lower of:

- The purchase price of the Manufactured Home, and
  - If the land was purchased less than 12 months prior to the application date, the lowest purchase price at which the land was sold during that 12-month period, or
  - If the land was purchased 12 months or more prior to the application date, the current appraised value of the land, or
- The current appraised value of the Manufactured Home and land

The LTV ratio (and TLTV/HTLTV ratio, if applicable) for a purchase transaction Mortgage secured by a Manufactured Home that is affixed to a permanent foundation prior to the application date will be based on value calculated as the lowest of:

- The purchase price of the Manufactured Home and land, or
- The current appraised value of the Manufactured Home and land, or
- If the Manufactured Home was affixed to a permanent foundation less than 12 months prior to the application date, the lowest price at which the Manufactured Home was previously sold during that 12-month period, and the lower of:
  - The current appraised value of the land, or
  - The lowest price at which the land was sold during that 12-month period (provided there was such a sale)

For a new Manufactured Home, whether it is affixed to a permanent foundation prior to or after the application date, the Seller must obtain a copy of the manufacturer's invoice and Manufactured Home Purchase Agreement.

See Chapter 4602 for the requirements for purchase transaction Construction Conversion Mortgages secured by a Manufactured Home as well as for calculation of value used to determine the LTV ratio (and TLTV/HTLTV ratio, if applicable) for those Mortgages.

**(b) “No cash-out” refinance transactions**

A “no cash-out” refinance transaction involves the payoff of an existing Mortgage secured by the Manufactured Home and land. The loan amount is limited to the amounts used to:

- Pay off the first Mortgage secured by the Manufactured Home and the land (or the existing Mortgages if the home and land were encumbered by separate first Mortgages) that was obtained by the Borrower, regardless of age

- Pay off any junior lien(s) secured by the Manufactured Home and/or land that was used in its entirety to purchase the Manufactured Home and/or land that was obtained by the Borrower
- Pay related Closing Costs
- Disburse cash out to the Borrower (or any other payee) up to the greater of 1% of the new refinance Mortgage or \$2,000

A “no cash-out” refinance Mortgage must also meet the requirements in Sections 4301.4(a) and 4301.4(b) except that the loan amount is limited to the amounts described in this section.

The LTV ratio (and TLTV/HTLTV ratio, if applicable) for a “no cash-out” refinance transaction is based on value calculated as follows:

- If the Borrower has owned the Manufactured Home and land for 12 months or more prior to the application date, the value is the current appraised value
- If the Borrower has owned the Manufactured Home for less than 12 months prior to the application date, and if the Manufactured Home and land are secured by separate liens, the value is the lower of:
  - The current appraised value of the Manufactured Home and land
  - OR
  - The lowest price at which the Manufactured Home was previously sold during the 12-month period preceding the application date, and
  - The lower of the current appraised value of the land or the lowest purchase price at which the land was sold during the 12-month period preceding the application date (provided there was such a sale)
- If the Borrower has owned the Manufactured Home and land for less than 12 months prior to the application date, and the Manufactured Home and land are secured by a single lien, value is the lower of:
  - The purchase price at which the Manufactured Home and land were previously sold during the 12-month period preceding the application date, or
  - The current appraised value of the Manufactured Home and land

For a new Manufactured Home, whether it is affixed to a permanent foundation prior to or after the application date, the Seller must obtain a copy of the manufacturer’s invoice and Manufactured Home Purchase Agreement.

See Chapter 4602 for the requirements for “no cash-out” refinance transaction Construction Conversion Mortgages secured by a Manufactured Home as well as for calculation of value used to determine the LTV ratio (and TLTV/HTLTV ratio, if applicable) for those Mortgages.

**(c) Cash-out refinance transactions**

A cash-out refinance transaction involves the payoff of an existing Mortgage secured by the Manufactured Home and land (or existing liens if the Manufactured Home and land were encumbered by separate first Mortgages), or enables the property owner to obtain a Mortgage on a property that does not already have a Mortgage against it, and permits the Borrower to take equity out of the property in the form of Mortgage proceeds. To be eligible for a cash-out refinance, the Borrower must have owned both the Manufactured Home and land for 12 months or more prior to the application date.

The value for a cash-out refinance Mortgage is based on the current appraised value of the Manufactured Home and land.

## **5703.5: Underwriting requirements for Mortgages secured by Manufactured Homes (07/06/17)**

**(a) Loan Product Advisor<sup>®</sup> Mortgages**

All Mortgages secured by Manufactured Homes must be submitted to Loan Product Advisor.

Non-Loan Product Advisor Mortgages secured by Manufactured Homes that have never been submitted to Loan Product Advisor are not eligible for delivery.

Mortgages that are submitted to Loan Product Advisor and receive a Risk Class of Caution, not eligible for A-minus, or an evaluation status of invalid, ineligible or incomplete, must be manually underwritten in accordance with the requirements of Topics 5100 through 5500 and must have the Minimum Indicator Scores required on Exhibit 25, Mortgages with Risk Class and/or Minimum Indicator Score Requirements.

**(b) Borrower funds**

Refer to Section 5501.3 for eligible sources of Borrower personal funds.

**(c) Land**

If the Borrower owns the land on which the Manufactured Home is being permanently attached, the land may be used as an equity contribution. In such event, the Borrower’s equity contribution is equal to:



- The current appraised value of the land if the Borrower has owned the land for 12 months or more prior to the application date, or
- The lower of the current appraised value of the land or the purchase price of the land if the Borrower has owned the land for less than 12 months

If the Borrower purchased the land less than 12 months prior to the application date, the Seller must document the Borrower's equity contribution with:

- A certified copy of the Settlement/Closing Disclosure Statement, and
- A copy of the warranty deed evidencing there are no liens against the subject property, or a copy of the release for any prior lien(s)

If the Borrower acquired the land as a gift, an inheritance or by some other non-purchase transaction less than 12 months prior to the application date, the Seller must obtain appropriate documentation to verify the acquisition and transfer of ownership of the land. In such event, the value of the land will be its current appraised value.

**(d) Trade equity**

If the subject transaction involves trade equity from the Borrower's existing Manufactured Home, the requirements of this subsection must be met.

The maximum equity contribution from the traded Manufactured Home must be determined as follows:

- If the Borrower has owned the traded Manufactured Home for 12 months or more prior to the application date, 90% of the retail value based on the N.A.D.A. Manufactured Housing Appraisal Guide®, or
- If the Borrower has owned the traded Manufactured Home for less than 12 months prior to the application date, the maximum equity contribution is the lesser of 90% of the retail value or the lowest price at which the Manufactured Home was sold during that 12-month period

Any costs resulting from the removal of the Manufactured Home or any outstanding indebtedness secured by liens on the Manufactured Home must be deducted from the maximum equity contribution.

The trade equity must be documented by a lien search in the appropriate real property or personal property records to verify ownership and existence of liens on the Manufactured Home and land, if included. The seller of the new Manufactured Home must provide proof of title transfer and satisfaction of any existing liens on the traded Manufactured Home.

### **(e) Layering of risk**

A Manufactured Home adds a layer of collateral risk that must be considered when evaluating the overall risk of the Mortgage using the three Cs of underwriting (credit reputation, capacity and collateral). The Seller must consider this high-risk characteristic in evaluating the overall risk of the Mortgage and avoid combining a Manufactured Home with weaknesses in the components of capacity and credit reputation. See Section 5102.2 for more information on evaluating layering of risk and how to document that the overall risk of the Mortgage is acceptable.

For example, a Mortgage secured by a Manufactured Home with maximum financing is acceptable if the Borrower has a strong credit reputation and strong capacity to offset the high risk within the collateral component. However, if the Borrower has weaknesses in credit reputation, such as a credit history of short duration or derogatory credit information, the layering of risk across credit reputation and collateral is excessive and would make the Mortgage unacceptable.

## **5703.6: Appraisal requirements for Manufactured Homes (03/02/16)**

The Seller must obtain an appraisal with an interior and exterior inspection that meets Freddie Mac requirements, including the following requirements:

### **(a) Additional appraiser qualifications for appraisals of Manufactured Homes**

In addition to the appraiser qualifications stated in Section 5601.3, the Seller must determine that the appraiser demonstrates the knowledge and experience to perform quality appraisals for Manufactured Homes. The appraiser must:

- Have adequate experience and must have previously completed real property appraisals of Manufactured Homes
- Have adequate education and/or training related to the appraisal of Manufactured Homes
- Understand the unique features that affect the quality of Manufactured Homes and the factory construction techniques for Manufactured Homes
- Understand the manufacturers' and federal, State and local requirements for the installation of Manufactured Homes
- Be knowledgeable concerning the local Manufactured Home market, and
- Have access to appropriate data sources to establish an opinion of value

Traditional appraisal data sources may not provide sufficient quality Manufactured Home data for the appraiser to develop a supportable and well-documented appraisal. Although the Multiple Listing Service and public records information remain an important source of data, the appraiser must develop other sources such as Manufactured Home retailers and builders experienced in the installation of Manufactured Homes.

The N.A.D.A. Manufactured Housing Appraisal Guide<sup>®</sup> and Marshall & Swift<sup>®</sup> Residential Cost Handbook may also be used to provide support for the appraiser's quality adjustments and value conclusions.

**(b) Contract for sale of a Manufactured Home provided to appraiser**

In addition to the requirements in Section 5601.3, the Seller must provide the appraiser with:

- A complete copy of the executed contract for sale of the Manufactured Home and the land, or if the Manufactured Home and land have separate contracts, the executed contract for each is required. If the Borrower has owned the land for 12 months or more, a copy of the executed contract for the land is not required.
- A copy of the manufacturer's invoice and the Manufactured Home Purchase Agreement when:
  - The Manufactured Home is a new Manufactured Home and the transaction is a purchase transaction; or
  - The Mortgage is a Construction Conversion Mortgage and the transaction is either a purchase transaction or “no cash-out” refinance transaction
- The appraiser must analyze the contract for sale and other documents for the transaction, including, if required, the manufacturer’s invoice and Manufactured Home Purchase Agreement
- If the Manufactured Home was installed after October 20, 2008, the Seller must provide the appraiser with a copy of the Certification of Installation or the comparable State-specific form, and any additional information the appraiser may need as part of the ordering of the completion report or appraisal update.

**(c) Appraisal requirements for a Manufactured Home**

The appraiser must, at a minimum:

- Perform a complete visual inspection of the interior and exterior areas of the Manufactured Home
- Inspect the neighborhood

- Inspect each of the comparable sales from at least the street
- Research, verify, and analyze data from reliable public and/or private sources
- Develop an opinion of the market value of the Manufactured Home based on the sales comparison approach to value. Non-realty items, such as insurance, warranties or furniture must be excluded from the value conclusion
- Develop the cost approach to value as support for the sales comparison approach
- Report his or her analyses, opinions, and conclusions on Form 70B, Manufactured Home Appraisal Report
- Match the manufacturer's serial number(s) and the HUD Certification Label number(s) on the dwelling to the number(s) on the contract for sale, manufacturer's invoice, and any other documentation provided. If the numbers do not match, the appraisal report must clearly state that the Manufactured Home is not the same dwelling referenced on the contract for sale or other applicable documentation.
- Complete the Form 70B in its entirety

**(a) Sales comparison approach for Manufactured Homes**

- The appraiser must state the specific number of manufactured home sales and listings as well as the respective price ranges that were used in the analysis
- The appraisal report for the Manufactured Home must contain at least two comparable manufactured home sales of similar configuration (i.e., single-wide comparable sales for a single-wide subject property and multiwide comparable sales for a multiwide subject property) and similar quality

The appraiser may use either site-built housing or a different type of factory built-housing as the third comparable sale if the appraiser explains the reason for selecting the comparable and makes and supports the appropriate adjustments in the appraisal report. More than three comparable sales may be used if needed to adequately support the appraiser's opinion of value.

If the Manufactured Home is in a controlled market (such as a new subdivision or project, a newly converted project or an area where the property seller owns a substantial number of units), at least one comparable sale must be outside the influence of the developer, builder or property seller. Resales from within the subject project or subdivision may be used to meet this requirement. When comparable sales from outside the subject project or subdivision are used, they must also be outside the influence of the subject property's developer, builder or property seller.

The appraiser must not create comparable sales by combining vacant land sales with the contract purchase price of the Manufactured Home. If the appraiser is unable to develop an appraisal based on at least two comparable sales of similar Manufactured Homes, the Mortgage is not eligible for sale to Freddie Mac.

**(b) Cost approach for Manufactured Homes**

The cost approach and sales comparison approach are complementary for the valuation of manufactured housing and must support the final value conclusion. A detailed cost approach to value based on published sources and supported by market data is required for all Manufactured Home appraisals. It must, at a minimum, provide the information indicated on Form 70B, and provide sufficient information and data to allow the Seller and other reviewers to replicate the cost figures and calculations.

The cost figures must come directly from a published cost service without modification by the appraiser. The appraiser must report the source of the cost data and the effective date of cost data.

The appraiser must provide a quality rating from the cost service used. The appraiser's quality rating must be based on objective criteria.

The appraiser must provide his or her opinion of site value supported by a summary of comparable land sales or other methods used for estimating site value.

**(c) Income approach for Manufactured Homes**

The income approach to value is not required; however, the appraiser must consider the income approach to value and develop it if applicable and necessary to develop a credible report.

**(d) Completion documentation for Manufactured Homes**

If the appraisal is performed before the Manufactured Home is delivered and installed on a permanent foundation, the Seller must document that the Manufactured Home is complete. If a new appraisal is required, the appraiser must provide an analysis of previously unavailable information. If the new appraisal is an appraisal update that also acts as documentation of completion, the appraiser must state that the conditions of the underlying appraisal have been satisfied.

## **5703.7: Title issues and lien requirements relating to Manufactured Homes (03/02/16)**

### **(a) Real property requirements**

To be eligible for delivery to Freddie Mac, a Mortgage must be secured by a perfected First Lien on real estate that consists of the Manufactured Home and the land on which the Manufactured Home is permanently affixed, and the Manufactured Home must be legally classified as real property under applicable State law, including relevant statutes, regulations and judicial decisions.

The Seller must be:

- Familiar with, and comply with, all State laws and regulations and complete all steps necessary to ensure that all of the property securing the Mortgage, including the Manufactured Home, is real property
- Aware of all State laws relating to titling the Manufactured Home and creating and perfecting liens on the Manufactured Home

If a State has laws, regulations or administrative policies that establish procedures allowing for the surrender and cancellation of the certificate of title, the Seller must comply with these procedures.

If a State does not have procedures allowing for the surrender and cancellation of the certificate of title, the Seller must comply with requirements for evidencing and perfecting a lien on the Manufactured Home on the certificate of title.

For example, if a State has laws, regulations or administrative policies that establish procedures allowing for the surrender and cancellation of the certificate of title, the Borrower may have to file an evidence of intent or affidavit of affixture for a Manufactured Home to be converted to real property. Or, a State may require a foundation form to be recorded in the land records and filed with the agency governing manufactured housing to complete the process for converting it to real property.

A Mortgage secured by a real estate lien on a Manufactured Home evidenced and perfected using a certificate of title is eligible for delivery only if a State has no statutory, regulatory or formal administrative process for surrendering and canceling a certificate of title or exemption of a Manufactured Home from the certificate of title requirements.

### **(b) Real property classification**

Generally, a State will classify or recognize a Manufactured Home as real property using one of the following approaches:

## **1. Non-certificate of title States**

The Manufactured Home is classified as real property when it meets the requirements imposed by the State, including but not limited to, the permanent attachment of the Manufactured Home to the land. The State does not require that the owner of the Manufactured Home obtain a certificate of title for the Manufactured Home (“non-certificate of title States”).

In non-certificate of title States, title to the Manufactured Home is evidenced and conveyed by deed and the lien on the Manufactured Home and the land is created and perfected by a recorded Security Instrument.

## **2. Certificate of title surrender States**

The Manufactured Home is classified as real property when it meets the requirements imposed by the State, including but not limited to:

- The Manufactured Home is permanently affixed to the land
- The certificate of title is surrendered to the appropriate State agency, and
- The certificate of title is cancelled by the State agency (“certificate of title surrender States”)

Some certificate of title surrender States also provide for an exemption from the issuance of a certificate of title upon the surrender of the manufacturer’s statement of origin if the Manufactured Home is permanently affixed to the land and meets the other requirements for a surrender and cancellation of a certificate of title.

In certificate of title surrender States, after the certificate of title has been cancelled or otherwise exempted, title to the Manufactured Home is evidenced and conveyed by deed and the lien on the Manufactured Home and the land is created and perfected by a recorded Security Instrument.

## **3. Certificate of title States**

The Manufactured Home is recognized as part of the real property when it meets the requirements imposed by the State, including but not limited to:

- The Manufactured Home is permanently affixed to the land, and
- The Manufactured Home meets all other conditions to be legally recognized as real property when a certificate of title has been issued by the State but not surrendered (“certificate of title States”)

In a certificate of title State, the State does not have procedures allowing for the surrender and cancellation of the certificate of title.

In a certificate of title State:

- Ownership of the Manufactured Home is shown on the certificate of title and ownership of the land is shown on the recorded deed to the real property
- Transfer of ownership of the Manufactured Home is either noted on the certificate of title or by the issuance of a new certificate of title showing the purchaser as the owner, and transfer of ownership of the land is done through a recorded deed of transfer
- The lien on the land is created by the Security Instrument and is evidenced and perfected by recording the Security Instrument in the land records. The lien on the Manufactured Home is created by the same Security Instrument but is evidenced and perfected by its notation on the certificate of title to the Manufactured Home and/or filing with the appropriate State agency, or another specified method.

### **(c) Documentation requirements**

In all cases, notwithstanding the different processes required by State law, the Seller must maintain in the Mortgage file documentation evidencing that:

- The Manufactured Home is legally classified as real property, and
- The Manufactured Home is properly titled, and
- The lien on the Manufactured Home and the land on which it is permanently affixed has been properly created, evidenced and perfected

The documentation must include the serial number(s)/vehicle identification number(s) (VIN) for each section of the Manufactured Home.

#### **1. Special requirements for non-certificate of title States**

The Seller must maintain the following in the Mortgage file:

- Information stating the legal basis (statutory or common law) for determining that the Manufactured Home is real property that is exempt from certificate of title requirements. This information may be included in the documentation from the title insurance company that the Manufactured Home is real property, and
- Evidence that a certificate of title has not been issued such as the manufacturer's statement of origin (provided that the manufacturer's statement of origin is not required to be surrendered to a State agency)



## **2. Special requirements for certificate of title surrender States**

The Seller must provide documentation from the appropriate State authority to evidence that the certificate of title has been surrendered and cancelled (or in the case of a new Manufactured Home, the manufacturer's statement of origin has been surrendered and no certificate of title was issued). The Seller must provide as evidence:

- A certificate of cancellation, notification letter or other acknowledgement from the Department of Motor Vehicles (DMV) or the appropriate State agency to which the certificate of title was surrendered, or
- A copy of the documents submitted in connection with the surrender, along with evidence that the documents were delivered and received by the appropriate State agency

And

- Copies of documents recorded in the land records as part of the title surrender procedures to show the Manufactured Home has been converted to real property, such as an affidavit of affixture

## **3. Special requirements for certificate of title States**

The Seller must comply with the following special requirements for Mortgages secured by Manufactured Homes located in certificate of title States:

- In addition to the requirements for perfecting a lien on the land to which the Manufactured Home is permanently affixed, the Seller must take all necessary action to perfect the lien on the Manufactured Home. This may include adding a notation of the Seller's security interest in the Manufactured Home on the certificate of title in the name of Seller and its successors in interest and assigns, and/or recording its lien with the State motor vehicles administration or other authorized agency.
- The Seller must verify that ownership of the Manufactured Home as shown on the certificate of title and ownership of the land as shown on the deed are identical, and that the owner of the Manufactured Home and the land is the Borrower under the Note and Security Instrument
- The Seller/Service is not required to note the assignment of the security interest in the Manufactured Home to the Federal Home Loan Mortgage Corporation (Freddie Mac) on the certificate of title. However, if it deems necessary to protect its interests, at its sole discretion and at any time, Freddie Mac may require a Seller/Service, at the Seller/Service's expense, to note the assignment of its security interest in the Manufactured Home to Freddie Mac in one or more of the following ways, depending on State law:

- ❑ Notation on the certificate of title, and/or
- ❑ Recording the assignment to Freddie Mac with the State motor vehicles administration or other authorized agency
- For assignments of the lien on the Manufactured Home, the Seller/Servicer must ensure that the chain of assignments as noted on the certificate of title is complete from the original mortgagee on the certificate of title to the Seller, and the full chain of assignments noted on the certificate of title is recorded in the State motor vehicles administration or other authorized agency, if required. If the Seller concurrently or subsequently transfers the Servicing rights, an assignment to the new Servicer must be noted on the certificate of title and/or must be recorded in the State motor vehicles administration or other authorized agency, if required.

The following requirements must be completed by the Seller when preparing and completing assignments of the security interest in the Manufactured Home for Concurrent or Subsequent Transfers of Servicing in a certificate of title State:

- If the Borrower holds the original certificate of title, and the original certificate of title must be produced to note the assignment, the Seller/Servicer must obtain the original certificate of title from the Borrower and follow the applicable procedures to note the assignment on the certificate of title
- The Transferor must note any intervening assignments from the original mortgagee to the Transferor on the certificate of title and, if required, record the complete chain of assignments from the original mortgagee to the Transferor with the State motor vehicles administration or other authorized agency
- The Transferor must note the assignment of its interest in the Manufactured Home to the Transferee on the original certificate of title and, if required, record the assignment with the State motor vehicles administration or other authorized agency
- If the Borrower holds the original certificate of title, the Transferor must retain a copy of the original certificate with the noted assignments before returning the original certificate of title with the noted assignments to the Borrower in accordance with applicable procedures
- The Transferor must deliver the certificate of title (or, if applicable, a copy of the certificate of title) evidencing the complete chain of title to the Transferee who must retain the certificate of title or a copy of the certificate of title, as applicable, in the Mortgage file

The Seller must maintain the following documents in the Mortgage file for certificate of title States.

- The original certificate of title showing all intervening assignments and ending with the Seller and its successors in interests and assigns as lienholder if State law does not require the original certificate of title to be held by the Manufactured Home owner, or
- A copy of the certificate of title showing all intervening assignments and ending showing the Seller and its successors in interests and assigns as lienholder if State law requires the original certificate of title to be held by the Manufactured Home owner, and
- Evidence on the certificate of title (original or copy, as applicable) of the assignment of the security interest in the Manufactured Home from the Transferor to the Transferee Servicer if there has been a Transfer of Servicing

**Note:** Mortgages secured by Manufactured Homes in certificate of title States are not eligible for registration with the MERS®.

#### **(d) Borrower and Seller affidavit**

The Borrower and, if required, the Seller, must sign an affidavit that acknowledges their intent for the Manufactured Home to be permanently part of the real property that secures the Mortgage and that contains any specific language that may be required by applicable law. The affidavit must be recorded, if permitted, and either a copy of the affidavit showing the record location or the original after its return from recordation must be maintained in the Mortgage file.

#### **(e) Uniform Instruments**

The financing of the Manufactured Home and the land must be evidenced by a valid and enforceable single real estate First Lien Security Instrument that includes the Manufactured Home as part of the real property collateral and is recorded in the land records.

Mortgages secured by Manufactured Homes must be evidenced by:

- The current Fannie Mae/Freddie Mac Uniform fixed-rate Note or acceptable ARM Note, and
- The current Fannie Mae/Freddie Mac State-specific Security Instrument

The Note or the Security Instrument may not contain any statement that provides for the waiver of the rights of holders of due course or provides that an assignee Note holder may be held liable for claims the Borrower may have against other parties.

A Manufactured Home must be described in the Security Instrument and the description must include the year, make, model and serial number(s)/VIN(s) for each section of the Manufactured Home and any other information required by applicable law to identify the Manufactured Home.

**(f) Title insurance**

The Mortgage must be covered under a standard real estate title insurance policy that complies with Chapter 4702, and that identifies the Manufactured Home located on the real property and insures against any loss if the Manufactured Home is not real property.

The Seller must provide one of the following title policy endorsements for each Manufactured Home:

- An ALTA Form 7.1, where available, or ALTA Form 7 endorsement, or
- An endorsement required in the applicable jurisdiction that insures that the Manufactured Home constitutes real property, such as the T-31 endorsement in the State of Texas

**Note:** The ALTA Form 7 endorsement does not insure the Manufactured Home has been properly converted to real property. If the State has statutory, regulatory or formal administrative process for surrendering and canceling a certificate of title, the Seller is responsible for ensuring that all steps necessary to convert the Manufactured Home to real property have been completed and documentation evidencing the conversion is in the Mortgage file.

**(g) Closing instructions**

The Seller must provide its closing agents closing instructions that instruct the agent to obtain the required documentation evidencing that the Manufactured Home is affixed to a permanent foundation on the land.

In non-certificate of title States, the closing instructions must instruct the closing agent to provide documentation for retention in the Mortgage file showing that the Manufactured Home is real property that does not require a certificate of title, including documentation that the Manufactured Home has been permanently installed.

In certificate of title surrender States, the closing instructions must instruct the closing agent to perform all necessary procedures to assure that the certificate of title to the Manufactured Home is properly cancelled (or the manufacturer's statement of origin properly surrendered), and provide the Seller with supporting documentary evidence for retention in the Mortgage file.

Except for States where insured closing protection letters are not allowed under State law or regulations, the Seller must obtain an insured closing protection letter for each Mortgage that is secured by a Manufactured Home. If any of the documentation related to the conversion of the Manufactured Home to real property cannot be obtained until after closing, the Seller should obtain a properly circumscribed power of attorney from the Borrower that may be used to complete the post-closing items as intended.

## 5703.8: Taxation of Mortgaged Premises (03/02/16)

If State law or the local taxing authority, as of the Origination Date, requires or permits the Mortgaged Premises to be taxed as real estate, the Mortgaged Premises must be taxed as real estate by the jurisdiction where it is located.

If State law or the local taxing authority, as of the Origination Date, requires the Mortgaged Premises to be taxed as personal property, the Mortgaged Premises may be taxed as personal property by the jurisdiction where it is located provided:

- The taxation does not affect the status of the property as real property, and
- The Servicer's escrow systems are adjusted to escrow for both real estate and personal property taxes, and
- If the taxing authority has provisions for notifying secured lenders of tax delinquencies, the Seller has taken all necessary action to ensure that the Seller/Servicer will receive any applicable notice of tax delinquency

All of our requirements relating to real estate taxes apply equally to personal property taxes applicable to a Mortgage secured by a Manufactured Home.

**Note:** The taxation of the Mortgaged Premises as real property is not evidence that all the appropriate steps to convert a Manufactured Home to real property have been completed or that a Manufactured Home is legally classified as real property.

## 5703.9: Mortgages secured by a CHOICEHome<sup>SM</sup> (05/01/19)

**Effective May 1, 2019, the previous contents of Section 5703.9 are moved to Section 5703.10.**

### (a) Overview

Freddie Mac CHOICEHome<sup>SM</sup> is a type of Manufactured Home with aesthetics and architectural specifications that are not typically found in HUD-coded manufactured homes.

Freddie Mac will purchase Mortgages that are secured by a CHOICEHome and meet the requirements of this chapter and section.

Unless approved by Freddie Mac in writing, CHOICEHome Mortgages must not be originated using any other negotiated underwriting provisions and/or may not be a special negotiated mortgage product.

The Seller must obtain Freddie Mac’s written approval before selling Mortgages secured by a CHOICEHome to Freddie Mac by contacting its Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE.

**(b) Eligible Mortgages**

The Mortgage must be a purchase transaction Mortgage or “no cash-out” refinance Mortgage secured by a 1-unit Primary Residence that is a Manufactured Home comprised of multiple sections (i.e., a multi-wide Manufactured Home).

The Mortgage must be a fixed-rate Mortgage or a 5/5, 5/1, 7/1 or 10/1 ARM; provided, however, Freddie Mac Home Possible<sup>®</sup> and Freddie Mac HomeOne<sup>SM</sup> Mortgages must be fixed-rate Mortgages.

Although Section 4406.2(a) provides that Mortgages secured by Manufactured Homes subject to resale restrictions are not eligible, Mortgages secured by a CHOICEHome subject to resale restrictions are eligible for purchase.

**(c) Ineligible Mortgages**

The Mortgage must not be a:

- Super conforming Mortgage
- Seller-Owned Converted and Seller-Owned Modified Mortgage
- Community Land Trust Mortgage; or
- Mortgage secured by a leasehold estate

**(d) Eligible property**

- The CHOICEHome must meet all the property requirements in Section 5703.2(b)
- The Seller must verify that the subject property meets CHOICEHome property eligibility requirements by obtaining an appraisal and/or final inspection evidencing the presence of all the following:
  - Photo of the CHOICEHome notice (to be placed in proximity to the HUD Data Plate)
  - Photo of the HUD Data Plate
  - Photo of the HUD certification labels
  - Presence of a garage or carport; and
  - Permanent foundation must include the presence of a masonry perimeter or “perimeter blocking” as represented on the appraisal

**(e) Underwriting requirements for CHOICEHome**

The Mortgage must be assessed through Loan Product Advisor<sup>®</sup> and be an Accept Mortgage.

The Seller must not accept an appraisal waiver offer from Loan Product Advisor, stating an automated collateral evaluation (ACE) appraisal waiver is acceptable.

**(f) Maximum LTV/TLTV/HTLTV ratios and value**

**(i) Maximum LTV/TLTV/HTLTV ratios**

The maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios are as follows:

	Maximum LTV ratio	Maximum TLTV ratio	Maximum HTLTV ratio
Fixed-rate Mortgages			
All Mortgages except Home Possible and HomeOne	95%	95%	95%
Home Possible Mortgages and HomeOne Mortgages	97%	97%	97%
Home Possible Mortgage with an Affordable Second <sup>®</sup> and HomeOne Mortgages with an Affordable Second	97%	105%	97%
ARMs			
All Mortgages*	95%	95%	95%

\*Pursuant to Section 5703.9(b), Home Possible and HomeOne Mortgages must be fixed-rate Mortgages

**(ii) Value**

Although Sections 5703.4(a) and 5703.4(b) provide otherwise:

- For purchase transactions, the LTV/TLTV/HTLTV ratios must be based on a value calculated on the lesser of:
  - The purchase price of the CHOICEHome and purchase price of the land, or

- ❑ The current appraised value of the CHOICEHome and land; and
- For “no cash-out” refinance transactions, the LTV/TLTV/HTLTV ratios must be based on a value calculated on the current appraised value of the CHOICEHome and land

**(g) Use of proceeds**

The uses of Mortgage proceeds permitted under Sections 5703.4(a) and 5703.4(b) apply respectively to purchase transaction and “no cash-out” transaction Mortgages originated in accordance with this section.

**(h) Mortgage insurance**

- Before the Seller submits a Mortgage with an LTV ratio greater than 95% to an MI the Seller must verify that the MI will cover a Mortgage that has an LTV ratio greater than 95% and is secured by a Manufactured Home
- The Seller must submit a Mortgage to the MI as a Manufactured Home, unless the MI permits Mortgages secured by a CHOICEHome to be submitted as a site-built home; and
- Although Section 4701.1 states otherwise, a Mortgage secured by a Manufactured Home that is originated under this section and has an LTV ratio greater than 95% but less than or equal to 97% is eligible for mortgage insurance under Section 4701.1, provided that the Seller obtains mortgage insurance from the MI as indicated above

**(i) Appraisal requirements**

The following appraisal requirements must apply:

- Except for the requirements in Section 5703.6(d), the appraisal requirements for a Manufactured Home in Chapter 5703 apply
- In lieu of the Section 5703.6(d) requirements, the following appraisal requirements for the sales comparison approach must apply:
  - ❑ The appraisal report for the CHOICEHome should contain at least one comparable CHOICEHome sale of similar configuration and similar quality; provided, however, if there are no comparable CHOICEHome sales available, the appraiser, in development of an opinion of value, may use site-built housing as comparable sales
  - ❑ The appraiser must explain and support the reasoning for selecting any non-CHOICEHome comparable sales
  - ❑ The appraiser is obligated to develop and support the appropriate adjustments in the appraisal report; and
  - ❑ More than three comparable sales may be used if needed to adequately support the appraiser’s opinion of value



## **5703.9: Mortgages secured by a CHOICEHome<sup>SM</sup> (Future effective date 03/01/20)**

Effective May 1, 2019, the previous contents of Section 5703.9 are moved to Section 5703.10.

### **(a) Overview**

Freddie Mac CHOICEHome<sup>SM</sup> is a type of Manufactured Home with aesthetics and architectural specifications that are not typically found in HUD-coded manufactured homes.

Freddie Mac will purchase Mortgages that are secured by a CHOICEHome and meet the requirements of this chapter and section.

Unless approved by Freddie Mac in writing, CHOICEHome Mortgages must not be originated using any other negotiated underwriting provisions and/or may not be a special negotiated mortgage product.

The Seller must obtain Freddie Mac's written approval before selling Mortgages secured by a CHOICEHome to Freddie Mac by contacting its Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE.

### **(b) Eligible Mortgages**

The Mortgage must be a purchase transaction Mortgage or "no cash-out" refinance Mortgage secured by a 1-unit Primary Residence that is a Manufactured Home comprised of multiple sections (i.e., a multi-wide Manufactured Home).

The Mortgage must be a fixed-rate Mortgage or a 5/5, 5/1, 7/1 or 10/1 ARM; provided, however, Freddie Mac Home Possible<sup>®</sup> and Freddie Mac HomeOne<sup>SM</sup> Mortgages must be fixed-rate Mortgages.

### **(c) Ineligible Mortgages**

The Mortgage must not be a:

- Super conforming Mortgage
- Seller-Owned Converted and Seller-Owned Modified Mortgage
- Community Land Trust Mortgage; or
- Mortgage secured by a leasehold estate

### **(d) Eligible property**

- The CHOICEHome must meet all the property requirements in Section 5703.2(b)

- The Seller must verify that the subject property meets CHOICEHome property eligibility requirements by obtaining an appraisal and/or final inspection evidencing the presence of all the following:
  - Photo of the CHOICEHome notice (to be placed in proximity to the HUD Data Plate)
  - Photo of the HUD Data Plate
  - Photo of the HUD certification labels
  - Presence of a garage or carport; and
  - Permanent foundation must include the presence of a masonry perimeter or “perimeter blocking” as represented on the appraisal

**(e) Underwriting requirements for CHOICEHome**

The Mortgage must be assessed through Loan Product Advisor<sup>®</sup> and be an Accept Mortgage.

The Seller must not accept an appraisal waiver offer from Loan Product Advisor, stating an automated collateral evaluation (ACE) appraisal waiver is acceptable.

**(f) Maximum LTV/TLTV/HTLTV ratios and value**

**(i) Maximum LTV/TLTV/HTLTV ratios**

The maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios are as follows:

	Maximum LTV ratio	Maximum TLTV ratio	Maximum HTLTV ratio
Fixed-rate Mortgages			
All Mortgages except Home Possible and HomeOne	95%	95%	95%
Home Possible Mortgages and HomeOne Mortgages	97%	97%	97%
Home Possible Mortgage with an Affordable Second <sup>®</sup> and HomeOne Mortgages with an Affordable Second	97%	105%	97%

ARMs			
All Mortgages*	95%	95%	95%

\*Pursuant to Section 5703.9(b), Home Possible and HomeOne Mortgages must be fixed-rate Mortgages

## (ii) Value

Although Sections 5703.4(a) and 5703.4(b) provide otherwise:

- For purchase transactions, the LTV/TLTV/HTLTV ratios must be based on a value calculated on the lesser of:
  - The purchase price of the CHOICEHome and purchase price of the land, or
  - The current appraised value of the CHOICEHome and land; and
- For “no cash-out” refinance transactions, the LTV/TLTV/HTLTV ratios must be based on a value calculated on the current appraised value of the CHOICEHome and land

## (g) Use of proceeds

The uses of Mortgage proceeds permitted under Sections 5703.4(a) and 5703.4(b) apply respectively to purchase transaction and “no cash-out” transaction Mortgages originated in accordance with this section.

## (h) Mortgage insurance

- Before the Seller submits a Mortgage with an LTV ratio greater than 95% to an MI the Seller must verify that the MI will cover a Mortgage that has an LTV ratio greater than 95% and is secured by a Manufactured Home
- The Seller must submit a Mortgage to the MI as a Manufactured Home, unless the MI permits Mortgages secured by a CHOICEHome to be submitted as a site-built home; and
- Although Section 4701.1 states otherwise, a Mortgage secured by a Manufactured Home that is originated under this section and has an LTV ratio greater than 95% but less than or equal to 97% is eligible for mortgage insurance under Section 4701.1, provided that the Seller obtains mortgage insurance from the MI as indicated above

## (i) Appraisal requirements

The following appraisal requirements must apply:

- Except for the requirements in Section 5703.6(d), the appraisal requirements for a Manufactured Home in Chapter 5703 apply

- In lieu of the Section 5703.6(d) requirements, the following appraisal requirements for the sales comparison approach must apply:
  - The appraisal report for the CHOICEHome should contain at least one comparable CHOICEHome sale of similar configuration and similar quality; provided, however, if there are no comparable CHOICEHome sales available, the appraiser, in development of an opinion of value, may use site-built housing as comparable sales
  - The appraiser must explain and support the reasoning for selecting any non-CHOICEHome comparable sales
  - The appraiser is obligated to develop and support the appropriate adjustments in the appraisal report; and
  - More than three comparable sales may be used if needed to adequately support the appraiser's opinion of value

## **5703.10: Other requirements for Mortgages secured by Manufactured Homes (05/01/19)**

**Effective May 1, 2019, the contents of Section 5703.10 were moved from Section 5703.9.**

### **(a) Delivery requirements**

See Section 6302.25 for special delivery requirements for Mortgages secured by Manufactured Homes, including CHOICEHome<sup>SM</sup> Mortgages.

### **(b) Credit Fee in Price**

Except as stated below, a special Credit Fee in Price will be assessed and billed to the Seller in conjunction with the sale of Mortgages secured by Manufactured Homes. The Seller must refer to Exhibit 19, Credit Fees in Price, for information on the Manufactured Homes Credit Fee in Price and other Credit Fees in Price. Credit Fees in Price are paid in accordance with the Credit Fee in Price provisions outlined in Chapter 6303.

CHOICEHome Mortgages sold under Section 5703.9 will not be assessed the Exhibit 19 Manufactured Homes Credit Fee in Price. The Seller must refer to Exhibit 19 for all other Credit Fees in Price.

# Chapter 6201: Guarantor and MultiLender Swap Programs

## 6201.1: Summary of Guarantor and MultiLender Swap programs (06/03/19)

The provisions of this chapter set forth the terms for selling eligible Mortgages to Freddie Mac in exchange for **UMBS™**, **MBS**, **Supers™** or WAC ARM PCs. Mortgages may be sold in exchange for securities through one of the following purchase programs:

- Guarantor program

- Fixed-rate Guarantor program

Conventional fixed-rate Mortgages may be sold to Freddie Mac in exchange for a **UMBS or MBS representing an undivided interest in the same Mortgages**. FHA/VA Mortgages may be sold to Freddie Mac in exchange for an **MBS** representing an undivided interest in the same Mortgages.

- WAC ARM Guarantor program

Conventional ARMs may be sold to Freddie Mac in exchange for a WAC ARM PC representing an undivided interest in the same Mortgages.

- MultiLender Swap program

Except as set forth in this Section 6201.1, conventional 15- and 30-year fixed-rate Mortgages may be sold to Freddie Mac in exchange for **Supers** backed by **UMBS** representing an undivided interest in the same Mortgages and, in some cases, Mortgages sold to Freddie Mac by one or more other Sellers.

Conventional **10- and 20-year** fixed-rate Mortgages may be sold to Freddie Mac in exchange for an **MBS** representing an undivided interest in the same Mortgages. In addition, under the MultiLender Swap program, conventional **10-year fixed-rate Mortgages may be sold to Freddie Mac in exchange for a Supers if they are pooled together with conventional 15-year fixed-rate Mortgages, and conventional 20-year fixed-rate Mortgages may be sold to Freddie Mac in exchange for Supers if they are pooled together with conventional 30-year fixed-rate Mortgages**.

The following fixed-rate Mortgages may be sold to Freddie Mac in exchange for an **MBS** representing an undivided interest in the same Mortgages:

- FHA/VA Mortgages

- Section 184 Native American Mortgages

■ Section 502 GRH Mortgages

Delivery under the Freddie Mac Guarantor and MultiLender Swap programs is not mandatory, but delivery under Pricing Identifier Terms may be mandatory. See Section 1501.6 for further information regarding mandatory delivery requirements.

Unless the context requires otherwise:

- The term “Mortgages” used in this chapter refers to fixed-rate Mortgages and ARMs
- The phrase “Guarantor program” refers to the fixed-rate Guarantor program and the WAC ARM Guarantor program
- The requirements of this chapter apply to the Guarantor program and the MultiLender Swap program

For additional information on the Guarantor and MultiLender Swap programs, refer to the following chapters in the Guide:

<b>Topic</b>	<b>Location</b>
Fixed-rate Guarantor	Chapters 6202 and 6203
WAC ARM Guarantor	Chapters 6202 and 6204
MultiLender Swap	Chapters 6202 and 6205

Sections 6201.1(a) and 6201.1(b) summarize the types of securities issued under the Guarantor program or MultiLender Swap program. For detailed information, see Exhibit 17S, Available Mortgage Products.

For current Prefix information, contact Investor Inquiry at (800) 336-3672.

**(a) Securities issued under the fixed-rate Guarantor and MultiLender Swap programs**

The fixed-rate Guarantor program issues securities for pools of the following types of fixed-rate Mortgages:

- Conventional fixed-rate Mortgages with 10-, 15-, 20-, and 30-year terms
- Conventional fixed-rate Mortgages with 10- and 15-year terms may be pooled together in a 15-year security
- Conventional fixed-rate Mortgages with 20- and 30-year terms may be pooled together in a 30-year security
- FHA/VA Mortgages with 15-, 20- and 30-year terms
- FHA/VA Mortgages with 20- and 30-year terms may be pooled together in a 30-year security

The MultiLender Swap program issues securities for pools of the following types of fixed-rate Mortgages:

- Conventional fixed-rate Mortgages with 10-, 15-, 20-, and 30-year terms
- Conventional fixed-rate Mortgages with 10- and 15-year terms may be pooled together in a 15-year security
- Conventional fixed-rate Mortgages with 20- and 30-year terms may be pooled together in a 30-year security
- FHA/VA Mortgages with 15-, 20- and 30-year terms
- FHA/VA Mortgages with 20- and 30-year terms may be pooled together in a 30-year security

**(b) Securities issued under the WAC ARM Guarantor program**

The WAC ARM Guarantor program issues WAC ARM PCs for the eligible ARM products. Separate WAC ARM PCs will be issued based on the characteristics of the ARM. The following characteristics are used to form WAC ARM PCs:

- Index
- Lookback Period
- Initial and Periodic Caps
- Length of Initial Period
- Length of subsequent adjustment periods, and
- Whether the ARMs are subject to prepayment penalties or not

See Chapter 4401 and Exhibit 17S for detailed information on the combination of ARM characteristics that are acceptable for WAC ARM PCs.

## **6201.2: Sellers eligible to submit offers under the Guarantor and MultiLender Swap programs (07/12/17)**

All Sellers are eligible to submit offers under the Guarantor and MultiLender Swap programs, provided that the Seller first enters into **Pricing Identifier Terms** with Freddie Mac. A Seller should contact its Freddie Mac Account Manager to discuss how to enter into **such terms**.

## 6201.3: Purchase requirements for Mortgages sold under the Guarantor and MultiLender Swap programs (06/03/19)

Mortgages sold to Freddie Mac under the Guarantor program and the MultiLender Swap program must meet the requirements set forth in the Purchase Documents.

### (a) Fixed-rate Guarantor program

Under the fixed-rate Guarantor program, Freddie Mac will purchase fixed-rate Mortgages that have a Note Rate at least equal to the requested Coupon plus the Credit Fee in Yield (as adjusted for buyup or buydown) plus the Minimum Contract Servicing Spread.

For fixed-rate Guarantor, the Minimum Contract Servicing Spread must be at least 0.250% and for Mortgages sold under fixed-rate Guarantor the maximum Servicing Spread, may not exceed 0.500%. The Minimum Contract Servicing Spread must be equal to or greater than the Minimum Servicing Spread. For Mortgages with lender-paid mortgage insurance that have annual or monthly renewal premiums, the Minimum Contract Servicing Spread must be at least 0.250%, must include the amount necessary to pay the mortgage insurance premium when due and must not exceed 0.500%.

Refer to Chapter 6202 for pooling requirements for fixed-rate Mortgages under the fixed-rate Guarantor program.

### (b) MultiLender Swap program

Under the MultiLender Swap program, Freddie Mac will purchase fixed-rate Mortgages that have a Note Rate (as adjusted for buyup or buydown, and inclusive of any lender-paid mortgage insurance premium) within the specified posted Note Rate range for that program.

For MultiLender Swap, the Minimum Contract Servicing Spread must be at least 0.250% and for Mortgages sold under MultiLender Swap the maximum Servicing Spread may not exceed 0.500%. The Minimum Contract Servicing Spread must be equal to or greater than the Minimum Servicing Spread.

Refer to Chapter 6202 for pooling requirements for fixed-rate Mortgages under the MultiLender Swap program.

### (c) WAC ARM Guarantor program

Under the WAC ARM Guarantor program, Freddie Mac will purchase ARMs that have a Margin that is at least the sum of the Credit Fee in Yield plus the Minimum Contract Servicing Spread.

For WAC ARM Guarantor, the Minimum Contract Servicing Spread must be at least 0.250% and may not exceed 2.00%.



For ARMs with lender-paid mortgage insurance that have annual or monthly renewal premiums, the Minimum Contract Servicing Spread must include the amount necessary to pay the mortgage insurance premium when due.

In addition, under the WAC ARM Guarantor program, the Seller selects a value for three discrete Minimum Contract Servicing Spreads:

- Minimum coupon servicing spread
- Minimum margin servicing spread
- Minimum lifetime ceiling servicing spread

Subject to the requirements below, the Seller may select the same value or a different value for any of the three discrete Minimum Contract Servicing Spreads. When the Seller selects a different value for any of the three discrete Minimum Contract Servicing Spreads, the affected ARMs are referred to as having variable servicing spreads.

■ **Minimum coupon servicing spread**

The minimum coupon servicing spread is the Minimum Contract Servicing Spread applicable to an ARM from the date that Freddie Mac purchases the ARM and during the period of time that the adjusted Note Rate is limited by the Initial Cap or Periodic Cap, as applicable.

The minimum coupon servicing spread may not vary by more than 0.250% from the minimum margin servicing spread and the minimum lifetime ceiling servicing spread.

■ **Minimum margin servicing spread**

The minimum margin servicing spread is the Minimum Contract Servicing Spread applicable to an ARM from the first time that the adjusted Note Rate is equal to the sum of the Index value plus the Margin.

The minimum margin servicing spread may not vary by more than 0.250% from the minimum coupon servicing spread and the minimum lifetime ceiling servicing spread.

■ **Minimum lifetime ceiling servicing spread**

The minimum lifetime ceiling servicing spread is the Minimum Contract Servicing Spread applicable to an ARM, from the first time that the adjusted Note Rate is limited by the Lifetime Ceiling through the remaining term of the ARM.

The minimum lifetime ceiling servicing spread may not vary by more than 0.250% from the minimum coupon servicing spread and the minimum margin servicing spread.

Refer to Chapter 6202 for pooling requirements for ARMs under the WAC ARM Guarantor program.

## **6201.4: MultiLender Swap posting information (06/03/19)**

On the first Business Day of each month, Freddie Mac will announce at [http://www.freddiemac.com/sell/ids/mbsmktg/data/GRMPOOL\\_DATA.txt](http://www.freddiemac.com/sell/ids/mbsmktg/data/GRMPOOL_DATA.txt) and through various market information vendors the following information with respect to Mortgages Freddie Mac will purchase under the MultiLender Swap program:

- Mortgage term and final Settlement Dates
- WA Net Interest Rate (Coupon)
- Permissible Note Rate range
- Prefix
- Security Identifier (Pool Number)
- CUSIP Number

Freddie Mac provides information about the Gold Rush® fees assessed for use of a Settlement Cycle of less than five days at <http://www.freddiemac.com/singlefamily/goldrush-fees.html> and through various market information vendors. See Section 6205.4 for more information.

## **6201.5: Review of Mortgages for compliance with Seller's Maximum Annual Mortgage Purchase Amount (03/02/16)**

If Freddie Mac has established a Maximum Annual Mortgage Purchase Amount with respect to the Seller, Freddie Mac will, after the commitment has been made, review the aggregate amount of Mortgages purchased from the Seller to date in the current calendar year. Freddie Mac, in its sole and absolute discretion, may purchase Mortgages from the Seller in an amount that exceeds the Seller's Maximum Annual Mortgage Purchase Amount or may rescind, in whole or in part, its acceptance of the Seller's offer to sell any Mortgages that will result in the Seller's exceeding its Maximum Annual Mortgage Purchase Amount. Any such rescission shall be made without the payment by Freddie Mac of any Seller claims. Freddie Mac reserves the right to charge a fee on the entire amount of any Purchase Contract that causes the Seller to exceed its Maximum Annual Mortgage Purchase Amount.

## **6201.6: Freddie Mac's obligation to sell **UMBS™, MBS, ARM PCs or Supers™** in exchange for Mortgages (06/03/19)**

The obligation of Freddie Mac to sell **UMBS™, MBS, ARM PCs or Supers™** in exchange for Mortgages is subject to the Mortgages' eligibility for purchase, the Seller's compliance with any Maximum Annual Mortgage Purchase Amount established for the Seller and all other requirements of the Purchase Documents.

## **6201.7: Seller's election to sell with or without recourse under the Guarantor and MultiLender Swap programs (04/24/17)**

Mortgages may be sold to Freddie Mac with or without recourse, as elected by the Seller and as set forth in the Purchase Documents.

### **(a) With recourse**

A Seller who elects to sell Mortgages to Freddie Mac with recourse bears all risks and costs of a Borrower default, including the costs of foreclosure. Under a recourse obligation, the Seller must repurchase the Mortgage, plus accrued interest, upon completion of the foreclosure sale (or upon delivery of a deed-in-lieu of foreclosure), whether or not the Borrower retains an equity of redemption. The Seller may, at its option, repurchase any Mortgage that is 90 days delinquent in accordance with the requirements in Sections 3602.4 through 3602.6. The Seller may also, at its option, repurchase any Mortgage for which foreclosure has been initiated.

If the Seller elects to sell Mortgages to Freddie Mac with recourse, the Seller's financial ability to fulfill the required recourse obligation will be reviewed. If Freddie Mac determines that the Seller's financial condition is not sufficient to support a recourse obligation, the Seller may be required to meet additional requirements. There may be instances in which additional recourse sales from the Seller will not be allowed because of the Seller's financial condition. At the time of review, Freddie Mac will determine whether to assess any or all **Credit Fees in Price** as indicated in Exhibit 19, Credit Fees in Price. Freddie Mac will provide this **Credit Fee in Price** information in a Guide provision or in the Seller's negotiated term of business, as applicable.

In addition, if the Seller elects to sell Mortgages to Freddie Mac with recourse, Freddie Mac will monitor the Seller's continuing ability to fulfill its recourse obligations and may:

- Require that the Seller submit specific financial information relating to the Seller's ability to fulfill its recourse obligations

- Require that the Seller provide Freddie Mac with additional assurances, including guaranties, or pledges of collateral, to support recourse obligations
- Treat the Seller’s failure to provide Freddie Mac with requested additional assurances as a failure to fulfill an obligation under the Purchase Documents

The Seller who elects to sell Mortgages with recourse represents and warrants to Freddie Mac that on the Date of Seller’s Offer, the Seller’s aggregate recourse obligations comply with all applicable federal and State regulations. The Seller should be aware that in the event of a Transfer of Servicing, the Transferee Servicer must be approved by Freddie Mac and may be subject to the same recourse obligations as the Seller of the related Mortgages.

For Mortgages sold to Freddie Mac with recourse, the Note must bear the proper endorsement for sales with recourse, as set forth in Section 6301.3.

**(b) Without recourse**

If the Seller elects to sell Mortgages without recourse, Freddie Mac assumes the risk of loss from Borrower defaults, subject to the terms and conditions of the Purchase Documents.

## **6201.8: Remittance cycles under the Guarantor and MultiLender Swap programs (05/01/19)**

The Standard Remittance Cycle applies to Mortgages sold under the Guarantor and MultiLender Swap programs.

## **6201.9: Guarantor Pricing (12/11/17)**

This section applies when a Seller’s Rate Sheet (as defined below) issued through [Loan Selling Advisor<sup>SM</sup>](#) states that the Seller is eligible to sell Mortgages to Freddie Mac through the Guarantor program or MultiLender Swap program.

**(a) Defined terms**

For purposes of this section, the following terms have the meanings ascribed to them below:

- (i) “Guarantor Pricing” means Credit Fees in Yield, Credit Fee in Yield Add-Ons, negotiated Credit Fee in Yield adjustments, buyup and buydown ratios, maximum buyup and maximum buydown, and/or certain negotiated Credit Fees in Price, credits for Credit Fees in Price and/or such other components as Freddie Mac may include from time to time
- (ii) “Pricing Day” means the day or days of the month on which Guarantor Pricing is available to the Seller in [Loan Selling Advisor](#)

- (iii) “Rate Sheet” means the Rate Sheet Results screen that is in [Loan Selling Advisor](#) and that contains the information described in Section 6301.9(b)(ii)

**(b) Pricing Day and Pricing Notification**

- (i) The Pricing Day will be stated on the Seller’s Rate Sheet. If the Pricing Day is not a Business Day, Freddie Mac will make the Guarantor Pricing available to the Seller on the first Business Day after such Pricing Day.
- (ii) The Rate Sheet will include all applicable components of Guarantor Pricing, the Mortgage products eligible under the Rate Sheet and the applicable effective dates and Settlements Dates covered by the Rate Sheet and any applicable additional terms stated in the Business Arrangement Stipulations section of the Rate Sheet.

**(c) Taking out Purchase Contracts**

The Seller may take out Purchase Contracts for settlement in a particular month only after Freddie Mac has entered Guarantor Pricing on the Rate Sheet for the Purchase Contract for Settlement in such particular month.

**(d) Acceptance of Guarantor Pricing**

The Seller’s delivery of Mortgages eligible under a Rate Sheet will be deemed to be the Seller’s acceptance of the Guarantor Pricing stated in the Rate Sheet.

**(e) Amendment and termination of Guarantor Pricing provisions**

In addition to the provisions of Section 1101.2(a)(ii) Freddie Mac may amend, supplement, revise or terminate any of the provisions of this section including, but not limited to, establishing Guarantor Pricing for a Seller more than one time in a calendar month and changing the Guarantor Pricing provided in accordance with the above provision, in whole or in part, upon written notice to the Seller. The written notice may be in the form of new Guarantor Pricing being made available to the Seller on the Rate Sheet in [Loan Selling Advisor](#). The effective date of changes will be stated on the revised Rate Sheet. The changes will not apply to contracts the Seller has taken out prior to the effective date of the changes.

## **6201.10: Buyup and buydown programs under the fixed-rate Guarantor and MultiLender Swap programs (06/03/19)**

**(a) Adjustments to Credit Fees in Yield**

When taking out a Fixed-Rate Guarantor Contract or MultiLender Swap Contract, the Seller may request an adjustment to the Credit Fee in Yield by selecting one of the following buyup and buydown programs:

- Note-level, or
- Loan-level (if permitted under the Seller's Pricing Identifier Terms under which the Seller is taking out the Purchase Contract)

The adjustment will be based on the Note Rate, the Coupon, and the Minimum Contract Servicing Spread. For the note-level program, the Credit Fee in Yield will be adjusted in the same manner for all Mortgages with that Note Rate and remaining maturity. For the loan-level program, the Seller may select the specific Mortgages for which the Credit Fee in Yield is to be adjusted.

For purposes of this section, Credit Fee in Yield means the total Credit Fee in Yield, which consists of the Credit Fee in Yield stated on the Seller's Rate Sheet plus all applicable Credit Fee in Yield Add-Ons and negotiated Credit Fee in Yield adjustments.

#### **(b) Selection of applicable option**

For the note-level program, at the time the Seller takes out a Purchase Contract, the Seller must select one of the following options:

- Buyup and buydown
- Buydown only
- Buyup only, or
- Neither buyup nor buydown

For the loan-level program, the Seller will select the applicable option for each Mortgage at the time the Seller delivers the Mortgage. Refer to Section 6302.35 for delivery requirements for such Mortgages. If the Seller fails to deliver the required loan-level buyup and buydown ULDD Data Points for a Mortgage, the Mortgage will not be allocated to the Seller's Purchase Contract.

For both the note-level and loan-level programs, the Seller may update the specified buyup or buydown amount, as applicable, until the Purchase Contract for which the buyup or buydown amount applies is in settlement locked status.

#### **(c) Buyup and buydown payments**

In exchange for an increase to the Credit Fee in Yield (buyup) for certain Mortgages, Freddie Mac will make a cash payment to the Seller.

In exchange for a decrease in the Credit Fee in Yield (buydown) for certain Mortgages, the Seller will make a cash payment to Freddie Mac.

Buyup payments to be made to the Seller will be netted against buydown payments to be made by the Seller and the result will be paid in accordance with the provisions relating to fees in Section 6303.2.

For each Pool or Supers Pool formed under the MultiLender Swap program, Freddie Mac will make available on its website ([www.freddiemac.com/mbs](http://www.freddiemac.com/mbs)), and via a link in Loan Selling Advisor to the Form 15 (Form 15A UMBS or MBS), a Pool Supplement containing information about the Mortgages in a UMBS or MBS Pool or a Supers Pool Supplement containing information about the UMBS underlying the Supers Pool as of the Settlement Date. The Pool Supplement and Supers Pool Supplement are available on the first Business Day following the Securities Industry and Financial Markets Association (SIFMA) Class D Monthly Securities Settlement Date. The Seller may also obtain a copy of the Pool Supplement and the Supers Pool Supplement by contacting Investor Inquiry at (800) 336-3672.

Refer to Section 6201.11 or 6201.16(b) for additional information regarding the Pool Supplement, the Supers Pool Supplement and other information Freddie Mac makes available on its web site and through information vendors about the Mortgages in the Pools or Supers Pool.

# Chapter 6301: Documentation Delivery

## 6301.1: Home Mortgage documentation delivery (03/02/16)

The Seller agrees, at its own expense and within the delivery period required under the purchase program, to deliver to Freddie Mac, or its designee, the documents required under the Purchase Documents, subject to Freddie Mac’s approval regarding proper form and execution.

The Seller should plan for a reasonable processing and review period before the Funding Date or Settlement Date. The amount of the purchase price is adjusted for interest accrued through the day before the Funding Date or Settlement Date.

## 6301.2: Pledged Mortgage delivery (09/10/18)

**Pledged Mortgages** must be delivered as required by Section 6302.38 and Chapter 6305.

## 6301.3: Endorsement of Notes (03/02/16)

### (a) Without recourse

For each Mortgage delivered to Freddie Mac (except for Mortgages sold with recourse under the Guarantor or MultiLender Swap program, pursuant to Section 6201.7(a)), the original of the Note must be delivered pursuant to the requirements of this chapter; and the Note must bear the following endorsement signed by the Seller’s duly authorized representative:

PAY TO THE ORDER OF \_\_\_\_\_

WITHOUT RECOURSE

(Name of Seller-endorser) \_\_\_\_\_

(Signature of duly authorized representative) \_\_\_\_\_

(Typed name and title of signatory) \_\_\_\_\_

This endorsement “without recourse” will in no way affect the Seller/Service’s repurchase obligations under the Purchase Documents. If the Seller is a corporation, the person endorsing the Notes must be a duly authorized officer of the Seller. If the Seller is a partnership or other type of organization that is not a corporation, the person endorsing the Notes must be duly authorized by the Seller, in accordance with the organization’s



constituent documents and applicable law, to take such action on behalf of the Seller. Endorsement may not be made pursuant to a power of attorney.

**(b) With recourse**

For each Mortgage sold with recourse under the Guarantor or MultiLender Swap program, the original of the Note must be delivered bearing the following endorsement signed by the Seller's duly authorized representative:

PAY TO THE ORDER OF \_\_\_\_\_

(Name of Seller-endorser)

(Signature of duly authorized representative)

(Typed name and title of signatory)

If the Seller is a corporation, the person endorsing the Notes must be a duly authorized officer of the Seller. If the Seller is a partnership or other type of organization that is not a corporation, the person endorsing the Notes must be duly authorized by the Seller, in accordance with the organization's constituent documents and applicable law, to take such action on behalf of the Seller. Endorsement may not be made pursuant to a power of attorney.

**(c) Chain of endorsement**

If the Seller is not the original payee on the Note, the chain of endorsements must be proper and complete from the original payee shown on the Note to the Seller. At the time the Mortgage is sold to Freddie Mac, the Seller must endorse the Note in blank, in accordance with (a) or (b) above. When a Transfer of Servicing occurs, the Transferor Servicer may not complete the blank endorsement or further endorse the Note.

**(d) Facsimile signature**

Notes may be endorsed by use of a facsimile signature stamp if the following conditions are met:

- The signature is that of a corporate officer of the Seller who has authority pursuant to a resolution of the Seller's Board of Directors
- The corporate officer whose signature is imprinted on the stamp authenticates his signature by affidavit which will be made available to Freddie Mac upon request
- Before the Delivery Date, the Seller must obtain an opinion of the Seller's counsel that the use of a facsimile signature constitutes a valid signature for an endorsement on each Note so endorsed. The Seller must furnish this opinion to Freddie Mac upon request.

### (e) Use of an Allonge for the endorsement of a Note

The Seller may use an Allonge to endorse a Note if the following conditions are met:

- The Allonge is permanently affixed to the Note
- The Allonge references the Borrower's name, the property address and the original principal balance of the Note
- The form of the Allonge, and its use, complies with all applicable laws
- The use of the Allonge does not impair Freddie Mac's status as a "holder in due course" or any of Freddie Mac's rights under the Purchase Documents

## 6301.4: Power of attorney (10/02/19)

Freddie Mac will permit the Note, the Security Instrument and other closing documents to be executed by a person acting as attorney-in-fact pursuant to authority granted by a Borrower under a power of attorney (POA) in the following circumstances:

- In a hardship or emergency situation; and
- When a Seller determines that applicable law requires use of a POA

The person acting as attorney-in-fact should have a familial, personal or fiduciary relationship with the Borrower, and should not be employed by or affiliated with any party to the loan transaction other than the Borrower. Each POA must be notarized and the Mortgage must be covered by a title insurance policy in accordance with Section 4702.1.

The Seller must deliver with the Note:

- The original (signed in ink by the Borrower)
- A copy of the POA showing the recordation information if the original POA was recorded prior to the Note Date, or
- A copy of the POA if the original POA was sent for recording with the Security Instrument, in which case the Seller must promptly deliver either the original POA or a copy with recording to the Document Custodian as a trailing document when it is received from the recording office.

If the use of a POA is required by applicable law, the Seller must include a written statement that explains the circumstances in the Mortgage file and deliver a copy of the statement to the Document Custodian with the POA.

## **6301.5: Modifying instrument or assumption of indebtedness agreement (03/02/16)**

The Seller must deliver the following documents with the original Note:

- If a Mortgage has been modified or converted from an ARM to a fixed-rate Mortgage: the original modification or conversion agreement, unless it is recorded with the Security Instrument. If the original modification or conversion agreement is recorded with the Security Instrument, a copy of the modification or conversion agreement must be delivered.
- For a Construction Conversion Mortgage or a Renovation Mortgage that uses Modification Construction Conversion Documentation, the original Construction Conversion Modification Agreement, unless it is recorded with the Security Instrument. If the original Construction Conversion Modification Agreement is recorded with the Security Instrument, a copy of the Construction Conversion Modification Agreement must be delivered.
- If the ownership of the Mortgaged Premises has been transferred in any way the ownership transfer instrument and assumption of indebtedness agreement

The Seller need not submit a modifying instrument that by its terms ceases to be effective upon purchase of the modified Mortgage by Freddie Mac.

## **6301.6: Assignment of Security Instrument (10/09/17)**

The Seller/Servicer is not required to prepare an assignment of the Security Instrument to Freddie Mac. However, Freddie Mac may, at its sole discretion and at any time, require a Seller/Servicer, at the Seller/Servicer's expense, to prepare, execute and/or record assignments of the Security Instrument to Freddie Mac.

If an assignment of the Security Instrument to Freddie Mac has been prepared, the Seller/Servicer must not record it unless directed to do so by Freddie Mac. Any statement in the assignment to the effect that the assignment is made without recourse will in no way affect the Seller/Servicer's repurchase obligations under the Purchase Documents.

For transfer or assignment of Freddie Mac's interest in the Mortgage, the Seller/Servicer shall prepare at its own expense any assignment necessary to transfer the Security Instrument to Freddie Mac's assignee, designee or transferee.

Intervening Assignments must be prepared in accordance with the requirements of this section.

NOTE: Special provisions for preparing assignments for Mortgages secured by Manufactured Homes located in certificate of title States where there is no provision for surrender and cancelation of the certificate of title are set forth in Section 5703.7(c), paragraph 3. Mortgages

secured by Manufactured Homes located in certificate of title States where there is no provision for surrender and cancelation of the certificate of title may not be registered with MERS®.

**(a) Mortgages not registered with MERS**

For a Mortgage not registered with MERS, the Seller/Servicer must ensure that the chain of assignments is complete and recorded from the original mortgagee on the Security Instrument to the Seller. If the Seller concurrently or subsequently transfers the Servicing, an assignment to the new Servicer must be completed and recorded where required, thus keeping the chain complete.

If a State does not accept assignments for recordation, the Seller must so state in an affidavit maintained with the unrecorded assignment.

**(b) Mortgages registered with MERS**

For a Mortgage registered with MERS, if MERS is not the original mortgagee of record, the Seller/Servicer must ensure that:

- An assignment of the Security Instrument to MERS has been prepared, duly executed and recorded in all places necessary to perfect a First Lien security interest in the Mortgaged Premises in favor of MERS, solely as nominee for the lender named in the Security Instrument and the Note, and the lender's successors and assigns. Mortgages subsequently assigned to MERS in the States of Montana, Oregon and Washington are not eligible for sale to Freddie Mac.
- The chain of assignments is complete and recorded from the original mortgagee to MERS

If the Seller/Servicer concurrently or subsequently transfers the Servicing of a Mortgage registered with MERS, no further assignments are required if the Transferee Servicer is a MERS Member. If the Transferee Servicer is not a MERS Member, or if the Mortgage has not been, or is no longer, registered with MERS, the Seller/Servicer must complete the assignments in accordance with the requirements in Section 6301.6(a).

**(c) Mortgages registered with MERS naming MERS as original mortgagee of record**

No assignments are required for a Mortgage registered with MERS if:

- The Mortgage is originated naming MERS as the original mortgagee of record, solely as nominee for the lender named in the Security Instrument and the Note, and the lender's successors and assigns, and
- The Seller/Servicer has ensured that the Security Instrument is properly executed, acknowledged, delivered and recorded in all places necessary to perfect a First Lien security interest in the Mortgaged Premises in favor of MERS, solely as nominee for the

lender named in the Security Instrument and the Note, and the lender's successors and assigns

#### **(d) Concurrent Transfers of Servicing**

If the Mortgage is registered with MERS, and the Transferee Servicer is not a MERS Member, then the requirements for Mortgages not registered with MERS must be followed.

For a Concurrent Transfer of Servicing when a Mortgage is registered with MERS:

- The **Seller** must notify MERS of the Transfer of Servicing and reflect such Transfer of Servicing on the MERS System
- The Transferee Servicer must follow the document custodial procedures in Section 7101.9, and deliver the assignments to the Transferee Document Custodian to be verified and certified in accordance with the requirements of Section 6304.2, unless the Transferee Servicer has elected to retain all assignments for MERS-registered Mortgages in the Mortgage files. The Transferee Servicer must also supply its Document Custodian with any documentation necessary for the Document Custodian to determine whether the Seller/Servicer has elected to hold all assignments in the Mortgage files.

For a Concurrent Transfer of Servicing when a Mortgage is not registered with MERS:

- The Seller must record any Intervening Assignments to complete the chain of assignments from the original mortgagee to the Seller, in accordance with Section 6301.6(a)
- The **Seller** must then assign the Security Instruments to the Transferee Servicer and record the assignments
- The Transferee Servicer must follow the document custodial procedures set forth in Section 7101.9, and deliver the assignments to the Transferee Document Custodian, to be verified and certified in accordance with the requirements of Section 6304.2

Special provisions for Concurrent Transfers of Servicing of Mortgages secured by Manufactured Homes located in certificate of title States where there is no provision for surrender and cancelation of the certificate of title are set forth in Section 5703.7(c), paragraph 3.

## **6301.7: Accuracy and preparation of Mortgage data submitted (03/02/16)**

The Seller warrants that the Mortgage data provided are true, complete and accurate. Erroneous data or omissions discovered may result in rejection of the Mortgage(s) involved when

discovered before purchase or repurchase of the Mortgage(s) involved when discovered after purchase.

The essential accounting data for each Mortgage must agree with the underlying documents and the Seller's individual mortgagor accounting records.

Freddie Mac purchases Mortgage balances as reflected in the Seller's individual Mortgage accounts. The records or accounts used for Mortgages to be sold to Freddie Mac must be updated within 10 days before delivery of Mortgage documents to Freddie Mac (see **Directory 8**).

Using the most recent Mortgage trial balance or updated Mortgage records, the Seller must indicate the UPB and provide the remaining information required by Chapter 6302. It should not be assumed that payments due as of or before the date the balances are taken from the detailed Mortgage record have been paid. An installment that was due as of or before the date the balances are taken from the individual Mortgage records, but is unpaid, is considered delinquent. For example, a payment that was due on the first of a month, and is unpaid on the second or thereafter, is delinquent for this purpose.

## **6301.8: Completion of delivery (09/10/18)**

Settlement cannot occur until delivery is complete. Delivery is complete upon:

- The delivery to, and acceptance by, Freddie Mac of all loan data and other information and documentation required by the Purchase Documents. When a Seller/Servicer registers a Mortgage on the MERS<sup>®</sup> System, the Seller/Servicer must, in addition to any requirements set forth in the MERS Governing Documents, register such Mortgages with MERS *prior* to loan delivery to Freddie Mac, and must supply the MIN for Mortgages registered with MERS at the time of delivery. The Seller/Servicer must indicate the MIN on the Security Instrument and related documents, regardless of whether the Seller/Servicer retains the documents or sends them to the Document Custodian.

For further information on MERS, refer to Exhibit 5, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application.

- The delivery of the Notes and all other required documentation to, and certification of the Notes by, the Document Custodian. The Seller/Servicer must provide the Document Custodian with sufficient information so that if there is a Subsequent Transfer of Servicing, the Transferor Servicer and Freddie Mac can determine whether a Mortgage that is included in such Subsequent Transfer of Servicing is registered with MERS at the time of the transfer, as required by Section 7101.9.

Prior to certification, the Seller must identify and track the Notes and other loan documents on its system as Mortgages to be sold to Freddie Mac. In addition, Freddie Mac may require that, at the Seller's expense, the Freddie Mac loan number be affixed to the face of each Note.

In the event the Seller does not complete its Guarantor or MultiLender Swap delivery by 8:00 PM Eastern Time on the day immediately preceding the scheduled Settlement Date, Freddie Mac has the right, in its sole discretion, to cancel or postpone the settlement or funding until delivery has been completed. For information regarding pair-off of Cash contracts, refer to Section 6401.1.

The Seller indemnifies and holds Freddie Mac, its directors, officers, employees, successors, assigns and fiscal and transfer agents, harmless from and against any and all losses, damages, claims, demands, actions, suits or liabilities, joint or several, to which Freddie Mac may become subject, and shall reimburse Freddie Mac for any legal or other expenses reasonably incurred by Freddie Mac in connection with any losses, damages, claims, demands, suits, liabilities or actions with respect to Freddie Mac's cancellation or postponement of any settlement or funding insofar as such losses, claims, damages, demands, suits, liabilities or actions arise out of or are based upon Freddie Mac's cancellation or postponement of a settlement or funding.

**(a) Delivery and certification**

The requirements of Sections 2202.2 and 2202.3 must be met, in addition to the following requirements:

- The Document Custodian must have received and certified, as required by Sections 6304.2 and 6304.3, the following:
  - Form 1034E, Custodial Certification Schedule, or the “Note Delivery Cover Sheet.” Form 1034E and the Note Delivery Cover Sheet are available only through Loan Selling Advisor<sup>®</sup>. The Seller is not required to maintain a copy of the Form 1034E or the Note Delivery Cover Sheet.
  - For each Mortgage, the original Note, endorsed as required by Section 6301.3, along with the originals of any addenda or other modifying instruments to the Note. (NOTE: The Notes for Mortgages sold through Cash-Released XChange<sup>SM</sup> must be delivered to The Bank of New York Mellon Trust Company, N.A. as the Designated Custodian for Mortgages purchased under that process. See Section 6101.7 for additional information.)
  - Any documentation, if applicable, indicating that the Mortgages were closed with MERS as original mortgagee of record
  - The original assignments of the Security Instruments, prepared and completed as required by Section 6301.6, unless the Mortgages are registered with MERS and the Seller/Servicer has elected to retain all required assignments in the Mortgage files

The Seller/Servicer must supply its Document Custodian with any documentation necessary for the Document Custodian to determine if it should expect to receive assignments for MERS-registered Mortgages.

If a recorder's office has not yet returned a recorded Intervening Assignment to the Seller/Servicer, the Seller/Servicer must deliver a certified copy of the assignment sent for recordation to the Document Custodian.

The original recorded assignment must be delivered to the Document Custodian immediately after the Seller/Servicer receives it from the recorder's office. If a jurisdiction does not accept assignments for recordation, the Seller/Servicer must so indicate in an affidavit delivered to the Document Custodian with the unrecorded Intervening Assignment.

- ❑ The following documents, if applicable:
  1. The original Freddie Mac Multistate Agreement to Convert, Form 3180
  2. The original assumption agreement
  3. The original addendum
  4. The original or a copy of the power of attorney, if original is sent for recordation
  5. The original, or a certified copy if the original is sent for recordation, of the Multistate Loan Modification Agreement (to a Fixed Interest Rate), Form 5161, or comparable modification agreement that complies with the Guide
  6. The original or a certified copy of Form 3172, New York Consolidation, Extension and Modification Agreement (NY CEMA), if original was sent for recordation. See Section 4101.5 for additional documentation delivery requirements for Mortgages originated using a NY CEMA.
  7. For a Construction Conversion Mortgage or a Renovation Mortgage that uses Modification Construction Conversion Documentation, the original, or a certified copy if the original is sent for recordation, of the Construction Conversion Modification Agreement
- ❑ Any other documentation that Freddie Mac, at its discretion, may require
- Freddie Mac's Mortgage Purchase Department (**see Directory 8**) must receive the following by the Delivery Date:
  - ❑ For **Pledged Mortgages**: the forms required by Sections 6305.3, 6305.4 and 6305.5
  - ❑ Any other documentation that Freddie Mac, at its discretion, may require
- Freddie Mac (**see Directory 9**) must have received any other documentation that Freddie Mac, at its discretion, may require



## **(b) Additional Seller, Servicer, and Document Custodian Responsibilities**

Prior to or immediately after settlement, the Seller must enter the Freddie Mac loan numbers assigned to the Mortgages into the Seller's system and associate such numbers with the Mortgages so that Seller can identify, track and service the Mortgages for Freddie Mac. If Servicing is concurrently transferred, the Transferee Servicer must enter the Freddie Mac loan numbers assigned to the Mortgages by Freddie Mac into the Transferee Servicer's computerized servicing system and associate such numbers with the Mortgages so that the Transferee Servicer may identify, track and service the Mortgages for Freddie Mac.

For all Mortgages, the Seller, Servicer, and Document Custodian must comply with all requirements in the Guide and other Purchase Documents.

The Seller, Servicer, Document Custodian, and/or their successors, assigns and transferees, as applicable, are fully responsible, on an ongoing basis, for the proper delivery, certification, identification and tracking of all Notes for Mortgages sold to Freddie Mac.

## **6301.9: Mortgage substitutions (03/02/16)**

To substitute a Mortgage for another Mortgage previously delivered to Freddie Mac for sale, as permitted or required by Freddie Mac, the Seller must submit the documents required by Section 6301.8.

Upon confirmation of Freddie Mac's acceptance of a substitute Mortgage, the Seller/Servicer may obtain the Note and related documents for the previously delivered Mortgage from the Document Custodian in accordance with Section 8107.2(c).

If Freddie Mac requires substitution for a Mortgage, the Seller will deliver a Mortgage that meets all of the requirements of the Purchase Documents and has an outstanding principal balance that enables the Seller to fulfill the contract commitment amount. The Seller can change the terms of the contract to increase the commitment amount, by executing a contract change request; Seller will be required to pay a fee, if Freddie Mac deems this necessary. The Seller will be required to pay Freddie Mac any differential between the outstanding principal balance of the Mortgage being purchased by Freddie Mac and the Mortgage for which it is being substituted.

The Seller must deliver such substitute Mortgage by the contract Due Date. If a substitute Mortgage has a different Note Rate from that of the previously delivered Mortgage, it must be within the Note Rate range established for the contract.

## **6301.10: Purchase and settlement procedures (02/06/19)**

### **(a) Preparation of Form 15/A/C, Loan Purchase Statement**

After reviewing the submitted Mortgages, Freddie Mac will generate Form 15/A/C, Loan Purchase Statement, which will summarize the pertinent data, and will include a computation of the amount to be funded to the Seller.

Depending on the type of purchase, Freddie Mac will generate one of the following forms:

- Loan Purchase Statement for Cash sales
- Form 15A for fixed-rate Guarantor
- Form 15C for WAC ARM Guarantor

### **(b) Wire transfers**

Wire transfers made in connection with the purchase of Mortgages will be made only to the account of the Seller maintained with an eligible banking institution, such as a Federal Home Loan Bank, a commercial bank or a Federal Reserve Bank. The Seller may maintain an account with the Federal Reserve Bank for clearing checks only or for receiving and disbursing of wire transfers. Before instructing Freddie Mac to make a wire transfer to an account at a Federal Reserve Bank, the Seller must ensure that the account is eligible to receive direct wire transfers and the Seller must have submitted to Freddie Mac, as applicable, an approved Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, or Form 989SF, Certificate of Incumbency for Limited Partnerships, that designates employees who are authorized to provide Freddie Mac with instructions (or to modify instructions) to transfer funds or securities on the Seller's behalf in connection with the sale of Mortgages to Freddie Mac. See Chapter 6305 regarding wire transfer instructions for the purchase by Freddie Mac of Mortgages subject to financing arrangements with Warehouse Lenders. Freddie Mac will not wire transfer funds for the credit of a Servicing Agent.

## **6301.11: Postsettlement purchase adjustments (03/02/16)**

Generally, purchase balances cannot be adjusted after settlement because the Mortgages have been pooled for resale. After settlement and before pooling has taken place, however, it may be possible to adjust a purchase balance. If the Seller has any question regarding purchase balances before funding, the Seller should contact (800) FREDDIE immediately. Thereafter, any

questions must be directed to the Seller's accounting representative at Freddie Mac (**see Directory 8**).

# Chapter 6302: Mortgage Delivery Instructions

## 6302.1: Organization of delivery instructions for ULDD Data Points (01/31/18)

In addition to complying with the document delivery requirements set forth in Chapter 6301, Mortgages sold to Freddie Mac must comply with the delivery requirements of this chapter.

The following sections of this chapter describe the data that must be provided by the Seller in connection with Mortgages sold to Freddie Mac. The data delivery instructions set forth in this chapter are consistent with the data requirements for the Uniform Loan Delivery Dataset (ULDD). The technical document for implementing Freddie Mac's loan data delivery requirements for the ULDD is the Freddie Mac Implementation Guide for Loan Delivery Data ("Freddie Mac IG-LD"), which includes, among other resources:

- Appendix A, XML Data Requirements ("Appendix A"), which details the subset of loan delivery data points specified in the MISMO<sup>®</sup> Version 3.0 Reference Model ("MISMO v3.0") that is used for the ULDD
- Appendix A Addendum ("ULDD Addendum"), which sets forth corrections to the data contained in Appendix A and amends Appendix A, as published

For purposes of this chapter, references to Appendix A include the changes specified in the Appendix A Addendum.

The Freddie Mac IG-LD, Appendix A and the other technical documentation relating to implementing the ULDD are found under the Technical Resources tab on the ULDD page at: [http://www.freddiemac.com/singlefamily/sell/uniform\\_delivery.html](http://www.freddiemac.com/singlefamily/sell/uniform_delivery.html).

### (a) General data and documentation delivery requirements

#### (i) Effective dates of Mortgage data delivery requirements

For Mortgages delivered to Freddie Mac, the Seller must comply with the requirements for Mortgage data as applicable to the Application Received Dates and Delivery Dates specified in the table below:

Mortgage Data Requirements According to Mortgage Application Received Date		
Application Received Date	Delivery Date	Mortgage Data Requirements
Before December 1, 2011	On or after July 23, 2012	The Seller must provide either: a. The equivalent of the data previously captured on Form 11, Mortgage Submission Schedule, or Form 13SF, Mortgage Submission Voucher, as applicable, identified in Appendix A, “F11/13SF Equivalent Mandate 7-23-12” tab; <b>or</b> b. The data required for Phase 1 implementation identified in Appendix A, on the “Phase 1 Complete” tab
On or after December 1, 2011 and before August 1, 2012	On or after July 23, 2012	The Seller must provide the applicable Mortgage data required for Phase 1 implementation identified in Appendix A, on the “Phase 1 Requirements Mandate 7-23-12” tab.
On or after August 1, 2012 and before March 1, 2014	On or after November 26, 2012	The Seller must provide the applicable Mortgage data required for Phase 1 implementation identified in Appendix A, on the “Phase 1 Complete” tab.
On or after March 1, 2014	On or after August 25, 2014	The Seller must provide the applicable Mortgage data required for Phase 2 implementation specified in Appendix A on the “Phase 2 Complete Mandate 8-25-14” tab.
On or after January 1, 2019	On or after May 20, 2019	The Seller must provide the applicable Mortgage data required for Phase 3 implementation specified in Appendix A on the “Phase 3 Complete” tab.

**(ii) Data delivered in MISMO v3.0 format**

The Mortgage data must be delivered in the MISMO v3.0 format pursuant to the guidance in the Freddie Mac IG-LD.

**(iii) Documentation of delivery requirements**

The documentation that the Seller must deliver for all Mortgages includes the delivery of Note(s) as described in Section 6304.2 and wire transfer instructions, if applicable, as described in Sections 2201.2, 6203.8, 6204.8, 6205.8, 6305.3 and 6305.4.

**(iv) Timing of delivering data and documentation**

For each Mortgage sold to Freddie Mac, the Seller must deliver all Mortgage data and documentation required by this chapter and other applicable sections of the Purchase Documents prior to:

- The Purchase Contract Expiration Date for Mortgages sold under the Cash program;  
or
- The Final Delivery Date for Mortgages sold under the Guarantor or MultiLender Swap program

**(b) Organization of data delivery requirements**

The data delivery instructions set forth in this chapter are grouped by the following general topics:

- Mortgages sold under the Cash, Guarantor and MultiLender Swap programs (Sections 6302.2 through 6302.4)
- All Mortgage Products sold to Freddie Mac (Section 6302.5)
- The specific attributes of fixed-rate Mortgages and ARMs (Sections 6302.6 and 6302.7)
- The property and Borrower information that is required for each Mortgage (Sections 6302.8 through 6302.9)
- The underwriting information required for each Mortgage (Sections 6302.10 and 6302.11)
- Mortgages with specific characteristics that require singular delivery instructions (Sections 6302.12 et seq.)

The data delivery instructions are presented throughout this chapter in a tabular format, and include the following information:

- The column titled “Sort ID” refers to the ID number used in Appendix A for the particular ULDD Data Point
- The column titled “ULDD Data Point” sets forth the MISMO Data Point used in Appendix A
- The column titled “Valid Value” sets forth the Freddie Mac supported enumerations specified in Appendix A that are applicable to the Mortgages described in the table. If a value must be selected for a ULDD Data Point, all permissible values are listed in the “Valid Values” column. If there are no valid values specified for a particular ULDD Data Point, the Seller should refer to the “Notes” for specific instructions on completing the “ULDD Data Point” field.
- The column titled “Notes” provides specific delivery instructions for the ULDD Data Point that are consistent with the Implementation Notes set forth in Appendix A. If there

are no notes for a particular ULDD Data Point, the Seller should enter the appropriate data based on the data point name and definition.

- The column headers are followed by rows that map the listed data points to Loan Selling Advisor<sup>®</sup> graphical user interface (GUI) screen headings and tabs

The data delivery instructions are organized so that those with more general applicability (for example, eligible delivery programs and Mortgage loan product types) appear earlier in this chapter, and the instructions relating to Mortgages with special characteristics follow. The delivery instructions are cumulative, so that, for example, the Seller must provide data regarding the specific delivery program, the particular Mortgage product, the property, loan and Borrower, as well as any special characteristics that the loan may have.

The data delivery instructions set forth in this chapter include requirements for delivery of Investor Feature Identifiers (IFIs) in connection with the sale of Mortgages to Freddie Mac, where applicable. IFIs identify a loan feature not defined by other attributes. A listing of IFIs is available in Exhibit 34, Investor Feature Identifiers.

### **(c) Relationship between this chapter and Appendix A**

The data delivery instructions in this chapter are consistent with the data requirements set forth in Appendix A, and provide much of the same information as Appendix A. For example, the delivery instructions in this chapter provide the valid values for each of the ULDD Data Points required, together with any notes necessary to clarify the appropriate valid value; this information is similar to the columns of Appendix A titled “FRE-Supported Enumerations” and “Freddie Mac Implementation Notes.”

The delivery instructions in this chapter differ from Appendix A in that they do not include, for example, cross-references to the phase-in information, and some information such as conditionality, loan role or party role type is presented in a narrative form rather than in a chart format. Additionally, the delivery information in this chapter is organized by Mortgage characteristics rather than in the ULDD Sort ID order format used in Appendix A.

For a complete description of the delivery data required for Mortgages sold to Freddie Mac, the Seller must refer to Appendix A and any published addenda.

### **(d) Other delivery instructions in this chapter**

This chapter also provides delivery instructions relating to eligible programs and pooling information. Additionally, this chapter describes the special delivery requirements applicable to modified Mortgages.

#### **(i) Eligible delivery programs**

The sections of this chapter relating to the specific attributes of fixed-rate Mortgages and ARMs (Sections 6302.6 and 6302.7) and to Mortgages with special characteristics

(Sections 6302.12 et seq.) specify any limitations in the delivery programs. For purposes of these sections:

- “Cash” means the Mortgage Product or offering is eligible under fixed-rate Cash and WAC ARM Cash
- “Guarantor” means the Mortgage Product or offering is eligible under the fixed-rate Guarantor and WAC ARM Guarantor programs
- “MultiLender Swap” means the Mortgage Product or offering is eligible under the MultiLender Swap program

If the delivery programs are not specifically limited, the Mortgage Product or offering is eligible for all delivery programs.

**(ii) Pooling information**

The sections of this chapter relating to Mortgages with special characteristics (Sections 6302.12 et seq.) also specify any special pooling requirements applicable to the Mortgages. If no pooling requirements are specified, refer to Chapter 6202 for general pooling requirements for fixed-rate Mortgages under the fixed-rate Guarantor or MultiLender Swap programs, and for ARMs under the WAC ARM Guarantor program.

**(iii) Special instructions for modified Mortgages**

The sections of this chapter relating to modified Mortgages (Section 6302.27 with respect to Seller-Owned Modified Mortgages and Section 6302.28(b)(iv) with respect to Construction Conversion or Renovation Mortgages with modification agreements) describe the special delivery instructions that are required to capture information about the Mortgage, both as modified and prior to modification. For modified Mortgages, all the applicable delivery data must be delivered under the “Modification” tab of the Loan Selling Advisor GUI rather than under the “Closing” tab of the GUI; data relating to the Mortgage prior to modification must be delivered under the “Closing” tab of the GUI. Additional loan data requirements specific to modified Mortgages are set forth in Sections 6302.27 and 6302.28(b)(iv).

**(e) Seller’s warranties regarding accuracy of data**

By delivering the required Mortgage data to Freddie Mac, the Seller warrants that the data is true, complete and accurate. Incorrect or missing loan or delivery information may result in rejection of the Mortgage(s) involved if discovered before purchase, or repurchase of the Mortgage(s) involved if discovered after purchase. Additionally, Freddie Mac may pursue all other remedies available to it under the Purchase Documents and applicable law.



## 6302.2: Cash program delivery instructions (03/02/16)

### (a) General requirements

The Seller may deliver eligible fixed-rate Mortgages after taking out a Cash Contract, as described in Sections 6101.3 and 6101.4, or eligible ARMs after taking out a WAC ARM Cash contract, as described in Section 6102.4.

For Mortgages sold under the Cash program, a contract number (ULDD Data Point “Investor Contract Identifier”) will be available to a Seller immediately upon taking out a Cash Contract.

Delivery is mandatory unless the contract is a Best Efforts Contract. See Section 6101.4 for additional information regarding Best Efforts Contracts.

The Contract Commitment Amount specified on each Purchase Contract Confirmation must be at least \$1,000.

### (b) Purchase tolerance

The purchase tolerance for Mortgages delivered under the Cash program is equal to the Contract Commitment Amount specified in the Cash Purchase Contract, plus or minus the greater of \$10,000 or 2.5% of the Contract Commitment Amount specified in the Cash Purchase Contract.

See Section 6401.1 for payoff instructions if the delivery does not meet the Contract Commitment Amount less the purchase tolerance.

### (c) Data delivery instructions

#### (i) Mortgages delivered under the Cash program

For Mortgages purchased by Freddie Mac under the Cash program, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages Delivered under the Cash Program			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>→ Payment Information → Payment Details</b>			
385	Loan Acquisition Scheduled UPB Amount		For fixed-rate Mortgages, enter the scheduled UPB of the Mortgage as of the Funding Date.

Data Required for Mortgages Delivered under the Cash Program			
Sort ID	ULDD Data Point	Valid Value	Notes
			<p>For ARMs, enter either the scheduled or the actual UPB of the Mortgage as of the Funding Date.</p> <p>The scheduled UPB must include reductions for:</p> <ul style="list-style-type: none"> <li>■ The principal due in the Funding Date month (even if not collected) and all prior months</li> <li>■ The principal portion of any advanced (prepaid) installments received prior to the Funding Date</li> <li>■ Any partial prepayments (curtailments) received on or before the Delivery Date</li> </ul>
440	Last Paid Installment Due Date		<p>For newly originated Mortgages, enter the date through which interest is scheduled to be paid.</p> <p>For Mortgages for which there has been an advanced (prepaid) installment of interest, enter the date through which advanced (prepaid) installments of interest have been made.</p> <p>The related Glossary term is DDLPI.</p>

**(ii) Mortgages with lender crediting the Borrower interest at closing**

For Mortgages with respect to which the lender credits a Borrower interest at closing in an amount equal to the interest due from the first day of the month through the day before the Note Date, the Borrower's first monthly principal and interest payment is due the first day of the month immediately following the Mortgage closing. For such Mortgages, the Seller represents and warrants that the lender credited the Borrower with interest at closing, and the Seller must deliver the following ULDD Data Point:

Data Required for Mortgages Sold under Cash when Lender Credits Borrower Interest at Closing			
Sort ID	ULDD Data Point	Valid Value	Notes
LOAN – Current			
→ Payment Information → Payment Details			
440	Last Paid Installment Due Date		<p>For fixed-rate Mortgages, enter the Note Date or the first day of the month of closing.</p> <p>For ARMs, enter the first day of the month of closing.</p> <p>The related Glossary term is DDLPI.</p>

See Exhibit 8, Delivery Balance Examples.

## 6302.3: Guarantor program delivery instructions (06/03/19)

### (a) Guarantor program requirements and instructions

For Mortgages sold under the Guarantor program, a contract number (ULDD Data Point “Investor Contract Identifier”) will be made available to the Seller immediately upon taking out a Guarantor contract.

In connection with each WAC ARM Guarantor Contract, the Seller must select the appropriate WAC ARM Security Product based on the characteristics of the ARMs.

### (b) Purchase tolerance

For Guarantor contracts, any part of the Contract Commitment Amount specified in the Guarantor contract may be delivered, provided the minimum pool size is met.

The Seller can increase a Guarantor contract amount up to the remaining balance of the Commitment Amount plus the applicable tolerance.

### (c) Data delivery instructions

#### (i) Mortgages sold under the Guarantor program

For Mortgages purchased by Freddie Mac under the Guarantor program, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages Sold under the Guarantor Program			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>→ Payment Information → Payment Details</b>			
385	Loan Acquisition Scheduled UPB Amount		<p>The scheduled UPB must include reductions for:</p> <ul style="list-style-type: none"> <li>■ The principal due in the month of settlement (even if not collected) and all prior months</li> <li>■ The principal portion of any advanced (prepaid) installments received prior to the Settlement Date</li> <li>■ Any partial prepayments (curtailments) received on or before the Delivery Date</li> </ul>
440	Last Paid Installment Due Date		<p>For newly originated Mortgages, enter the date through which interest is scheduled to be paid.</p> <p>For Mortgages for which there has been an advanced (prepaid) installment of interest, enter the date through which advanced (prepaid) installments of interest have been made.</p> <p>The related Glossary term is DDLPI.</p>

**(ii) Mortgages with lender crediting Borrower interest at closing**

If a lender credits the Borrower interest at closing in an amount equal to the interest due from the first day of the month through the day before the Note Date, the Borrower’s first monthly principal and interest payment is due the first day of the month immediately following the Mortgage closing. For such Mortgages, the Seller represents and warrants that the lender credited the Borrower with interest at closing, and the Seller must deliver the following ULDD Data Point:

<b>Data Required for Mortgages Sold under Guarantor when Lender Credits Borrower Interest at Closing</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
<b>LOAN – Current</b>			
<b>→ Payment Information → Payment Details</b>			
440	Last Paid Installment Due Date		For fixed-rate Mortgages, enter the Note Date or first day of the month of closing. For ARMs, enter the first day of the month of closing. The related Glossary term is DDLPI.

See Exhibit 8, Delivery Balance Examples.

**(iii) ARMs with next Interest Change Dates in the month of settlement**

For ARMs, if the next Interest Change Date is during the month of settlement, the Seller must deliver the following ULDD Data Points as if the Interest Change Date had already occurred. For example, if the Seller delivers an annually adjusting ARM on February 27 for settlement on March 23, and the Interest Change Date is March 1, the Seller must enter the following values:

<b>ULDD Data Point</b>	<b>Calculation Instructions</b>
Next Rate Adjustment Effective Date	March 1 of the following year
Per Change Rate Adjustment Effective Date For Adjustment Rule Type = “First”	March 1 of the current year
Current Interest Rate Percent	The Note Rate in effect as of March 1 of the current year
Principal And Interest Payment Amount	The amount of the principal and interest (P&I) payment due as of March 1 of the current year

**(iv) ARMs past the first Interest Change Date**

ARMs that are past the first Interest Change Date may be delivered with ARMs that are not past the first Interest Change Date.

**(d) Pooling requirements**

Refer to Chapter 6202 for pooling requirements for fixed-rate Mortgages under the fixed-rate Guarantor or MultiLender Swap programs and for pooling requirements for ARMs under the WAC ARM Guarantor program.

**(e) Security wire instructions**

Security wire instructions are required for all Pools. See Section 2201.1 for information regarding Certificate of Incumbency requirements. See Sections 6203.8 and 6204.8 for information about security wire instructions. See also Section 2403.11 for information regarding authorized Loan Selling Advisor<sup>®</sup> users and their designated user roles and completion and submission of Form 900, Loan Selling Advisor<sup>SM</sup> Authorized User Identification and Certification Form.

**(f) Use of a Settlement Cycle of less than five days for Guarantor deliveries**

For Mortgages delivered to Freddie Mac with a Settlement Cycle of less than five days, the Document Custodian must certify the Mortgages in Loan Selling Advisor by no later than 8:00 p.m. Eastern time on the Final Delivery Date to satisfy the requirements for completion of delivery set forth in Section 6301.8. Refer to Section 6301.8(a) for additional requirements.

## **6302.4: MultiLender Swap program delivery instructions (12/11/17)**

**(a) General requirements**

For Mortgages sold under the MultiLender Swap program, a contract number (ULDD Data Point “Investor Contract Identifier”) will be made available to the Seller immediately upon taking out a MultiLender Swap Contract. For more information, see Chapter 6205.

The Seller must complete delivery of all Mortgages on or before the Final Delivery Date as provided in the MultiLender Swap Contract.

The Contract Commitment Amount specified in the MultiLender Swap Contract must be in an amount at least equal to the minimum commitment amount specified in Section 6302.4(d).

**(b) Purchase tolerance**

For MultiLender Swap Contracts, any part of the Contract Commitment Amount specified in the MultiLender Swap Contract may be delivered, provided the minimum commitment amount is met. The maximum amount that Freddie Mac will purchase is the Contract

Commitment Amount specified in the MultiLender Swap Contract, plus the greater of \$100,000 or 5% of the Contract Commitment Amount.

The Seller can increase a MultiLender Swap Contract amount up to an amount that does not exceed the remaining balance of the Commitment Amount plus the applicable tolerance.

**(c) Data delivery instructions**

**(i) Mortgages sold under MultiLender Swap**

For Mortgages purchased by Freddie Mac under the MultiLender Swap program, the Seller must deliver the following ULDD Data Point:

<b>Data Required for Mortgages Sold under MultiLender Swap</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
<b>LOAN – Current</b>			
<b>→ Payment Information → Payment Details</b>			
385	Loan Acquisition Scheduled UPB Amount		<p>The scheduled UPB must include reductions for:</p> <ul style="list-style-type: none"> <li>■ The principal due in the month of settlement (even if not collected) and all prior months</li> <li>■ The principal portion of any advanced (prepaid) installments received prior to the Settlement Date</li> <li>■ Any partial prepayments (curtailments) received on or before the Delivery Date</li> </ul>
440	Last Paid Installment Due Date		<p>For newly originated Mortgages, enter the date through which interest is scheduled to be paid.</p> <p>For Mortgages for which there has been an advanced (prepaid) installment of interest, enter the date through which advanced (prepaid) installments of interest have been made.</p> <p>The related Glossary term is DDLPI.</p>

**(ii) Mortgages with lender crediting Borrower interest at closing**

If a lender credits the Borrower interest at closing in an amount equal to the interest due from the first day of the month through the day before the Note Date, the Borrower’s first monthly principal and interest payment is due the first day of the month immediately following the Mortgage closing. For such Mortgages, the Seller represents and warrants that the lender credited the Borrower with interest at closing, and the Seller must deliver the following ULDD Data Point:

Data Required for Mortgages Sold under MultiLender Swap program when Lender Credits Borrower Interest at Closing			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>→ Payment Information → Payment Details</b>			
440	Last Paid Installment Due Date		For fixed-rate Mortgages, enter the Note Date or first day of the month of closing.  The related Glossary term is DDLPI.

See Exhibit 8, Delivery Balance Examples.

**(d) Minimum commitment amount**

The minimum dollar amount for a commitment entered into under the MultiLender Swap program is \$1,000.

**(e) Security wire instructions**

Security wire instructions are required for all MultiLender pools. See Section 2201.1 for information regarding Certificate of Incumbency requirements. See Section 6205.8 for information about security wire instructions. See also Section 2403.11 for information regarding authorized **Loan Selling Advisor**<sup>®</sup> users and their designated user roles and completion and submission of Form 900, Loan Selling Advisor<sup>SM</sup> Authorized User Identification and Certification Form.

**(f) Use of a Settlement Cycle of less than five days for MultiLender Swap program**

For Mortgages delivered to Freddie Mac with a Settlement Cycle of less than five days, the Document Custodian must certify the Mortgages in **Loan Selling Advisor** by no later than 8:00 p.m. Eastern time on the Final Delivery Date to satisfy the requirements for completion of delivery set forth in Section 6301.8. Refer to Section 6301.8(a) for additional requirements.



## 6302.5: Loan data required for all Mortgages (07/10/19)

### (a) General requirements

This section sets forth the ULDD Data Points that have general applicability for all Mortgages sold to Freddie Mac. The delivery instructions in subsequent sections of this chapter relate to the specific attributes of the Mortgage Product, the property and Borrower information, and the special features or characteristics of the Mortgage. The delivery instructions in subsequent sections are cumulative and may supplement or modify the instructions in this section. See Section 6302.1 for further information.

See Sections 6302.2 through 6302.4 for instructions for specific programs under which the Mortgage is delivered.

### (b) Data delivery instructions

#### (i) All Mortgages

For every Mortgage sold to Freddie Mac, the Seller must deliver the following ULDD Data Points:

Loan Data Required for All Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b>			
93	Loan Role Type <sup>1,2</sup>	Subject Loan	
252	Loan State Date <sup>1</sup>		Enter the Note Date of the Mortgage.
253	Loan State Type <sup>1,2</sup>	At Closing	
<b>→Product Information → Product Details</b>			
313	Lien Priority Type	First Lien	
317/318	Mortgage Type/Mortgage Type Other Description  (In Loan Selling Advisor®, this appears as “Mortgage Type.”)	<ul style="list-style-type: none"> <li>▪ Conventional</li> <li>▪ FHA</li> <li>▪ Other – Public And Indian Housing</li> <li>▪ USDA Rural Housing</li> <li>▪ VA</li> </ul>	<p>Enter “Conventional” unless the Mortgage is a government loan.</p> <p>The related Glossary term for “Conventional” is Home Mortgage.</p> <p>The related Glossary term for “USDA Rural Housing” is Section 502 GRH Mortgage.</p>
215	Interest Calculation Type	Simple	

<b>Loan Data Required for All Mortgages</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
214	Interest Calculation Period Type	Month	
270	Payment Frequency Type	Monthly	
226	Balloon Indicator	false	
238	Loan Affordable Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	Enter “false” unless the Mortgage is a Home Possible Mortgage.
138	Loan Amortization Type <sup>2</sup>	<ul style="list-style-type: none"> <li>▪ Adjustable Rate</li> <li>▪ Fixed</li> <li>▪ Rate Improvement Mortgage</li> </ul>	Enter “Rate Improvement Mortgage” for Affordable Merit Rate Mortgages.
137	Loan Amortization Period Type	Month	
136	Loan Amortization Period Count		
<b>→Note Information</b>			
<b>→→Note Details</b>			
320	Note Date		Enter the original Note Date.
319	Note Amount <sup>2</sup>		
321	Note Rate Percent		Enter the original interest rate as indicated on the Note.
194	Borrower Paid Discount Points Total Amount		Enter the dollar amount of all discount points that were paid by the Borrower.
272	Scheduled First Payment Date		
268	Initial Principal And Interest Payment Amount		
258	Loan Maturity Period Type	Month	
256	Loan Maturity Date		
257	Loan Maturity Period Count		
<b>→→Temporary Buydown Details</b>			
228	Buydown Temporary Subsidy Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	Enter “false” unless the Mortgage has a temporary subsidy buydown.

Loan Data Required for All Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>→→Conversion Option Details</b>			
232	Convertible Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	Enter “false” unless the Mortgage has, or ever had, a conversion option.
<b>→→Assumability Details</b>			
225	Assumability Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	Enter “false” unless the Mortgage is assumable as of the Note Date.
<b>→→Prepayment Penalty Details</b>			
240	Prepayment Penalty Indicator	false	<p>Freddie Mac considers a Mortgage to be a Prepayment Penalty Mortgage if it is currently subject to, or has ever been subject to, a penalty for prepayments of principal.</p> <p>Enter “false” unless the Mortgage has, or ever had, a prepayment penalty provision.</p>
<b>→→Interest Only Details</b>			
237	Interest Only Indicator	false	
<b>→Origination Information</b>			
<b>→→ Origination Details</b>			
224	Application Received Date		Enter the date on which receipt of the Borrower's financial information first triggers the federal Truth-in-Lending disclosure requirements to the Borrower in connection with the Mortgage.
311	Price Lock Date Time		Enter the date on which the Interest Rate reflected on the Note was locked with the Borrower. Only the date is required; the time will be ignored.
227	Borrower Count		Enter the total number of Borrowers on the Note (can be more than five).
229	Capitalized Loan Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	Enter “false” unless the capitalized balance was added to the unpaid principal balance

Loan Data Required for All Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
			(UPB) of the Note prior to delivery.
234	Escrow Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	Enter “false” unless there is an Escrow associated with this Mortgage.
207	HMDA HOEPA Loan Status Indicator	false	Required even if the Seller is not covered by HMDA.
208	HMDA Rate Spread Percent		<p>Enter the spread (difference) between the annual percentage rate (APR) on the Mortgage and the Average Prime Offer Rate (APOR). Do not enter the APR, APOR or <i>Note Rate</i>.</p> <p>Freddie Mac will not accept any value that is less than 1.5%.</p> <p>The rate spread should be calculated consistent with the methodology provided in HMDA (Regulation C) and the requirements for determining Higher Priced Mortgage Loans (Regulation Z). For Mortgages with a rate spread reported under HMDA, a Seller should deliver to Freddie Mac the same rate spread reported under HMDA.</p>
<b>→→ Funds Needed to Close Details</b>			
172	Down Payment Amount		<b>If available</b> , enter down payment <b>data</b> .
173/174	Down Payment Source Type/Down Payment Source Type Other Description  (In Loan Selling Advisor®, this appears as “Down Payment Source Type.”)	<ul style="list-style-type: none"> <li>• Borrower</li> <li>• Community Non Profit</li> <li>• Employer</li> <li>• Federal Agency</li> <li>• Local Agency</li> <li>• Relative</li> <li>• Religious Non Profit</li> <li>• State Agency</li> </ul>	The down payment amount is the difference between the purchase price and the original UPB of the Mortgage (excluding any financed mortgage insurance premium amounts).  See ULDD Appendix A – Freddie Mac XML Data

Loan Data Required for All Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
		<ul style="list-style-type: none"> <li>• Originating Lender</li> <li>• Other - Aggregated Remaining Source Types</li> <li>• Other - FHLB Affordable Housing Program</li> <li>• Other - USDA Rural Housing</li> </ul>	<p>Requirements for specific mapping of ULAD enumerations to the valid values of ULDD Data Points <i>Down Payment Source Type</i> and <i>Down Payment Type</i>.</p> <p>For Mortgages originated with gifts and grants from the Seller as the originating lender, enter the valid value of “Originating Lender” for ULDD Data Point <i>Down Payment Source Type</i></p>

<p>175/176</p>	<p>Down Payment Type/Down Payment Type Other Description</p> <p>(In Loan Selling Advisor, this appears as “Down Payment Type.”)</p>	<ul style="list-style-type: none"> <li>• Bridge Loan</li> <li>• Cash On Hand</li> <li>• Checking Savings</li> <li>• Equity On Sold Property</li> <li>• Equity On Subject Property</li> <li>• Forgivable Secured Loan</li> <li>• Gift Funds</li> <li>• Life Insurance Cash Value</li> <li>• Lot Equity</li> <li>• Rent With Option To Purchase</li> <li>• Sale Of Chattel</li> <li>• Secured Borrowed Funds</li> <li>• Stocks And Bonds</li> <li>• Sweat Equity</li> <li>• Trade Equity</li> <li>• Trust Funds</li> <li>• Unsecured Borrowed Funds</li> <li>• Other Type Of Down Payment - Aggregated Remaining Types</li> <li>• Other Type Of Down Payment - Grant</li> <li>• Other Type Of Down Payment -</li> </ul>	<p>and “Other Type of Down Payment – Grant” for ULDD Data Point <i>Down Payment Type Other Description</i>.</p> <p>Enter down payment ULDD Data points as follows:</p> <ol style="list-style-type: none"> <li>1. Sort all down payment amounts by “Down payment Source Type” (source) and “Down Payment Type” (type) combinations.</li> <li>2. Sum together amounts from like source – type pairs</li> <li>3. After summing: <ol style="list-style-type: none"> <li>a. If there are 4 or fewer source – type pairs, enter the values for each “Down Payment Amount” (amount) source and type combination.</li> <li>b. If there are more than 4 source – type pairs, use the following prioritization for the first 3 values: <ul style="list-style-type: none"> <li>▪ Enter in descending order the amount, source and type for pairs with “down Payment Source Type – Borrower.”</li> <li>▪ Enter in descending order the amount, source and type for any remaining source – type pairs, up to a total of three.</li> </ul> </li> <li>c. Sum the mounts for any remaining source – type pairs and enter this as the fourth value for “Down Payment Amount.” Enter</li> </ol> </li> </ol>
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Loan Data Required for All Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
		Secondary Financing • Closed End • Other Type Of Down Payment - Secondary Financing HELOC	“Other - Aggregated Remaining Source Types” as the fourth “Down Payment Source Type” value. Enter “Other - Aggregated Remaining Types” as the fourth “Down Payment Type” value.
151	Closing Cost Contribution Amount		If available, enter closing cost data.

<p>152/153</p>	<p>Closing Cost Funds Type/Closing Cost Funds Type Other Description</p> <p>(In Loan Selling Advisor, this appears as “Closing Cost Funds Type.”)</p>	<ul style="list-style-type: none"> <li>• Bridge Loan</li> <li>• Cash On Hand</li> <li>• Checking Savings</li> <li>• Contribution</li> <li>• Credit Card</li> <li>• Equity On Sold Property</li> <li>• Equity On Subject Property</li> <li>• Forgivable Secured Loan</li> <li>• Gift Funds</li> <li>• Grant</li> <li>• Life Insurance Cash Value</li> <li>• Lot Equity</li> <li>• Premium Funds</li> <li>• Rent With Option To Purchase</li> <li>• Retirement Funds</li> <li>• Sale Of Chattel</li> <li>• Secured Loan</li> <li>• Stocks And Bonds</li> <li>• Sweat Equity</li> <li>• Trade Equity</li> <li>• Trust Funds</li> <li>• Unsecured Borrowed Funds</li> <li>• Other - Aggregated Remaining Types</li> <li>• Other - Secondary Financing Closed End</li> </ul>	<p>For Mortgages originated with lender credit, enter the valid value of “Premium Funds” for ULDD Data Point, <i>Closing Cost Source Type</i>, and “Lender” for ULDD Data Point, <i>Closing Cost Source Type</i>.</p> <p>Enter closing cost ULDD Data Points as follows:</p> <ol style="list-style-type: none"> <li>1. Sort all closing cost contributions by “Closing Cost Funds Type” (type) and “Closing Cost Source Type” (source).</li> <li>2. Sum together amounts from like type – source pairs.</li> <li>3. After summing: <ol style="list-style-type: none"> <li>a. If there are 4 or fewer type – source pairs, enter the values for each “Closing Cost Contribution Amount” (amount), type and source combination.</li> <li>b. If there are more than 4 type – source pairs, use the following prioritization for the first 3 values: <ul style="list-style-type: none"> <li>• Enter in descending order the amount, type, and source for pairs with “Closing Cost Source Type” = “Borrower.”</li> <li>• Enter in descending order the amount, type and source for any</li> </ul> </li> </ol> </li> </ol>
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Loan Data Required for All Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
		<ul style="list-style-type: none"> <li>Other - Secondary Financing HELOC</li> </ul>	<p>remaining pairs, up to a total of three.</p> <p>c. Sum the amounts for any remaining type – source pairs and enter this as the fourth value for “Closing Cost Contribution Amount.” Enter “Other-Aggregated Remaining Types” as the fourth “Closing Cost Funds Type” value. Enter “Other-Aggregated Remaining Source Types” as the fourth “Closing Cost Source Type” value.</p>
154/155	<p>Closing Cost Source Type/Closing Cost Source Type Other Description</p> <p>(In Loan Selling Advisor, this appears as “Closing Cost Source Type.”)</p>	<ul style="list-style-type: none"> <li>Borrower</li> <li>Community Non Profit</li> <li>Employer</li> <li>Federal Agency</li> <li>Lender</li> <li>Local Agency</li> <li>Property Seller</li> <li>Relative</li> <li>Religious Non Profit</li> <li>State Agency</li> <li>Other – Aggregated Remaining Source Types</li> <li>Other – FHLB Affordable Housing Program</li> <li>Other – USDA Rural Housing</li> </ul>	
<b>→Underwriting / Credit Information</b>			
<b>→→Loan Details</b>			
315	Loan Purpose Type	<ul style="list-style-type: none"> <li>Purchase</li> <li>Refinance</li> </ul>	Enter “Purchase” for purchase transaction Mortgages.
195	Purchase Price Amount		<p>For purchase transaction Mortgages, enter the purchase price of the property, net of any adjustments made for sales concessions.</p> <p>Not required for refinance transaction Mortgages.</p>
241	Relocation Loan Indicator	<ul style="list-style-type: none"> <li>false</li> <li>true</li> </ul>	Enter “false” unless the Mortgage is a fixed-rate

Loan Data Required for All Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
			Mortgage that complies with Section 6202.3.
243	Shared Equity Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	Enter "false" unless the Mortgage is a shared equity Mortgage that meets the requirements of Section 4204.5.
<b>→→Construction Details</b>			
231	Construction Loan Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	Enter "false" unless the Mortgage is a Construction Conversion or Renovation Mortgage.
<b>→→Underwriting Details</b>			
328	Loan Manual Underwriting Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	Enter "false" unless the loan underwriting decision is based on manual underwriting and not the recommendation from an automated underwriting system.
<b>→→Additional Underwriting Details</b>			
291	Total Monthly Income Amount		Enter the aggregate of ULDD Data Point <i>Borrower Qualifying Income Amount</i> (Sort ID 573) for all Borrowers. Round to the nearest dollar.
287	Borrower Reserves Monthly Payment Count		Enter the total number of monthly payments available from all Borrowers' reserves, as described in Sections 5501.2 and 5501.3.
244	Total Mortgaged Properties Count		<p>Enter the total number of financed one- to four-unit properties that any of the Borrowers are obligated on.</p> <p>Do not include commercial properties or timeshares.</p> <p>The subject property is included in the property count.</p>

Loan Data Required for All Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
292	Total Monthly Proposed Housing Expense Amount		Enter the sum of the monthly charges on the Borrowers' Primary Residences as described in Section 5401.1 for all Borrowers. Round to the nearest dollar.  For second home or Investment Property Mortgages, do not include the housing expense of the subject property.
290	Total Liabilities Monthly Payment Amount		Enter the monthly debt payment as defined in Section 5401.2. Round to the nearest dollar.
<b>→→Delivered LTV Values</b>			
254	Base LTV Ratio Percent		If there is no financed mortgage insurance, "Base LTV Ratio Percent" equals "LTV Ratio Percent." See Section 4701.2(a).
255	LTV Ratio Percent		Calculate "LTV Ratio Percent" by using the original UPB amount (including "MI Premium Financed Amount," if applicable) and the value, as determined in Section 4203.1.
<b>LOAN – Current</b>			
352	Loan Role Type <sup>1,2</sup>	Subject Loan	
405	Loan State Date <sup>1</sup>		Enter the date the data is retrieved from the lender's delivery system.
406	Loan State Type <sup>1,2</sup>	Current	
<b>→Product Information</b>			
<b>→→Modification Details</b>			
397	Mortgage Modification Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	Enter "false" unless the Mortgage is a Seller-Owned Modified Mortgage or a Construction Conversion or Renovation Mortgage with Modification Documentation.

Loan Data Required for All Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>→→Product Details</b>			
403.1/403.2	Loan Identifier (in Loan Selling Advisor this appears as “Universal Loan Identifier”)		Enter the Universal Loan Identifier, if available.
401	MERS MIN Identifier		Enter if the Mortgage is registered with MERS®.
402	Seller Loan Identifier <sup>2</sup>		Enter the seller loan identifier, and not the Freddie Mac loan number.
378	Investor Ownership Percent	100	Value must always be “100.”
<b>→Payment Information →Payment Details</b>			
385	Loan Acquisition Scheduled UPB Amount		Enter value as required in Sections 6302.2, 6302.3 and 6302.4.
440	Last Paid Installment Due Date		Enter value as required in Sections 6302.2, 6302.3 and 6302.4.  The related Glossary term is DDLPI.
442	UPB Amount <sup>3</sup> (In Loan Selling Advisor, this appears as “Current UPB Amount.”)		Enter the actual balance of the Mortgage as of the last paid installment.
452	Delinquent Payments Over Past Twelve Months Count		The related Glossary term is Delinquency.
<b>TOTAL LOANS</b>			
<b>→ Additional LTV Details → Delivered LTV Values</b>			
91	Combined LTV Ratio Percent		Enter the total loan-to-value (TLTV) ratio calculated in accordance with Section 4203.2.
<b>PARTY</b>			
<b>→ Party Information → Loan Originator Details</b>			
628	Party Role Type <sup>1</sup>	Loan Origination Company	
627	Party Role Identifier		Enter the loan origination company’s unique identifier as assigned by the Nationwide

Loan Data Required for All Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
	(In Loan Selling Advisor, this appears as “Loan Origination Company Identifier.”)		Mortgage Licensing System (NMLS) and Registry.
637	Party Role Type <sup>1</sup>	Loan Originator	
634	Party Role Identifier (In Loan Selling Advisor, this appears as “Loan Originator Identifier.”)		Either: <ul style="list-style-type: none"> <li>■ Enter the loan officer’s unique identifier as assigned by the Nationwide Mortgage Licensing System and Registry; or</li> <li>■ If a loan officer is exempt from obtaining or is not required to obtain a loan originator identifier through the NMLS, enter “1000”</li> </ul>
635	Loan Originator Type	<ul style="list-style-type: none"> <li>▪ Broker</li> <li>▪ Correspondent</li> <li>▪ Lender</li> </ul>	See Glossary terms for Mortgage Broker and Correspondent and select applicable value. For Retail Mortgages, select “Lender.”
<b>PARTY</b>			
<b>→ Party Information → Warehouse Lender Details</b>			
398.1	Warehouse Lender Indicator <sup>4</sup>	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	Enter “false” unless the Mortgage was a Pledged Mortgage subject to a warehouse financing arrangement at delivery.

<sup>1</sup> This data point name does not appear as a Loan Selling Advisor input field, but instead is reflected in a screen heading or tab.

<sup>2</sup> This data point must be populated to save the file in Loan Selling Advisor.

<sup>3</sup> The UPB amount on the loan is the actual balance of the Mortgage as of the last paid installment.

<sup>4</sup> This data point was made available in Loan Selling Advisor beginning June 5, 2017. See Bulletin 2017-2.

See Section 6302.10 for Loan Product Advisor<sup>®</sup> Mortgages and Section 6302.11 for Non-Loan Product Advisor Mortgages.

**(ii) Mortgages with electronic documentation**

**(A) Data delivery requirements for eMortgages**

For eMortgages, the Seller must deliver the following ULDD Data Points:

Data Required for eMortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b>			
<b>→ Note Information → Note Details</b>			
233	ENote Indicator	true	Enter “true” for eMortgages, as described in Chapter 1402.
<b>LOAN – Current</b>			
<b>→ Product Information → Product Details</b>			
401	MERS MIN Identifier		Required for all eMortgages

**(B) Data delivery requirements for loans closed with Remote Online Electronic Notarization**

For Mortgages with Remote Online Electronic Notarization, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Remote Online Electronic Notarization			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>→ Product Information → Product Details</b>			
368	Investor Feature Identifier	J22	Enter this value for Mortgages with Remote Online Electronic Notarization, as described in Section 1401.23.

## **6302.6: Loan data required for fixed-rate Mortgages (06/03/19)**

**(a) General requirements**

Refer to Exhibit 17S, Available Mortgage Products, for more information about eligibility requirements for fixed-rate Mortgages sold under fixed-rate Cash, the fixed-rate Guarantor program or the MultiLender Swap program.

## (b) Data delivery instructions

For conventional fixed-rate Mortgages, the Seller must deliver the following ULDD Data Point:

Loan Data Required for All Fixed-Rate Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b>			
<b>→ Product Information → Product Details</b>			
138	<i>Loan Amortization Type<sup>1</sup></i>	<i>Fixed</i>	<i>Enter “Fixed” for a fixed-rate Mortgage.</i>

<sup>1</sup> This data point must be populated to save the file in Loan Selling Advisor<sup>®</sup>.

See Section 6302.26(b) for instructions for delivering data for Mortgages sold through Cash-Released XChange<sup>SM</sup> under fixed-rate Cash.

## (c) Delivery programs

10-, 15-, 20- and 30-year fixed-rate Mortgages may be sold only under the following:

- Fixed-rate Cash
- Fixed-rate Guarantor
- MultiLender Swap

## (d) Pooling requirements for **UMBS<sup>TM</sup>**, **MBS** and **Supers<sup>TM</sup>**

Refer to Chapter 6202 for general pooling requirements for fixed-rate Mortgages sold under the fixed-rate Guarantor or MultiLender Swap programs.

# 6302.7: Loan data required for ARMs (10/31/18)

## (a) General requirements

Refer to Chapter 4401 for special eligibility requirements for ARMs.

Refer to Exhibit 17S, Available Mortgage Products, for more information about eligibility requirements for ARM products sold under WAC ARM Cash and the WAC ARM Guarantor program.

**(b) Data delivery instructions**

For ARMs, the Seller must deliver the following ULDD Data Points:

Loan Data Required for ARMs			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b>			
<b>→Product Information → Product Details</b>			
138	Loan Amortization Type <sup>2</sup>	Adjustable Rate	Enter “Adjustable Rate” for an ARM.
<b>→Note Information</b>			
<b>→→ Note Details</b>			
321	Note Rate Percent		
272	Scheduled First Payment Due Date		Must occur on the first day of the month.
<b>→→ ARM Details</b>			
236	Initial Fixed Period Effective Months Count		The related Glossary term is Initial Period.
115	First Rate Change Payment Effective Date		Must occur on the first day of the month following each Interest Change Date. The related Glossary term is Payment Change Date.
110	Index Source Type	<ul style="list-style-type: none"> <li>▪ LIBOR One Year WSJ Daily</li> <li>▪ Six Month LIBOR_WSJ Daily</li> <li>▪ Weekly Five Year Treasury Securities Constant Maturity FRBH15</li> <li>▪ Weekly One Year Treasury Securities Constant Maturity FRBH15</li> <li>▪ Weekly Three Year Treasury Securities Constant Maturity FRBH15</li> </ul>	
312	Disclosed Index Rate Percent		Enter the value of the index (Sort ID 110 – “Index Source Type”) used to generate the Settlement/Closing Disclosure Statement. Enter the value of the index used to calculate



Loan Data Required for ARMs			
Sort ID	ULDD Data Point	Valid Value	Notes
			the initial Note Rate for an ARM (not taking into account any discounts or premiums). This is the value of index in effect the day the <a href="#">Settlement/Closing Disclosure Statement</a> provided to the Borrower was prepared.
113	Interest And Payment Adjustment Index Lead Days Count	45	Enter the number of days preceding the “Per Change Rate Adjustment Effective Date” (Interest Change Date). The related Glossary term is Lookback Period.
119	Margin Rate Percent		The related Glossary term is Margin.
114	Ceiling Rate Percent		Enter the sum of the Note Rate at origination plus the Life Cap. The related Glossary term is Lifetime Ceiling.
116	Floor Rate Percent		If a Lifetime Floor is stated in the Note, the Seller is encouraged to deliver this ULDD Data Point. The Lifetime Floor must equal the Margin. For ARMs with Note Dates on or after October 1, 2016, if the Seller does not deliver this ULDD Data Point Freddie Mac will populate this ULDD Data Point with the Margin that the Seller delivers in the ULDD Data Point <i>Margin Rate Percent</i> (Sort ID 119). The related Glossary term is Lifetime Floor.

<b>Loan Data Required for ARMs</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
118	Interest Rate Rounding Type	Nearest	Enter if interest rate rounding is specified in the Note.
117	Interest Rate Rounding Percent	0.125	The value for interest rate rounding is "0.125."
<b>→→→ First Adjustment</b>			
120	Adjustment Rule Type <sup>1</sup>	First	Use to describe the initial adjustment structure and caps.
124	Per Change Rate Adjustment Frequency Months Count		Enter the number of months between the initial rate adjustment and the second rate adjustment.
123	Per Change Rate Adjustment Effective Date  (In Loan Selling Advisor®, this appears as "First Rate Adjustment Effective Date.")		The related Glossary term is Interest Change Date.
122	Per Change Maximum Increase Rate Percent		Enter the Initial Cap.
121	Per Change Maximum Decrease Rate Percent		Enter the Initial Cap if it exists.
<b>→ →→ Subsequent Adjustment</b>			
120	Adjustment Rule Type <sup>1</sup>	Subsequent	Use to identify the periodic adjustment structure and caps.
124	Per Change Rate Adjustment Frequency Months Count		Enter the number of months between the second rate adjustment and the third rate adjustment.
123	Per Change Rate Adjustment Effective Date  (In Loan Selling Advisor, this appears as "Subsequent Rate Adjustment Effective Date.")		Enter the second (first periodic) Interest Change Date.
122	Per Change Maximum Increase Rate Percent		Enter the Periodic Cap.

Loan Data Required for ARMs			
Sort ID	ULDD Data Point	Valid Value	Notes
121	Per Change Maximum Decrease Rate Percent		Enter the Periodic Cap if it exists.
<b>LOAN – Current</b>			
<b>→ Payment Information</b>			
<b>→→ ARM Details</b>			
355	Next Rate Adjustment Effective Date		Enter the next Interest Change Date occurring after the Mortgage is delivered to Freddie Mac. The related Glossary term is Interest Change Date.
436	Principal And Interest Payment Amount		Enter the value as of the Funding Date.
395	Current Interest Rate Percent		Enter the value as of the Funding Date.

<sup>1</sup> This data point name does not appear as a Loan Selling Advisor input field, but instead is reflected in a screen heading or tab.

<sup>2</sup> This data point must be populated to save the file in Loan Selling Advisor.

### (c) Delivery programs

ARMs may be sold only under the following:

- WAC ARM Cash
- WAC ARM Guarantor

### (d) Additional requirements for WAC ARM Guarantor Contracts

Refer to Sections 6201.1(b) and 6204.1 for eligible ARM products that may be sold under the WAC ARM Guarantor program. Refer to Chapter 6201 for specific requirements for selling ARMs under the WAC ARM Guarantor program.

### (e) Pooling requirements for WAC ARM PCs

Refer to Chapter 6202 for pooling requirements for ARMs under the WAC ARM Guarantor program.

## 6302.8: Property data required for all Mortgages (07/10/19)

### (a) Property data for all Mortgages

To describe the Mortgaged Premises that secure Mortgages sold to Freddie Mac, the Seller must deliver the following ULDD Data Points:

Property Data Required for All Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>PROPERTY</b>			
<b>→ Property Information</b>			
<b>→→Subject Property Address</b>			
10	Address Line Text  (In Loan Selling Advisor®, this appears as “Street Address.”)		Enter the complete street address for the property.
14	City Name		
18	State Code <sup>1</sup>		Enter the state abbreviation maintained by the United States Postal Service (USPS). Refer to USPS (Publication 28 – Postal Addressing Standards) for guidance about state codes.
16	Postal Code <sup>1</sup>		
<b>→→Property Details</b>			
63/64	Property Estate Type/ Property Estate Type Other Description  (In Loan Selling Advisor, this appears as “Property Estate Type.”)	<ul style="list-style-type: none"> <li>▪ Fee Simple</li> <li>▪ Leasehold</li> <li>▪ Other Life Estate</li> </ul>	
69	Property Usage Type	<ul style="list-style-type: none"> <li>▪ Investment</li> <li>▪ Primary Residence</li> <li>▪ Second Home</li> </ul>	
50	Attachment Type		Used to describe an individual dwelling.

Property Data Required for All Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
		<ul style="list-style-type: none"> <li>▪ Attached</li> <li>▪ Detached</li> <li>▪ Semi Detached</li> </ul>	<p>Enter “Attached” if the dwelling unit has a common wall or other direct physical connection with another dwelling unit, and the appraisal or other property valuation method does not indicate “Semi Detached.”</p> <p>Enter “Detached” if the dwelling unit has no common wall nor any other direct physical connection with another dwelling unit.</p> <p>Enter “Semi Detached” if the dwelling unit is an end unit or one of a pair of houses built side-by-side sharing a common wall, such as a duplex.</p> <p>The difference between this ULDD Data Point and <i>Project Attachment Type</i> (Sort ID 41) in Section 6302.20 is that this ULDD Data Point is used to describe if the dwelling is attached to any adjacent dwellings. <i>Project Attachment Type</i> is used to describe if the units in the project are attached to each other.</p>
67	Property Structure Built Year		<p>Enter the year the property was built from the appraisal</p> <p>Enter “9999” if Home Value Explorer® (HVE®) was used to value the subject property.</p> <p>Leave blank or enter “9999” if the Seller accepts an appraisal waiver.</p>
57	Financed Unit Count <sup>1</sup>	<ul style="list-style-type: none"> <li>▪ 1</li> <li>▪ 2</li> <li>▪ 3</li> <li>▪ 4</li> </ul>	
24	Special Flood Hazard Area Indicator		Enter “true” if the flood zone designated on Federal Emergency

Property Data Required for All Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
		<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	<p>Management Agency (FEMA) Standard Flood Hazard Determination Form contains the letter “A” or “V” and the property has no applicable FEMA Letter of Map Revision (LOMR), FEMA Letter of Determination Review (LODR) or FEMA Letter of Map Amendment (LOMA).</p> <p>Enter “false” if the only structure on the Mortgaged Premises in the Special Flood Hazard Area is detached from the primary residential structure and does not serve as a residence.</p>
77	Bedroom Count		<p>For two-to four-unit properties, enter the number of bedrooms for each dwelling unit, including both above and below-grade bedrooms.</p> <p>Enter “0” if the unit is a studio/efficiency.</p> <p>Leave blank if HVE was used to value the subject property.</p>
78	Property Dwelling Unit Eligible Rent Amount		<p>For two-to four-unit properties, enter the gross monthly rental income for each non-owner occupied dwelling unit as indicated on the signed lease(s) for the Mortgaged Premises.</p> <p>If there is no active lease for a unit, or the Borrower rents the unit to a family member, enter the gross monthly rental income as estimated on the applicable appraisal report or addenda.</p>
65	Property Flood Insurance Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	Enter “true” if there is flood insurance coverage.
49	PUD Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	Enter “true” if the Mortgaged Premises is located in a Planned Unit Development (PUD). The

Property Data Required for All Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
			related Glossary term is Planned Unit Development.
<b>→→Appraisal/Valuation Property Details</b>			
89/90	Property Valuation Method Type/Property Valuation Method Type Other Description  (In Loan Selling Advisor, this appears as “Property Valuation Method Type.”)	<ul style="list-style-type: none"> <li>▪ Automated Valuation Model</li> <li>▪ Other - Desk Review</li> <li>▪ Desktop Appraisal</li> <li>▪ Drive By</li> <li>▪ Full Appraisal</li> <li>▪ None</li> <li>▪ Other - Field Review</li> <li>▪ Prior Appraisal Used</li> </ul>	<p>Enter the Property Valuation Method Type for the method that yielded the value used to calculate the loan-to-value (LTV) ratio for the delivered loan.</p> <p>Enter “Automated Valuation Model” for Home Value Explorer (HVE).</p> <p>Enter “Desk Review” if a desk review was used to value the subject property.</p> <p>Enter “Desktop Appraisal” if a Form 1033, One-Unit Residential Appraisal Desk Review Report, was used to value the subject property.</p> <p>Enter “Drive By” if an exterior-only appraisal was used to value the subject property.</p> <p>Enter “Full Appraisal” if an interior and exterior inspection appraisal was used to value the subject property.</p> <p>Enter “None” if applicable. Enter “Other” if a field review was used to value the subject property.</p> <p>Do not enter “Prior Appraisal Used.”</p>
85/86	Property Valuation Form Type / Property Valuation Form Type Other Description	<ul style="list-style-type: none"> <li>▪ Appraisal Update and/or Completion Report</li> <li>▪ Exterior Only Inspection Individual</li> </ul>	Enter the name of the property valuation form used to provide the property value upon which the loan underwriting decision was based, according to Section 5601.5.

Property Data Required for All Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
	(In Loan Selling Advisor® this appears as “Property Valuation Form Type.”)	Condominium Unit Appraisal Report <ul style="list-style-type: none"> <li>▪ Exterior Only Inspection Residential Appraisal Report</li> <li>▪ Individual Condominium Unit Appraisal Report</li> <li>▪ Manufactured Home Appraisal Report</li> <li>▪ One Unit Residential Appraisal Field Review Report</li> <li>▪ Other – One Unit Residential Appraisal Desk Review Report</li> <li>▪ Small Residential Income Property Appraisal Report</li> <li>▪ Two To Four Unit Residential Appraisal</li> <li>▪ Uniform Residential Appraisal Report</li> </ul>	The form numbers for the valid values are: <ul style="list-style-type: none"> <li>▪ FRE 70/FNM 1004 – Uniform Residential Appraisal Report</li> <li>▪ FRE 70B/FNM 1004C – Manufactured Home Appraisal Report</li> <li>▪ FRE 72/FNM 1025 – Small Residential Income Property Appraisal Report</li> <li>▪ FRE 442/FNM 1004D – Appraisal Update and/or Completion Report</li> <li>▪ FRE 465/ FNM 1073 – Individual Condominium Unit Appraisal Report</li> <li>▪ FRE 466/FNM 1075 – Exterior Only Inspection Individual Condominium Unit Appraisal Report</li> <li>▪ FRE 1032/ FNM 2000 – One Unit Residential Appraisal Field Review Report</li> <li>▪ FRE 1033 – One Unit Residential Appraisal Desk Review Report</li> <li>▪ FRE 1072/FNM 2000A – Two To Four Unit Residential Appraisal Field Review Report</li> <li>▪ FRE 2055/FNM 2055 – Exterior Only Inspection Residential Appraisal Report</li> </ul>
83	Property Valuation Amount		Enter the value that was used to calculate the LTV ratio for the delivered loan. This is: <ul style="list-style-type: none"> <li>▪ The appraised value if used</li> <li>▪ The value supported by Home Value Explorer (HVE) if used</li> <li>▪ The purchase price if used</li> </ul>



Property Data Required for All Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
84	Property Valuation Effective Date		For Mortgages with appraisals, enter the effective date of the most recent appraisal.  For Mortgages using any other property valuation type, enter the effective date on the most recent inspection, LP Feedback Certificate or estimate.
<b>→→Construction Details</b>			
51	Construction Method Type	<ul style="list-style-type: none"> <li>▪ Manufactured</li> <li>▪ Site Built</li> </ul>	Enter “Manufactured” for Manufactured Homes.  Enter “Site Built” for homes built on site and modular homes, panelized housing, or other types of factory built housing.

<sup>1</sup> This data point must be populated to save the file in Loan Selling Advisor.

See Section 6302.20 for the data requirements for Condominium Unit Mortgages, Section 6302.23 for GreenCHOICE Mortgages<sup>SM</sup>, Section 6302.25 for Mortgages secured by Manufactured Homes, and Section 6302.28 for Construction Conversion and Renovation Mortgages.

**(b) Data for Investment Property Mortgages**

For all Investment Property Mortgages for which an appraisal was performed, the Seller must deliver the following ULDD Data Points:

Data Required for Investment Property Mortgages			
Sort ID	ULDD Data Point Name	Valid Value	Notes
<b>PROPERTY</b>			
<b>→ Property Information → Property Details</b>			
69	<i>Property Usage Type</i>	<i>Investment</i>	
77	Bedroom Count		<i>Enter the number of bedrooms for each dwelling unit. For one-unit properties, include only above-grade bedrooms. For two- to four-unit properties, include both above and below-grade bedrooms.</i>

Data Required for Investment Property Mortgages			
Sort ID	ULDD Data Point Name	Valid Value	Notes
			<p>Enter "0" if the unit is a studio/efficiency.</p> <p>Leave blank if HVE was used to value the subject property.</p>
78	Property Dwelling Unit Eligible Rent Amount		<p>Enter the gross monthly rental income for each unit as indicated on the signed lease(s) for the Mortgaged Premises.</p> <p>If there is no active lease for a unit, or the Borrower rents the unit to a family member, enter the gross monthly rental income as estimated on the applicable appraisal report or addenda.</p>

**(c) Data required when an appraisal is obtained in connection with valuing the Mortgaged Premises**

When an appraisal is used to value the Mortgaged Premises, the Seller must deliver the following ULDD Data Points:

Data Required when an Appraisal was used to Value the Subject Property			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>PROPERTY</b>			
<b>→ Property Information → Appraisal Details</b>			
89	Property Valuation Method Type	<ul style="list-style-type: none"> <li>▪ Desktop Appraisal</li> <li>▪ Drive By</li> <li>▪ Full Appraisal</li> </ul>	<p>Enter "Desktop Appraisal" if a Form 1033, One-Unit Residential Appraisal Desk Review Report, was used to value the subject property.</p> <p>Enter "Drive By" if an exterior-only appraisal was used to value the subject property.</p> <p>Enter "Full Appraisal" if an interior and exterior inspection</p>

Data Required when an Appraisal was used to Value the Subject Property			
Sort ID	ULDD Data Point	Valid Value	Notes
			<i>appraisal was used to value the subject property.</i>
82	Appraisal Identifier		For conventional Mortgages only, enter the “Document File Identifier” assigned to the appraisal by the Uniform Collateral Data Portal® (UCDP®). The Document File Identifier assigned by the UCDP must be entered even if the appraisal value used to calculate the LTV ratio was determined using a subsequent appraisal review on a form not required to be submitted to the UCDP.
<b>PARTY</b>			
<b>→ Party Information → Appraiser Details</b>			
528	Party Role Type <sup>1</sup>	Appraiser	
525	Appraiser License Identifier		<p>Enter the state license number of the appraiser who completed the final estimate of value.</p> <ul style="list-style-type: none"> <li>■ When the appraiser is a trainee and: <ul style="list-style-type: none"> <li><input type="checkbox"/> Has a license identifier, deliver the trainee’s license identifier</li> <li><input type="checkbox"/> Does not have a license identifier, deliver the word “trainee”</li> </ul> </li> <li>■ When the appraiser is not a trainee and there is no supervisory appraiser, deliver the Appraiser License Identifier</li> </ul>

<sup>1</sup> This data point name does not appear as a Loan Selling Advisor input field, but instead is reflected in a screen heading or tab.

**(d) Data if appraisal is signed by supervisor**

When the appraisal is signed by the appraiser’s supervisor, the Seller must deliver the following ULDD Data Points:

Data Required when the Appraisal was Signed by a Supervisor			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>PARTY</b>			
<b>→ Party Information → Appraiser Details</b>			
537	Party Role Type <sup>1</sup>	Appraiser Supervisor	
534	Appraiser License Identifier  (In Loan Selling Advisor, this appears as “Appraiser Supervisor Identifier.”)		<p>Enter the state license number of the supervisor who signed the appraisal.</p> <ul style="list-style-type: none"> <li>■ When Sort ID 528, Party Role Type “Appraiser,” is a trainee, always deliver the Appraiser Supervisor Identifier, whether or not the appraiser supervisor signed the appraisal AND whether or not the appraiser trainee has a license identifier</li> <li>■ When the appraiser is not a trainee and there is no supervisory appraiser, leave the field blank (do not make any entry such as N/A or none)</li> </ul>

<sup>1</sup> This data point name does not appear as a Loan Selling Advisor input field, but instead is reflected in a screen heading or tab.

## 6302.9: Data required for all Borrowers (07/10/19)

Refer to:

- Section 6302.9(a) for data required for all Borrowers
- Section 6302.9(b) for additional data required for individual Borrowers and Underwritten Settlers
- Section 6302.9(c) for data required for non-individual Borrowers when one or more Borrowers is a Living Trust
- Section 6302.13 for delivery requirements applicable to Section 184 Native American Mortgages when the non-individual Borrower is a Native American tribe or tribal organization

**(a) Data for all Borrowers**

**(i) General Borrower information**

For each Borrower (up to a total of five) on every Mortgage sold to Freddie Mac, the Seller must deliver the following ULDD Data Points:

<b>Data Required for All Borrowers</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
<b>BORROWER</b>			
<b>→Borrower Information</b>			
<b>→→Borrower Details</b>			
611	Party Role Type <sup>1,2</sup>	Borrower	
571	Borrower Classification Type	<ul style="list-style-type: none"> <li>▪ Primary</li> <li>▪ Secondary</li> </ul>	<p>Enter “Primary” if there is one Borrower.</p> <p>If there is more than one Borrower, enter “Primary” for one Borrower and “Secondary” for up to 4 additional Borrowers.</p>
568	Borrower Birth Date		
567	Borrower Age At Application Years Count		
613	Taxpayer Identifier Type	<ul style="list-style-type: none"> <li>▪ Employer Identification Number</li> <li>▪ Individual Taxpayer Identification Number</li> <li>▪ Social Security Number</li> </ul>	<p>Enter “Individual Taxpayer Identification Number” or “Social Security Number” for individual Borrowers</p> <p>Enter “Employer Identification Number” for non-individual Borrowers unless the Borrower is a Living Trust as defined in the Glossary.</p> <p>If the Borrower is a Living Trust, enter either “Individual Taxpayer Identification Number” or “Social Security Number” of the Underwritten Settlor as defined in the Glossary.</p>
614	Taxpayer Identifier Value		
<b>→→Borrower Data Required for Government Reporting</b>			
609.1	HMDA Ethnicity Type	<ul style="list-style-type: none"> <li>▪ Hispanic Or Latino</li> </ul>	

Data Required for All Borrowers			
Sort ID	ULDD Data Point	Valid Value	Notes
		<ul style="list-style-type: none"> <li>▪ Information Not Provided By Applicant In Mail Internet Or Telephone Application</li> <li>▪ Not Applicable</li> <li>▪ Not Hispanic Or Latino</li> </ul>	<p>Enter the ethnicity as provided by the Borrower on the loan application. If the Borrower is a Living Trust, enter the ethnicity as provided by the Underwritten Settlor on the loan application.</p> <p>For individual Borrowers and Underwritten Settlers (in the case of Borrowers that are Living Trusts):</p> <ul style="list-style-type: none"> <li>▪ This data point may be left blank if the Borrower did not report Sort ID 609.1-<i>HMDA Ethnicity Type</i> but has reported Sort ID 609.2-<i>HMDA Ethnicity Origin Type</i> or Sort ID 609.3-<i>HMDA Ethnicity Origin Type Other Description</i></li> <li>▪ If the Borrower did not provide any ethnicity data and the loan application was taken by face-to-face interview (including electronic media with video component), enter the ethnicity collected based on visual observation or surname</li> <li>▪ If the loan application was taken via telephone interview, fax, mail, e-mail or internet and the Borrower did not provide the ethnicity on the loan application, enter "Information Not Provided By Applicant In</li> </ul>

Data Required for All Borrowers			
Sort ID	ULDD Data Point	Valid Value	Notes
			<p>Mail Internet Or Telephone Application"</p> <p>Enter "Not Applicable" for non-individual Borrowers other than Living Trusts.</p>
609.5	HMDA Ethnicity Refusal Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	<p>Enter "false" if the ethnicity information is provided.</p> <p>Enter "true" if the Borrower has refused to provide ethnicity information or has selected the checkbox on the loan application "I do not wish to provide this information" related to ethnicity.</p> <p>If the Borrower is a Living Trust, enter "true" if the Underwritten Settlor has refused to provide ethnicity information or has selected the checkbox on the loan application "I do not wish to provide this information" related to ethnicity.</p> <p>If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.</p>
608.3	HMDA Gender Type	<ul style="list-style-type: none"> <li>▪ Applicant Selected Both Male And Female</li> <li>▪ Female</li> <li>▪ Information Not Provided Unknown</li> <li>▪ Male</li> <li>▪ Not Applicable</li> </ul>	<p>Enter the gender as provided by the Borrower on the loan application. If the Borrower is a Living Trust, enter the gender as provided by the Underwritten Settlor on the loan application.</p> <p>For individual Borrowers and Underwritten Settlers (in the case of Borrowers that are Living Trusts):</p>

Data Required for All Borrowers			
Sort ID	ULDD Data Point	Valid Value	Notes
			<ul style="list-style-type: none"> <li>▪ If the Borrower did not provide the gender and the loan application was taken by face-to-face interview (including electronic media with video component), enter the gender collected based on visual observation or name</li> <li>▪ If the loan application was taken via telephone interview, fax, mail, e-mail or internet and the Borrower did not provide the gender, enter "Information Not Provided Unknown".</li> </ul> <p>Enter "Not Applicable" for non-individual Borrowers other than Living Trusts.</p>
610.5	HMDA Race Type	<ul style="list-style-type: none"> <li>▪ American Indian Or Alaska Native</li> <li>▪ Asian</li> <li>▪ Black Or African American</li> <li>▪ Information Not Provided By Applicant In Mail Internet Or Telephone Application</li> <li>▪ Native Hawaiian Or Other Pacific Islander</li> <li>▪ Not Applicable</li> <li>▪ White</li> </ul>	<p>Enter the race as provided by the Borrower on the loan application. If the Borrower is a Living Trust, enter the race as provided by the Underwritten Settlor on the loan application.</p> <p>For individual Borrowers and Underwritten Settlers (in the case of Borrowers that are Living Trusts):</p> <ul style="list-style-type: none"> <li>▪ This data point may be left blank if the Borrower did not report Sort ID 610.5-<i>HMDA Race Type</i> but has reported Sort ID 610.3-<i>HMDA Race Designation Type</i>, Sort ID 610.6-<i>HMDA Race Type Additional Description</i>, 610.21-</li> </ul>



Data Required for All Borrowers			
Sort ID	ULDD Data Point	Valid Value	Notes
			<p><i>HMDA Race Designation Other Asian Description, or 610.22-HMDA Race Designation Other Pacific Islander Description</i></p> <ul style="list-style-type: none"> <li>▪ If the Borrower did not provide any race data and the loan application was taken by face-to-face interview (including electronic media with video component), enter the race collected based on visual observation or surname</li> <li>▪ If the loan application was taken via telephone interview, fax, mail, e-mail or internet, and the Borrower did not provide the race on the loan application, enter "Information Not Provided By Applicant In Mail Internet Or Telephone Application"</li> </ul> <p>Enter "Not Applicable" for non-individual Borrowers other than Living Trusts.</p>
610.6	HMDA Race Type Additional Description		<p>For each Borrower, indicate any further designations reported on the loan application under "American Indian or Alaska Native - Enter name of enrolled or principal tribe".</p> <p>If the Borrower is a Living Trust, for the Underwritten Settlor indicate any further</p>

Data Required for All Borrowers			
Sort ID	ULDD Data Point	Valid Value	Notes
			<p>designations reported on the loan application under "American Indian or Alaska Native - Enter name of enrolled or principal tribe".</p> <p>For individual Borrowers and Underwritten Settlers (in the case of Borrowers that are Living Trusts): If the Borrower did not report the data on the loan application, leave this data point blank.</p> <p>If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.</p>
610.2	HMDA Race Refusal Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	<p>Enter "false" if the race information is provided.</p> <p>Enter "true" if the Borrower has selected the checkbox on the loan application "I do not wish to provide this information" related to race.</p> <p>If the Borrower is a Living Trust, enter "true" if the Underwritten Settlor has selected the checkbox on the loan application "I do not wish to provide this information" related to race.</p> <p>If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.</p>
609.4	HMDA Ethnicity Collected Based On Visual Observation Or Surname Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	<p>For each Borrower, indicate if the ethnicity was collected based on visual observation or surname.</p>

Data Required for All Borrowers			
Sort ID	ULDD Data Point	Valid Value	Notes
			<p>If the Borrower is a Living Trust, indicate if the ethnicity of the Underwritten Settlor was collected based on visual observation or surname.</p> <p>If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.</p>
608.1	HMDA Gender Collected Based On Visual Observation Or Name Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	<p>For each Borrower, indicate if the gender was collected based on visual observation or name.</p> <p>If the Borrower is a Living Trust, indicate if the gender of the Underwritten Settlor was collected based on visual observation or name.</p> <p>If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.</p>
610.1	HMDA Race Collected Based On Visual Observation Or Surname Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	<p>For each Borrower, indicate if the race was collected based on visual observation or surname.</p> <p>If the Borrower is a Living Trust, indicate if the race of the Underwritten Settlor was collected based on visual observation or surname.</p> <p>If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.</p>
609.2	HMDA Ethnicity Origin Type	<ul style="list-style-type: none"> <li>▪ Cuban</li> <li>▪ Mexican</li> <li>▪ Other</li> <li>▪ Puerto Rican</li> </ul>	<p>For each Borrower, indicate any further designations reported on the loan application under "Hispanic or Latino".</p>

Data Required for All Borrowers			
Sort ID	ULDD Data Point	Valid Value	Notes
			<p>If the Borrower is a Living Trust, for the Underwritten Settlor indicate any further designations reported on the loan application under "Hispanic or Latino".</p> <p>For individual Borrowers and Underwritten Settlers (in the case of Borrowers that are Living Trusts):</p> <ul style="list-style-type: none"> <li>▪ If the Borrower did not report this data on the loan application, leave this data point blank</li> <li>▪ This data point may be left blank if the Borrower did not report Sort ID 609.2-<i>HMDA Ethnicity Origin Type</i> but has reported Sort ID 609.3-<i>HMDA Ethnicity Origin Type Other Description</i></li> </ul> <p>If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.</p>
609.3	HMDA Ethnicity Origin Type Other Description		<p>For each Borrower, indicate any further designations reported on the loan application under "Other Hispanic or Latino - Enter Origin".</p> <p>If the Borrower is a Living Trust, for the Underwritten Settlor indicate any further designations reported on the loan application under "Other Hispanic or Latino - Enter Origin".</p>

Data Required for All Borrowers			
Sort ID	ULDD Data Point	Valid Value	Notes
			<p>For individual Borrowers and Underwritten Settlers (in the case of Borrowers that are Living Trusts): If the Borrower did not report the data on the loan application, leave this data point blank.</p> <p>If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.</p>
608.2	HMDA Gender Refusal Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	<p>Enter "false" if the gender information is provided.</p> <p>Enter "true" if the Borrower has refused to provide gender information or has selected the checkbox on the loan application "I do not wish to provide this information" related to sex.</p> <p>If the Borrower is a Living Trust, enter "true" if the Underwritten Settlor has refused to provide gender information or has selected the checkbox on the loan application "I do not wish to provide this information" related to sex.</p> <p>If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.</p>
610.3	HMDA Race Designation Type	<ul style="list-style-type: none"> <li>▪ Asian Indian</li> <li>▪ Chinese</li> <li>▪ Filipino</li> <li>▪ Guamanian Or Chamorro</li> <li>▪ Japanese</li> <li>▪ Korean</li> <li>▪ Native Hawaiian</li> </ul>	<p>For each Borrower, indicate any further designations reported on the loan application under "Asian" or "Native Hawaiian or Other Pacific Islander".</p>

Data Required for All Borrowers			
Sort ID	ULDD Data Point	Valid Value	Notes
		<ul style="list-style-type: none"> <li>▪ Other Asian</li> <li>▪ Other Pacific Islander</li> <li>▪ Samoan</li> <li>▪ Vietnamese</li> </ul>	<p>If the Borrower is a Living Trust, for the Underwritten Settlor indicate any further designations reported on the loan application under "Asian" or "Native Hawaiian or Other Pacific Islander".</p> <p>For individual Borrowers and Underwritten Settlers (in the case of Borrowers that are Living Trusts):</p> <ul style="list-style-type: none"> <li>▪ If the Borrower did not report this data on the loan application, leave this data point blank</li> <li>▪ This data point may be blank if the Borrower did not report Sort ID 610.3-<i>HMDA Race Designation Type</i> but has reported Sort ID 610.6-<i>HMDA Race Type Additional Description</i>, 610.21-<i>HMDA Race Designation Other Asian Description</i>, or 610.22 <i>HMDA -Race Designation Other Pacific Islander Description</i></li> </ul> <p>If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.</p>
610.21	HMDA Race Designation Other Asian Description		<p>For each Borrower, indicate any further designations reported on the loan application under "Other Asian - Print Race:".</p> <p>If the Borrower is a Living Trust, for the Underwritten</p>

Data Required for All Borrowers			
Sort ID	ULDD Data Point	Valid Value	Notes
			<p>Settlor indicate any further designations reported on the loan application under "Other Asian - Print Race:".</p> <p>For individual Borrowers and Underwritten Settlers (in the case of Borrowers that are Living Trusts): If the Borrower did not report the data on the loan application, leave this data point blank.</p> <p>If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.</p>
610.22	HMDA Race Designation Other Pacific Islander Description		<p>For each Borrower, indicate any further designations reported on the loan application under "Other Pacific Islander - Print Race:".</p> <p>If the Borrower is a Living Trust, for the Underwritten Settlor indicate any further designations reported on the loan application under "Other Pacific Islander - Print Race:".</p> <p>For individual Borrowers and Underwritten Settlers (in the case of Borrowers that are Living Trusts): If the Borrower did not report the data on the loan application, leave this data point blank.</p> <p>If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.</p>

<sup>1</sup> This data point name does not appear as a Loan Selling Advisor® input field, but instead is reflected in a screen heading or tab.

<sup>1</sup> This data point must be populated for the Primary Borrower in order to save the file in Loan Selling Advisor.

**(ii) Primary Borrower mailing information**

With respect to the mailing address of the primary Borrower or Underwritten Settlor, as applicable, the Seller must deliver the following ULDD Data Points:

Data Required for Primary Borrower’s Mailing Address			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>BORROWER</b>			
<b>→Borrower Information</b>			
<b>→→ Borrower Details</b>			
571	<i>Borrower Classification Type<sup>1</sup></i>	<i>Primary</i>	
<b>→→Borrower Mailing Address (Borrower 1) (Primary Borrower)</b>			
572	Borrower Mail To Address Same As Property Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	Enter “true” if the mailing address of the primary Borrower or Underwritten Settlor, as applicable, is the same as the Mortgaged Premises.
548	Address Line Text  (In Loan Selling Advisor, this appears as “Street Address.”)		<p>If the mailing address is the same as the Mortgaged Premises, leave this data point blank; otherwise, enter the complete mailing street address.</p> <p>If the mailing address is outside of the United States or Canada, include the “state” if applicable, after the street address.</p>
554	City Name		
560	State Code		Enter the state abbreviation maintained by the United States Postal Service (USPS). Refer to USPS (Publication 28 – Postal Addressing Standards) for guidance



Data Required for Primary Borrower's Mailing Address			
Sort ID	ULDD Data Point	Valid Value	Notes
			about state codes.
557	Postal Code		
555	Country Code		Enter two-character codes from the International Organization for Standardization (ISO) 3166-1-alpha-2 code list at <a href="http://www.iso.org/iso/country_codes/iso_3166_code_lists/country_names_and_code_elements.html">http://www.iso.org/iso/country_codes/iso_3166_code_lists/country_names_and_code_elements.html</a>
549	Address Type	Mailing	

<sup>1</sup> This data point must be populated to save the file in Loan Selling Advisor.

**(b) Data for individual Borrowers and Underwritten Settlers**

**(i) All individual Borrowers and Underwritten Settlers**

In addition to the data set forth in Section 6302.9(a), the Seller must deliver the following ULDD Data Points for each individual Borrower and, as applicable, Underwritten Settlor:

Data Required for All Individual Borrowers and Underwritten Settlers			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>BORROWER</b>			
<b>→ Borrower Information – Borrower</b>			
<b>→→ Borrower Details</b>			
540	First Name <sup>1</sup>		Not required for Underwritten Settlor.
542	Middle Name		Enter if exists for individual Borrower; not required for Underwritten Settlor.
541	Last Name <sup>1</sup>		Not required for Underwritten Settlor.
543	Suffix Name		Enter if exists for individual Borrower; not required for Underwritten Settlor.
598	Citizenship Residency Type	<ul style="list-style-type: none"> <li>▪ Permanent Resident Alien</li> <li>▪ Nonpermanent Resident Alien</li> <li>▪ US Citizen</li> </ul>	

<b>Data Required for All Individual Borrowers and Underwritten Settlers</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
600	Employment Borrower Self Employed Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	Enter “true” if the Borrower or Underwritten Settlor, as applicable, is considered to be self-employed according to Section 5301.1.
<b>→→→ First Time Homebuyer Details</b>			
597	Borrower First Time Homebuyer Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	Enter “true” if any Borrower or Underwritten Settlor, as applicable, on the Mortgage is a First-Time Homebuyer as defined in the Glossary. Borrower data must be delivered for each First-Time Homebuyer.
<b>→ →Borrower Underwriting Details</b>			
573	Borrower Qualifying Income Amount		Enter the stable monthly income, as defined in Topic 5300 for each qualifying Borrower or Underwritten Settlor, as applicable.
596	Bankruptcy Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	Enter “true” if the Uniform Residential Loan Application (URLA), credit report, or other loan documents indicate that the Borrower or Underwritten Settlor, as applicable, has declared bankruptcy within the past 7 years.
599	Loan Foreclosure Or Judgment Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	<p>Enter “true” if the Uniform Residential Loan Application (URLA), credit report, or other loan documents indicate the Borrower or Underwritten Settlor, as applicable, has been directly or indirectly obligated on a loan that resulted in foreclosure, transfer of title in lieu of foreclosure, or judgment.</p> <p>Enter “true” if, on the redesigned URLA, any of</p>

Data Required for All Individual Borrowers and Underwritten Settlers			
Sort ID	ULDD Data Point	Valid Value	Notes
			<p>the responses are “yes” in Section 5b, About Your Finances, to questions G, J or L; or if indicated on the credit report, or other loan documents.</p> <ul style="list-style-type: none"> <li>▪ <i>Outstanding Judgments Indicator</i> (ULAD Unique ID 8.0029)</li> <li>▪ <i>Prior Property Deed In Lieu Conveyed Indicator</i> (ULAD Unique ID 8.0036)</li> <li>▪ <i>Prior Property Foreclosure Completed Indicator</i> (ULAD Unique ID 8.0042)</li> </ul>
<b>→→→Borrower Credit Score</b>			
590	Credit Score Value		Enter the FICO® score that is selected as the Underwriting Score for each qualifying Borrower or each Underwritten Settlor, as applicable, if such FICO score exists. The related Glossary term is Underwriting Score.
580	Credit Report Identifier		Enter the associated credit reference number if a merged credit report was used to underwrite the Borrower.
582	Credit Repository Source Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	Enter “true” if a single credit repository (Equifax, Experian, or TransUnion) or a merged credit report (Merged Data) was the source for the Borrower’s credit score.
583	Credit Repository Source Type	<ul style="list-style-type: none"> <li>▪ Equifax</li> <li>▪ Experian</li> <li>▪ Merged Data</li> <li>▪ TransUnion</li> </ul>	

Data Required for All Individual Borrowers and Underwritten Settlers			
Sort ID	ULDD Data Point	Valid Value	Notes
591.1	Credit Score Provider Name		<p>If a merged credit report was used to underwrite the Borrower:</p> <p>Enter “1000” for CBCInnovis, Inc.</p> <p>Enter “2000” for MeridianLink Direct.</p> <p>Enter “3nnn” for Technical Affiliates of SharperLending, where “nnn” is the 3-digit Technical Affiliate Code. See <a href="http://www.freddiemac.com/loanadvisorsuite/loanproductadvisor/crc.html">http://www.freddiemac.com/loanadvisorsuite/loanproductadvisor/crc.html</a> for current Technical Affiliate Codes.</p> <p>Enter “5000” for Equifax Mortgage Solutions.</p> <p>Enter “5nnn” for Technical Affiliates of Equifax Mortgage Solutions, where “nnn” is the 3-digit Technical Affiliate Code. See <a href="http://www.freddiemac.com/loanadvisorsuite/loanproductadvisor/crc.html">http://www.freddiemac.com/loanadvisorsuite/loanproductadvisor/crc.html</a> for current Technical Affiliate Codes.</p> <p>Enter “6000” for Factual Data Corp.</p> <p>Enter “8000” for CREDCO / Credstar / CBA</p> <p>Enter “B000” for LandSafe</p>

1 This data point must be populated for the Primary Borrower in order to save the file in Loan Selling Advisor.

**(i) All individual Borrowers and Underwritten Settlers when all individual Borrowers and Underwritten Settlers have Noncredit Payment References**

See Sections 5201.1 and 5202.1 for requirements related to the use of Noncredit Payment References.

See Section 5103.6 for requirements related to homeownership education.

For Mortgages when all individual Borrowers and Underwritten Settlers have Noncredit Payment References, the Seller must deliver the following ULDD Data Points:

Data Required for all Borrowers and Underwritten Settlers when all individual Borrowers and Underwritten Settlers have Noncredit Payment References			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>BORROWER</b>			
<b>→Borrower Information</b>			
<b>→→Borrower Details</b>			
576/577	<p>Counseling Confirmation Type/ Counseling Confirmation Type Other Description</p> <p>(In Loan Selling Advisor, this appears as “Counseling Confirmation Type.”)</p>	<ul style="list-style-type: none"> <li>▪ Government Agency</li> <li>▪ HUD Approved Counseling Agency</li> <li>▪ Lender Trained Counseling</li> <li>▪ No Borrower Counseling</li> <li>▪ Other – Borrower Did Not Participate</li> <li>▪ Other – Mortgage Insurance Company</li> <li>▪ Other – Non Profit Organization</li> </ul>	<p>When required, at least one Borrower on the Mortgage must complete homeownership education prior to loan closing.</p> <p>Enter “Government Agency” if the Borrower completed Freddie Mac’s online CreditSmart® Steps to Homeownership Tutorial - With Certificate, OR if the homeownership education was provided by a Housing Finance Agency (HFA), OR if the homeownership education was provided by a for-profit CDFI.</p> <p>Enter “HUD Approved Counseling Agency” if the Borrower completed homeownership education that was provided by a HUD-approved nonprofit counseling agency.</p> <p>Do not enter “Lender Trained Counseling.”</p> <p>Enter “No Borrower Counseling” if the Borrower is not required to participate in homeownership education, such as for a refinance transaction.</p> <p>Enter “Other – Borrower Did Not Participate” if the referenced Borrower did not</p>

			<p>participate in homeownership education, and the required homeownership education was completed by another Borrower on the loan.</p> <p>Enter “Other – Mortgage Insurance Company” if the counseling was a program provided by a mortgage insurance company</p> <p>Enter “Other – Non Profit Organization” if the homeownership education was provided by a Community Development Financial Institution (CDFI), or a program that meets the standards of the National Industry Standards for Homeownership Education and Counseling.</p>
578/579	<p>Counseling Format Type/ Counseling Format Type Other Description</p> <p>(In Loan Selling Advisor, this appears as “Counseling Format Type.”)</p>	<ul style="list-style-type: none"> <li>▪ Borrower Education Not Required</li> <li>▪ Classroom</li> <li>▪ Home Study</li> <li>▪ Individual</li> <li>▪ Other – Borrower Did Not Participate</li> </ul>	<p>When required, at least one Borrower on the Mortgage must complete homeownership education prior to loan closing.</p> <p>Enter “Borrower Education Not Required” if the Borrower is not required to participate in homeownership education, such as for a refinance transaction.</p> <p>Enter “Classroom” if instructor-led homeownership education was completed (not one-on-one).</p> <p>Enter “Home Study” if the Borrower completed Freddie Mac’s online CreditSmart Steps to</p>

			<p>Homeownership Tutorial - With Certificate.</p> <p>Enter “Individual” if one-on-one counseling was performed.</p> <p>Enter “Other – Borrower Did Not Participate” if the referenced Borrower did not participate in homeownership education, and the required homeownership education was completed by an occupying Borrower on the loan.</p>
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**(c) Data for non-individual Borrowers**

**(i) One or more Borrowers is a Living Trust**

If one or more Borrowers on a loan is a Living Trust, the Seller must deliver the ULDD data points below for each Borrower that is a Living Trust. The Seller must identify the Borrower as a “Living Trust,” and complete the personal information fields based on the personal data of the Underwritten Settlor(s) of the trust. See Section 5103.5 for requirements regarding Mortgages with respect to which the Borrower is a Living Trust.

<b>Data Required for Non-Individual Borrowers when one or more Borrowers is a Living Trust</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
<b>BORROWER</b>			
<b>→Borrower Information</b>			
<b>→→Borrower Details</b>			
545/546	Legal Entity Type/Legal Entity Type Other Description  (In Loan Selling Advisor, this appears as “Non-Individual Borrower Type.”)	Other – Living Trust	
544	Full Name <sup>1</sup>		If the Borrower is a Living Trust, indicate the complete unparsed name of the Underwritten Settlor. For



Data Required for Non-Individual Borrowers when one or more Borrowers is a Living Trust			
Sort ID	ULDD Data Point	Valid Value	Notes
	(In Loan Selling Advisor, this appears as “Non-Individual Borrower Name.”)		example, “John W. Johnson”

<sup>1</sup> This data point must be populated for the Primary Borrower in order to save the file in Loan Selling Advisor.

**(ii) Borrower is a Native American tribe or tribal organization**

Refer to Section 6302.13 for delivery requirements applicable to Section 184 Native American Mortgages when the non-individual Borrower is a Native American tribe or tribal organization.

## 6302.10: Loan Product Advisor<sup>®</sup> Mortgage underwriting data delivery requirements (07/10/19)

**(a) General requirements**

For each Loan Product Advisor<sup>®</sup> Mortgage delivered to Freddie Mac, the Seller is required to include the Key Number. A Mortgage delivered without a Key Number will be considered a Non-Loan Product Advisor Mortgage.

Refer to Section 5101 for additional information on Loan Product Advisor Mortgages.

**(b) Data for Loan Product Advisor Mortgages**

If the Mortgage is a Loan Product Advisor Mortgage, the Seller must deliver the following ULDD Data Points:

Loan Product Advisor Mortgage Underwriting Data Requirements			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b>			
<b>→ Underwriting / Credit Information → Underwriting Details</b>			
328	<i>Loan Manual Underwriting Indicator</i>	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	<i>Enter “false” if the loan underwriting decision is not based on manual underwriting and is based on the recommendation of Loan Prospector or Loan Product Advisor.</i>

Loan Product Advisor Mortgage Underwriting Data Requirements			
Sort ID	ULDD Data Point	Valid Value	Notes
			Enter “true” if the LP or LPA Risk Class is Caution and the loan was manually underwritten prior to delivery.
326/327	Automated Underwriting System Type / Automated Underwriting System Type Other Description  (In Loan Selling Advisor®, this appears as “Automated Underwriting System Type.”)	Loan Prospector Other – Loan Product Advisor	For Loan Prospector Mortgages, enter “Loan Prospector.”  Enter “Other – Loan Product Advisor” if Loan Product Advisor was used to assess the loan.
325	Automated Underwriting Recommendation Description	<ul style="list-style-type: none"> <li>▪ Accept</li> <li>▪ Caution</li> <li>▪ Caution Eligible For A Minus</li> </ul>	Enter the applicable Risk Class/Classification for Loan Prospector or Loan Product Advisor Mortgages.
322	Automated Underwriting Case Identifier		Enter the Loan Prospector AUS Key Number. The related Glossary term is Key Number.
<b>LOAN – Current</b>			
<b>→ Product Information → Product Details</b>			
<b>→→Modification Details</b>			
397	Mortgage Modification Indicator	false	

**(c) Special delivery requirements for Mortgages with appraisal waivers**

See Section 5601.9(c) for more information on automated collateral evaluation.

For Mortgages for which the Seller accepts an appraisal waiver, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Appraisal Waivers			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>PROPERTY</b>			
<b>→ Property Information</b>			
<b>→→ Property Details</b>			
67	Property Structure Built Year		<i>Leave blank or enter “9999” if the Seller accepts an appraisal waiver.</i>
<b>→→ Appraisal / Valuation Property Details</b>			
89	Property Valuation Method Type	None	

Data Required for Mortgages with Appraisal Waivers			
Sort ID	ULDD Data Point	Valid Value	Notes
83	Property Valuation Amount		<p>For refinance Mortgages, enter the "Borrower Estimated Value" that was provided in Loan Product Advisor®.</p> <p>For purchase Mortgages, enter the Purchase Price Amount of the delivered loan.</p>
<b>→ → Condominium Details</b>			
376	Investor Collateral Program Identifier	Property Inspection Alternative	Enter "Property Inspection Alternative" if the Seller accepted an appraisal waiver offer.

## 6302.11: Non-Loan Product Advisor Mortgage data delivery requirements (03/05/18)

### (a) General requirements

The Seller must not deliver any Key Number for Non-Loan Product Advisor Mortgages.

### (b) Data for Non-Loan Product Advisor Mortgages

For Non-Loan Product Advisor Mortgages, the Seller must deliver the following ULDD Data Points:

Non-Loan Product Advisor Mortgage Underwriting Data Requirements			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b>			
<b>→ Underwriting / Credit Information → Loan Level Credit Details</b>			
328	Loan Manual Underwriting Indicator	true	Enter "true" if the loan underwriting decision is based on manual underwriting.
251	Loan Level Credit Score Value		Enter if the Indicator Score exists. The related Glossary term is Indicator Score.

Non-Loan Product Advisor Mortgage Underwriting Data Requirements			
Sort ID	ULDD Data Point	Valid Value	Notes
249	Loan Level Credit Score Selection Method Type	<ul style="list-style-type: none"> <li>▪ Average Then Average</li> <li>▪ Middle Or Lower Then Average</li> <li>▪ Middle Or Lower Then Lowest</li> </ul>	Enter if the Indicator Score exists.
247	Credit Score Impairment Type	<ul style="list-style-type: none"> <li>▪ Insufficient Credit History</li> <li>▪ Significant Errors Score</li> </ul>	Enter if the Indicator Score does not exist or is not usable.

## 6302.12: Special delivery requirements for FHA/VA Mortgages (06/03/19)

### (a) General requirements

See Section 4205.4 for special eligibility requirements for FHA/VA Mortgages.

See Exhibit 17S, Available Mortgage Products, for more information about eligibility requirements for fixed-rate FHA/VA Mortgages.

### (b) Data delivery instructions

For FHA/VA Mortgages, the Seller must not deliver mortgage insurance ULDD Data Points.

#### (i) FHA Mortgages

For FHA Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for FHA Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b>			
<b>→ Product Information → Product Details</b>			
317	Mortgage Type	FHA	Enter this value for FHA Mortgages.
198	Section Of Act Type	<ul style="list-style-type: none"> <li>▪ 203B</li> <li>▪ 234C</li> </ul>	Enter “234C” for condominiums and “203B” for all other FHA Mortgages.

#### (ii) VA Mortgages

For VA Mortgages, the Seller must deliver the following ULDD Data Point:

Data Required for VA Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
LOAN – Closing			
→ Product Information → Product Details			
317	Mortgage Type	VA	Enter this value for VA Mortgages.

**(c) Delivery programs**

FHA/VA Mortgages may be sold only under the following:

- Fixed-rate Cash
- Fixed-rate Guarantor
- MultiLender Swap

**(d) Pooling requirements for MBS**

Refer to Chapter 6202 for pooling requirements for FHA/VA Mortgages under the fixed-rate Guarantor or MultiLender Swap programs.

## 6302.13: Special delivery requirements for Section 184 Native American Mortgages (06/03/19)

**(a) General requirements**

See Section 4205.3 for special eligibility requirements for Section 184 Native American Mortgages.

See Exhibit 17S, Available Mortgage Products, for more information about eligibility requirements for Section 184 Native American Mortgages.

**(b) Data delivery instructions**

For Section 184 Native American Mortgages, the Seller must not deliver mortgage insurance ULDD Data Points.

**(i) All Section 184 Native American Mortgages**

For Section 184 Native American Mortgages with no special characteristics, the Seller must deliver the following ULDD Data Points:

Loan Data Required for Section 184 Native American Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b>			
<b>→Product Information → Product Details</b>			
317/318	Mortgage Type/Mortgage Type Other Description  (In Loan Selling Advisor®, this appears as “Mortgage Type.”)	Other – Public And Indian Housing	
198	Section Of Act Type	184	

**(ii) Section 184 Native American Mortgages with special characteristics**

For Section 184 Native American Mortgages with the indicated property characteristics, the Seller must deliver the following ULDD Data Points:

Loan Data Required for Section 184 Native American Mortgages If Applicable			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>PROPERTY</b>			
<b>→ Property Information → Property Details</b>			
63	Property Estate Type	Leasehold	<i>Enter this value if the subject property is located on tribal trust land.</i>
<b>LOAN – Current</b>			
<b>→ Product Information → Product Details</b>			
368	Investor Feature Identifier	130	Enter this value if the subject property is located on allotted land.

**(iii) Borrower is a tribe or tribal organization**

If the Borrower is a Native American tribe or tribal organization, the Seller must not deliver First-Time Homebuyer or Co-Borrower ULDD Data Points.

If the Borrower is a Native American tribe or tribal organization, the Seller must deliver the following ULDD Data Points:

Data Required for Native American Tribe or Tribal Organization			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>PROPERTY</b>			
<b>→ Property Information → Property Details</b>			
69	Property Usage Type	Investment	
<b>LOAN – Closing</b>			
<b>→ Origination Information → Origination Details</b>			
227	Borrower Count	1	Do not provide information about secondary Borrower(s).
<b>BORROWER</b>			
<b>→ Borrower Information – Borrower 1 (Primary Borrower)</b>			
<b>→ → Borrower Details (Borrower 1)</b>			
571	Borrower Classification Type <sup>1</sup>	Primary	Enter “Primary” when there is one Borrower.
545/546	Legal Entity Type /Legal Entity Type Other Description  (In Loan Selling Advisor, this appears as “Non-Individual Borrower Type.”)	Other - Native American Tribe Or Tribal Organization	Enter this value when a Native American tribe or tribal organization is the non-individual title holder of the Mortgaged Premises.
544	Full Name <sup>1</sup>  (In Loan Selling Advisor, this appears as “Non-Individual Borrower Name.”)		Enter the name of the Native American tribe or tribal organization.

<sup>1</sup> This data point must be populated to save the file in Loan Selling Advisor.

### (c) Delivery programs

Section 184 Native American Mortgages may be sold only under the following:

- Fixed-rate Cash
- Fixed-rate Guarantor
- MultiLender Swap

**(d) Pooling requirements for MBS**

Refer to Section 6202.3 for special pooling requirements for Section 184 Native American Mortgages under the fixed-rate Guarantor or MultiLender Swap programs.

## 6302.14: Special delivery requirements for Home Possible® Mortgages (07/10/19)

**(a) General requirements**

See Chapter 4501 for special eligibility requirements for Home Possible® Mortgages.

See Section 5103.6 for requirements related to homeownership education.

See Section 4501.5 for requirements for Home Possible Mortgages with temporary subsidy buydowns.

See Section 4205.2 for special eligibility requirements for Home Possible Mortgages with RHS Leveraged Seconds.

See Exhibit 17S, Available Mortgage Products, for more information about eligibility requirements for Home Possible Mortgages.

**(b) Data delivery instructions**

**(i) All Home Possible Mortgages**

For Home Possible Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for Home Possible Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b>			
<b>→Product Information → Product Details</b>			
238	<i>Loan Affordable Indicator</i>	<i>true</i>	<i>Enter "true" for Home Possible Mortgages.</i>
<b>→Origination Information</b>			
<b>→→ Funds Needed to Close Details</b>			
<b>Underwriting / Credit Information → Underwriting Details</b>			
326/327	<i>Automated Underwriting System Type/Automated</i>	<i>Loan Prospector Other – Loan Product Advisor®</i>	



<b>Data Required for Home Possible Mortgages</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
	<i>Underwriting System Type Other Description</i>  <i>(In Loan Selling Advisor®, this appears as “Automated Underwriting System Type.”)</i>		
322	<i>Automated Underwriting Case Identifier</i>		<i>Enter the Loan Prospector® (LP) AUS Key Number for all Home Possible Mortgages, if available. The related Glossary term is Key Number.</i>
<b>LOAN – Current</b>			
<b>→ Product Information → Product Details</b>			
404	Loan Program Identifier	<ul style="list-style-type: none"> <li>▪ Home Possible Mortgage</li> <li>▪ Home Possible Advantage</li> </ul>	Effective October 29, 2018, Sellers may enter “Home Possible Mortgage” in lieu of “Home Possible Advantage.” However, “Home Possible Advantage” will remain a valid value for delivery until Loan Selling Advisor is updated to disallow, which will take place no earlier than September 30, 2019.
<b>BORROWER</b>			
<b>→ Borrower Information</b>			
<b>→→ Borrower Details</b>			
576/577	Counseling Confirmation Type/ Counseling Confirmation Type Other Description  <i>(In Loan Selling Advisor, this appears as</i>	<ul style="list-style-type: none"> <li>▪ Government Agency</li> <li>▪ HUD Approved Counseling Agency</li> <li>▪ Lender Trained Counseling</li> <li>▪ No Borrower Counseling</li> <li>▪ Other – Borrower Did Not Participate</li> </ul>	When required, at least one Borrower on the Mortgage must complete homeownership education prior to loan closing.  Enter “Government Agency” if the Borrower completed Freddie Mac’s

<b>Data Required for Home Possible Mortgages</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
	“Counseling Confirmation Type.”)	<ul style="list-style-type: none"> <li>▪ Other – Mortgage Insurance Company</li> <li>▪ Other – Non Profit Organization</li> </ul>	<p>online CreditSmart® Steps to Homeownership Tutorial - With Certificate, OR if the homeownership education was provided by a Housing Finance Agency (HFA), OR if the homeownership education was provided by a for-profit CDFI.</p> <p>Enter “HUD Approved Counseling Agency” if the Borrower completed homeownership education that was provided by a HUD-approved nonprofit counseling agency.</p> <p>Do not enter “Lender Trained Counseling.”</p> <p>Enter “No Borrower Counseling” if the Borrower is not required to participate in homeownership education, such as for a refinance transaction.</p> <p>Enter “Other – Borrower Did Not Participate” if the referenced Borrower did not participate in homeownership education, and the required homeownership education was completed by another Borrower on the loan.</p> <p>Enter “Other – Mortgage Insurance Company” if the counseling was a program provided by a mortgage insurance company.</p>

Data Required for Home Possible Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
			Enter "Other – Non Profit Organization" if the homeownership education was provided by a Community Development Financial Institution (CDFI), or a program that meets the standards of the National Industry Standards for Homeownership Education and Counseling.
578/579	Counseling Format Type/ Counseling Format Type Other Description  (In Loan Selling Advisor, this appears as "Counseling Format Type.")	<ul style="list-style-type: none"> <li>▪ Borrower Education Not Required</li> <li>▪ Classroom</li> <li>▪ Home Study</li> <li>▪ Individual</li> <li>▪ Other – Borrower Did Not Participate</li> </ul>	<p>When required, at least one Borrower on the Mortgage must complete homeownership education prior to loan closing.</p> <p>Enter "Borrower Education Not Required" if the Borrower is not required to participate in homeownership education, such as for a refinance transaction.</p> <p>Enter "Classroom" if instructor-led homeownership education was completed (not one-on-one).</p> <p>Enter "Home Study" if the Borrower completed Freddie Mac's online CreditSmart Steps to Homeownership Tutorial - With Certificate.</p> <p>Enter "Individual" if one-on-one counseling was performed.</p> <p>Enter "Other – Borrower Did Not Participate" if the referenced Borrower did not</p>

Data Required for Home Possible Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
			participate in homeownership education, and the required homeownership education was completed by an occupying Borrower on the loan.

**(ii) Home Possible Mortgages with special characteristics**

For Home Possible Mortgages with the indicated characteristics, the Seller must deliver the following ULDD Data Points in addition to the ULDD Data Points required for Home Possible Mortgages in Section 6302.14 (b)(i):

Data Required for Home Possible Mortgages if Applicable			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>→ Product Information → Product Details</b>			
368	Investor Feature Identifier	532	Enter this value when the Mortgage satisfies the minimum number of payment reference requirement using Noncredit Payment References.

**(iii) Home Possible Mortgages with secondary financing including Affordable Seconds®**

For delivery requirements for Home Possible Mortgages with secondary financing, including Home Possible Mortgages with Affordable Seconds, see [Section 6302.34](#).

**(iv) Home Possible Mortgages with RHS Leveraged Seconds**

For Home Possible Mortgages with RHS Leveraged Seconds, the Seller must deliver the following ULDD Data Points in addition to the ULDD Data Points required for Home Possible Mortgages in Section 6302.14(b)(i):

Data Required for Home Possible Mortgages with RHS Leveraged Seconds			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>→ Secondary Financing / Related Loan Details</b>			
517	Lien Priority Type	Second Lien	

Data Required for Home Possible Mortgages with RHS Leveraged Seconds			
Sort ID	ULDD Data Point	Valid Value	Notes
519	Mortgage Type	USDA Rural Housing	

(v) **Home Possible Mortgages originated with sweat equity**

For Home Possible Mortgages originated with sweat equity as a credit towards the Down Payment and/or Closing Costs, the Seller must deliver the following ULDD Data Points in addition to the ULDD Data Points required for Home Possible Mortgages in Section 6302.14(b)(i):

Data Required for Home Possible Mortgages with Sweat Equity			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>→ Product Information →→ Product Details</b>			
368	Investor Feature Identifier	J11	Enter this value indicating Duty to Serve (DTS) sweat equity.

(c) **Delivery programs**

Home Possible Mortgages may be sold under the following:

- Cash
- Guarantor
- MultiLender Swap

## 6302.15: Special delivery requirements for Section 502 GRH Mortgages (06/03/19)

(a) **General requirements**

See Section 4205.1 for special eligibility requirements for Section 502 GRH Mortgages.

See Exhibit 17S, Available Mortgage Products, for more information about eligibility requirements for fixed-rate Section 502 GRH Mortgages.

## (b) Data delivery instructions

For Section 502 GRH Mortgages, the Seller must not deliver mortgage insurance ULDD Data Points.

For Section 502 GRH Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for Section 502 GRH Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
LOAN – Closing			
→ Product Information → Product Details			
317	Mortgage Type	USDA Rural Housing	Enter “USDA Rural Housing” for Section 502 GRH Mortgages.
198	Section Of Act Type	502	Enter "502" with Mortgage Type = "USDA Rural Housing."

## (c) Delivery programs

Assumable and nonassumable Section 502 GRH Mortgages may be sold only under the following:

- Fixed-rate Cash
- Fixed-rate Guarantor
- MultiLender Swap

Nonassumable Section 502 GRH Mortgages sold under the fixed-rate Guarantor or MultiLender Swap programs must be sold with conventional Mortgages.

## (d) Pooling requirements for **MBS**

Refer to Section 6202.3 for special pooling requirements for assumable and nonassumable Section 502 GRH Mortgages under the fixed-rate Guarantor or MultiLender Swap programs.

# 6302.16: Special delivery requirements for refinance Mortgages (10/02/19)

## (a) General requirements

See Chapter 4301 for special eligibility requirements for refinance Mortgages.

**(b) Data delivery instructions**

See Section 6302.40 for delivery requirements for Enhanced Relief Refinance Mortgages®.

**(i) All refinance Mortgages**

For refinance Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for Refinance Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – At Closing</b>			
<b>→ Underwriting / Credit Information → Loan Details</b>			
315	Loan Purpose Type	Refinance	
195	Purchase Price Amount		Not required for Refinances.
294	Refinance Cash Out Determination Type	<ul style="list-style-type: none"> <li>▪ Cash Out</li> <li>▪ No Cash Out</li> </ul>	
293	Refinance Cash Out Amount		Required for cash-out refinance Mortgages. Enter the calculated value: new loan amount minus paid off first Mortgage amount minus paid off second Mortgage amount (only if the second was used in its entirety to purchase the subject property) minus Closing Costs and Prepaids/Escrows.

**(ii) Refinance Mortgages with special characteristics**

For refinance Mortgages with the indicated characteristics, the Seller must deliver the following ULDD Data Points:

Data Required for Refinance Mortgages with Special Characteristics			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – At Closing</b> <b>→ Underwriting / Credit Information → Loan Details</b>			Enter if the Mortgage is a special purpose cash-out refinance Mortgage when cash was used by an owner to buy out the equity of a co-owner.

<b>Data Required for Refinance Mortgages with Special Characteristics</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
294	<i>Refinance Cash Out Determination Type</i>	<i>Cash Out</i>	
<b>LOAN – Current</b>			
<b>→ Product Details</b>			
368	Investor Feature Identifier	203	
<b>LOAN – At Closing</b>			Enter if the Mortgage is a Freddie Mac-owned “no cash-out” refinance Condominium Unit Mortgage (Section 5701.7). If available, enter ULDD Data Point <i>Related Investor Loan Identifier</i> (Sort ID 221). This is the 9-digit Freddie Mac-supplied number assigned to the original Mortgage by the Seller when the Mortgage was initially sold to Freddie Mac.
<b>→ Underwriting / Credit Information</b>			
<b>→ → Loan Details</b>			
294	<i>Refinance Cash Out Determination Type</i>	<i>No Cash Out</i>	
<b>→ → Streamlined Loan Details</b>			
222	Related Loan Investor Type	FRE	
221	Related Investor Loan Identifier	<Associated FRE Loan #>	
<b>LOAN – At Closing</b>			
<b>→ Underwriting / Credit Information</b>			
<b>→ → Loan Details</b>			
294	<i>Refinance Cash Out Determination Type</i>	<i>No Cash Out</i>	
<b>→ → Streamlined Loan Details</b>			
222	Related Loan Investor Type	FRE	
221	Related Investor Loan Identifier	<Associated FRE Loan #>	



Data Required for Refinance Mortgages with Special Characteristics			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – At Closing</b> → Underwriting / Credit Information → Loan Details			Enter if the Mortgage is a Freddie Mac-owned “no cash-out” refinance Mortgage and a PACE obligation is paid off with the Mortgage proceeds.
294	<i>Refinance Cash Out Determination Type</i>	<i>No Cash Out</i>	
<b>LOAN – Current → Product Details</b>			
368	Investor Feature Identifier	H61	
<b>LOAN – Current</b>			
→ Product Information → Product Details			
451	Refinance Program Identifier	Texas Equity	Enter if the Mortgage is a Texas Equity Section 50(a)(6) Mortgage.

## 6302.17: Special delivery requirements for fixed-rate relocation Mortgages (06/03/19)

### (a) General requirements

See Section 6202.3 for the definition of a relocation Mortgage. A 10-, 15-, 20- or 30-year fixed-rate Mortgage that complies with the definition must be sold to Freddie Mac as a relocation Mortgage.

### (b) Data delivery instructions

For relocation Mortgages that comply with Section 6202.3, the Seller must deliver the following ULDD Data Point:

Data Required for Relocation Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – At Closing</b>			
→ Underwriting / Credit Information → Loan Details			
241	<i>Relocation Loan Indicator</i>	<i>true</i>	<i>Enter “true” only if the Mortgage is a fixed-rate Mortgage that complies with Section 6202.3.</i>

### (c) Delivery programs

Fixed-rate relocation Mortgages may be sold only under the following:

- Fixed-rate Cash
- Fixed-rate Guarantor
- MultiLender Swap

**(d) Pooling requirements for UMBS™, MBS and Supers™**

Refer to Section 6202.3 for pooling requirements for fixed-rate relocation Mortgages under the fixed-rate Guarantor or MultiLender Swap programs.

## 6302.18: Special delivery requirements for subsidy buydown Mortgages (06/03/19)

**(a) General requirements**

See Section 4204.4 for special eligibility requirements for Mortgages with temporary subsidy buydowns.

See Section 4501.5 for eligibility requirements for Home Possible® Mortgages with temporary subsidy buydowns.

See Section 6302.26 for data requirements for loans with temporary subsidy buydowns sold through Cash-Released XChange<sup>SM</sup>.

**(b) Data delivery instructions**

For Mortgages with temporary subsidy buydowns (including Seller-Owned Modified Mortgages), the Seller must deliver the following ULDD Data Points:

Data Required for Subsidy Buydown Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing and LOAN – Modification</b>			
<b>→ Note Information</b>			
<b>→ Note Details</b>			
321	Note Rate Percent		Enter the interest rate shown on the Note (without reference to the temporary buydown subsidy).
268	Initial Principal and Interest Payment Amount		Enter the monthly payment shown on the Note (without reference to the temporary buydown subsidy).
<b>→ Temporary Buydown Details</b>			

Data Required for Subsidy Buydown Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing and LOAN – Modification</b>			
<b>→ Note Information</b>			
<b>→ Note Details</b>			
228	<i>Buydown Temporary Subsidy Indicator</i>	<i>true</i>	
145/146	Buydown Contributor Type/Buydown Contributor Type Other Description	<ul style="list-style-type: none"> <li>▪ Borrower</li> <li>▪ Lender</li> <li>▪ Other – Interested Third Party</li> </ul>	Enter “Other-Interested Third Party” if the contributor is an Interested Party as described in the Guide. Enter “Borrower” for all other temporary buydown contributors.
147	Buydown Change Frequency Months Count		Enter the number of months between each Note Rate increase during the buydown period.
148	Buydown Duration Months Count		Enter the total number of months during which any buydown is in effect.
149	Buydown Increase Rate Percent		Enter the percent by which the Note Rate can increase at each adjustment period.
150	Buydown Initial Discount Percent		<p>For non-modified Mortgages, enter the percent by which the Note Rate was bought down effective as of the Note Date.</p> <p>For Seller-Owned Modified Mortgages, enter the percent by which the Note Rate was bought down as of the modification date.</p>
<b>→ Underwriting / Credit Information</b>			
<b>→→ Additional Underwriting Details</b>			
292	<i>Total Monthly Proposed Housing Expense Amount</i>		<i>Enter the monthly housing expense calculated using the Mortgage payment the Borrower is making at the time the Seller delivers the Mortgage. Round to the nearest dollar.</i>
290	<i>Total Liabilities Monthly Payment Amount</i>		<i>Enter the monthly debt payment calculated using the monthly housing expense determined using the Mortgage payment the Borrower is making at the time the Seller</i>

Data Required for Subsidy Buydown Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing and LOAN – Modification</b>			
→ Note Information			
→ Note Details			
			<i>delivers the Mortgage. Round to the nearest dollar.</i>

(c) Pooling requirements for **UMBS™, MBS, Supers™** and WAC ARM PCs

Refer to Section 6202.3 for pooling requirements for fixed-rate Mortgages with Extended Buydowns under the fixed-rate Guarantor or MultiLender Swap programs.

Refer to Section 6202.4 for pooling requirements for ARMs with Extended Buydowns under the WAC ARM Guarantor program.

## 6302.19: Special delivery requirements for Seller-Owned Converted Mortgages (12/11/17)

(a) General requirements

See Chapter 4402 for special eligibility requirements for Seller-Owned Converted Mortgages.

(b) Data delivery instructions

For Seller-Owned Converted Mortgages, the Seller must deliver all required loan data for the original ARM, as well as ULDD Data Points for the converted Mortgage:

Data Required for Seller-Owned Converted Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b>			
→ Product Information → Conversion Option Details			
232	<i>Convertible Indicator</i>	<i>true</i>	
102	Conversion Type	To Fixed Rate	
→ Underwriting / Credit Information → Streamlined Loan Details			
222	Related Loan Investor Type	Seller	Enter “Seller” for Seller-Owned Converted Mortgages.
<b>LOAN – Current</b>			

Data Required for Seller-Owned Converted Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>→ Product Information → Conversion Details</b>			
354	Convertible Status Type	Exercised	Enter “Exercised” when the conversion option has been exercised prior to delivery.
<b>LOAN – Conversion</b>			
459	Loan Role Type <sup>2</sup>	Subject Loan	
465	Loan State Date <sup>1</sup>		Enter the Conversion Date.
466	Loan State Type <sup>1, 2</sup>	At Conversion	
<b>→ Conversion Information</b>			
474	Note Amount <sup>2</sup>		Enter the loan amount of the resulting Converted Mortgage.
476	Note Rate Percent		Enter the interest rate of the resulting converted Note in effect as of the Conversion Date.
468	Initial Principal And Interest Payment Amount		Enter the principal and interest (P&I) payment as stated on the Note after the conversion.
460	Latest Conversion Effective Date <sup>2</sup>		Enter the Conversion Date.
467	Loan Maturity Date		Enter the maturity date of the resulting Converted Mortgage.
471	Scheduled First Payment Date		Enter the date of the first scheduled Mortgage payment after conversion.
<b>→ Product Information → Product Details</b>			
463	Interest Calculation Type	Simple	Enter the interest calculation type of the Converted Mortgage.
472	Mortgage Type	Conventional	The related Glossary term for “Conventional” is Home Mortgage.
464.1	Balloon Indicator	false	
469	Payment Frequency Type	Monthly	Enter the payment frequency of the Converted Mortgage.
461	Loan Amortization Type <sup>2</sup>	Fixed	

<sup>1</sup> This data point name does not appear as a [Loan Selling Advisor](#)<sup>®</sup> input field, but instead is reflected in a screen heading or tab.

<sup>2</sup> This data point must be populated to save the file in [Loan Selling Advisor](#).

**(c) Delivery programs**

Seller-Owned Converted Mortgages may be sold only under the following:

- Fixed-rate Cash
- Fixed-rate Guarantor
- MultiLender Swap

## 6302.20: Special delivery requirements for Condominium Unit Mortgages (07/10/19)

**(a) General requirements**

See Chapter 5701 for special eligibility requirements for Condominium Unit Mortgages.

**(b) Data delivery instructions**

**(i) All Condominium Unit Mortgages**

For Condominium Unit Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for Condominium Unit Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>PROPERTY</b>			
<b>→ Property Information</b>			
<b>→→Property Details</b>			
57	Financed Unit Count <sup>1</sup>	<i>I</i>	
47	Project Legal Structure Type	Condominium	
641.5/ 641.6	Taxpayer Identifier Type/Taxpayer Identifier Value (In Loan Selling Advisor®, this appears as “HOA or Cooperative Housing Corporation Taxpayer Identifier”)		If available, enter the Employer Identification Number (EIN) for the Homeowners Association (HOA) or Cooperative Housing Corporation. The EIN is also referred to as the Taxpayer Identification Number (TIN).

Data Required for Condominium Unit Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
			If the unit is located in a project having its own HOA within a Master Association or Umbrella Planned Unit Development (PUD), enter the EIN of the HOA associated with the project. Do not enter the EIN of the Master Association or Umbrella PUD.
→→Condominium Details			
42	Project Classification Identifier	<ul style="list-style-type: none"> <li>▪ Condominium Project Manager Review</li> <li>▪ Exempt From Review</li> <li>▪ FHA_Approved</li> <li>▪ Full Review</li> <li>▪ Project Eligibility Review Service</li> <li>▪ Streamlined Review</li> </ul>	<p>Enter “Full Review” if the project review has been performed in compliance with Section 5701.5 or 5701.6 including Mortgages secured by Condominium Units in 2- to 4- Unit Condominium Projects, as applicable, or Section 5701.7, in the case of a <i>Detached Condominium Unit</i> as defined in the Glossary that is not delivered as “Exempt From Review.”</p> <p>For reciprocal reviews performed in compliance with Section 5701.9, enter the applicable value:</p> <ul style="list-style-type: none"> <li>▪ Condominium Project Manager Review</li> <li>▪ FHA_Approved</li> <li>▪ Project Eligibility Review Service</li> </ul> <p>Enter “Streamlined Review” if a review was performed in compliance with Section 5701.4, including for a <i>Condominium Project</i> containing a mix of attached, detached and semi detached units or for</p>

Data Required for Condominium Unit Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
			<p>Mortgages secured by Condominium Units in 2- to 4- Unit Condominium Projects, where applicable.</p> <p>Enter “Exempt From Review” for Freddie Mac-owned “no cash-out” refinance Condominium Unit Mortgages, Mortgages secured by Detached Condominium Units or by Condominium Units in 2- to 4- Unit Condominium Projects. See Section 5701.7.</p>

1 This data point must be populated to save the file in Loan Selling Advisor.

**(ii) Condominium Unit Mortgages that are not delivered as Exempt from Review**

**(A) All Condominium Unit Mortgages that are not delivered as Exempt From Review**

See Section 5701.7 for eligibility requirements for Exempt From Review.

For Condominium Unit Mortgages that are not delivered as Exempt From Review, the Seller must deliver the following ULDD Data Points:

Data Required for Condominium Unit Mortgages other than Exempt From Review			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>PROPERTY</b>			
→ <b>Property Information</b>			
→→ <b>Property Details</b>			
→→ <b>Condominium Details</b>			
48	Project Name		Enter the legal name of the project.
42	<i>Project Classification Identifier</i>	<ul style="list-style-type: none"> <li>▪ <i>Condominium Project Manager Review</i></li> <li>▪ <i>FHA_Approved</i></li> <li>▪ <i>Full Review</i></li> <li>▪ <i>Project Eligibility Review Service</i></li> <li>▪ <i>Streamlined Review</i></li> </ul>	



<b>Data Required for Condominium Unit Mortgages other than Exempt From Review</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
41	Project Attachment Type	<ul style="list-style-type: none"> <li>▪ Attached</li> <li>▪ Detached</li> </ul>	<p>Enter “Attached” if any of the units in the project have a common wall or other direct physical connection with another unit.</p> <p>Enter “Detached” only if all of the units in the project have no common wall or other direct physical connection with another unit.</p>
38	Condominium Project Status Type	<ul style="list-style-type: none"> <li>▪ Established</li> <li>▪ New</li> </ul>	<p>Enter “Established” if condominium meets Section 5701.5 and Glossary definition of “Established Condominium Project.”</p> <p>Enter “New” if condominium meets Section 5701.6 and Glossary definition of “New Condominium Project.”</p>

**(B) Mortgages secured by attached or semi detached Condominium Units that are not delivered as Exempt From Review**

See Section 5701.7 for eligibility requirements for Exempt From Review.

For Mortgages secured by attached or semi detached Condominium Units that are not delivered as Exempt from Review, the Seller must deliver the following ULDD Data Points:

<b>Data Required for Mortgages Secured by Attached or Semi Detached Condominium Units that are not delivered as Exempt From Review</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
<b>PROPERTY</b>			
<b>→ Property Information</b>			
<b>→→Property Details</b>			
50	<i>Attachment Type</i>	<ul style="list-style-type: none"> <li>▪ <i>Attached</i></li> <li>▪ <i>Semi Detached</i></li> </ul>	
<b>→→Condominium Details</b>			

Data Required for Mortgages Secured by Attached or Semi Detached Condominium Units that are not delivered as Exempt From Review			
Sort ID	ULDD Data Point	Valid Value	Notes
42	Project Classification Identifier	<ul style="list-style-type: none"> <li>▪ <i>Condominium Project Manager Review</i></li> <li>▪ <i>FHA_Approved</i></li> <li>▪ <i>Full Review</i></li> <li>▪ <i>Project Eligibility Review Service</i></li> <li>▪ <i>Streamlined Review</i></li> </ul>	
43/44	Project Design Type/Project Design Type Other Description  (In Loan Selling Advisor®, this appears as “Project Design Type.”)	<ul style="list-style-type: none"> <li>▪ Garden Project</li> <li>▪ Highrise Project</li> <li>▪ Midrise Project</li> <li>▪ Other – Other Selected On Valuation Documentation</li> <li>▪ Townhouse Rowhouse</li> </ul>	<p>All floors above ground are included in the number of stories. Any half basements used for residential purposes are counted as a floor.</p> <p>Enter “Garden Project” if the project has 1-3 stories.</p> <p>Enter “Midrise Project” if the project has 4-7 stories.</p> <p>Enter “Highrise Project” if the project has 8 or more stories.</p> <p>Enter “Townhouse Rowhouse” if one in a row of identical houses or having a common wall; attached to another unit via common wall (e.g., a brownstone).</p> <p>Enter “Other – Other Selected On Valuation Documentation” if the appraisal indicates “Other” or the data is not available and a limited review is allowed.</p>
45	Project Dwelling Unit Count		Enter the number of units in the project (including phases that are not yet complete).
46	Project Dwelling Units Sold Count		Enter the number of units sold (including phases that are not yet complete).

**(iii) Mortgages secured by Detached Condominium Units**

Mortgages secured by Detached Condominium Units will no longer be assessed the Condominium Unit Mortgage Credit Fee in Price, as specified in [Exhibit 19](#), provided that the following applicable ULDD Data Points are delivered.

**(A) Mortgages secured by Detached Condominium Units sold under the Cash program**

For Mortgages secured by Detached Condominium Units sold under the Cash program, the Seller must deliver the following ULDD Data Points:

<b>Data Required for Mortgages Secured by Detached Condominium Units Sold Under the Cash Program</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
<b>PROPERTY</b>			
<b>→ Property Information</b>			
<b>→→Property Details</b>			
50	<i>Attachment Type</i>	<i>Detached</i>	
<b>LOAN – Current</b>			
<b>→ Product Information → Product Details</b>			
368	Investor Feature Identifier	H04	Enter this value for Detached Condominium Units indicating the Credit Fee in Price has been waived.

**(B) Mortgages secured by Detached Condominium Units sold under the Guarantor program**

For Mortgages secured by Detached Condominium Units sold under the Guarantor program, the Seller must deliver the following ULDD Data Point:

<b>Data Required for Mortgages Secured by Detached Condominium Units Sold under the Guarantor Program</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
<b>PROPERTY</b>			
<b>→ Property Information</b>			
<b>→→Property Details</b>			
50	<i>Attachment Type</i>	<i>Detached</i>	

## 6302.21: Special delivery requirements for Mortgages with mortgage insurance (02/06/19)

### (a) General requirements

See Section 4701.1 for general mortgage insurance requirements.

### (b) Data delivery instructions

#### (i) Mortgages with mortgage insurance

For conventional Mortgages with mortgage insurance, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Mortgage Insurance			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>→ Origination Information → Mortgage Insurance Information → Mortgage Insurance Details</b>			
413/414	MI Company Name Type/ MI Company Name Type Other Description  (In Loan Selling Advisor®, this appears as “MI Company Name Type.”)	<ul style="list-style-type: none"> <li>▪ Essent</li> <li>▪ Genworth</li> <li>▪ MGIC</li> <li>▪ PMI</li> <li>▪ Radian</li> <li>▪ RMIC</li> <li>▪ Triad</li> <li>▪ UGI</li> <li>▪ Other – ArchMI</li> <li>▪ Other – CAHLIF</li> <li>▪ Other – MIF</li> <li>▪ Other – NMI</li> <li>▪ Other – RMIC-NC</li> </ul>	Enter a valid insurer from Exhibit 10.
412	MI Certificate Identifier		Enter a value between five and 10 characters, as defined in Exhibit 10.
416	MI Coverage Percent		See Section 4701.1 for required coverage levels.
423	MI Premium Financed Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	Enter “false” unless the mortgage insurance premium is included as part of the principal amount of the Mortgage.

Data Required for Mortgages with Mortgage Insurance			
Sort ID	ULDD Data Point	Valid Value	Notes
426	MI Premium Source Type	<ul style="list-style-type: none"> <li>▪ Borrower</li> <li>▪ Lender</li> </ul>	<p>Enter the source (“Borrower” or “Lender”) of the payment of the premium(s).</p> <p>If the premiums are paid both monthly and upfront, enter the source of the monthly premium payment only.</p>

**(ii) Mortgages with financed mortgage insurance premiums**

See Section 4701.2(a) for special eligibility requirements for Mortgages with financed mortgage insurance premiums.

For conventional Mortgages with financed mortgage insurance, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Financed Mortgage Insurance Premiums			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>→ Origination Information → Mortgage Insurance Information → Mortgage Insurance Details</b>			
423	MI Premium Financed Indicator	true	
422	MI Premium Financed Amount		Enter the dollar amount of the single payment premium.

**(iii) Mortgages with lender-paid mortgage insurance**

See Section 4701.2(b) for special eligibility requirements for Mortgages with lender-paid mortgage insurance.

For conventional Mortgages with lender-paid mortgage insurance, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Lender-Paid Mortgage Insurance			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>→ Origination Information → Mortgage Insurance Information → Mortgage Insurance Details</b>			
426	MI Premium Source Type	Lender	

Data Required for Mortgages with Lender-Paid Mortgage Insurance			
Sort ID	ULDD Data Point	Valid Value	Notes
411	Lender Paid MI Interest Rate Adjustment Percent		
368	Investor Feature Identifier	019	Enter this value for Mortgages with lender-paid mortgage insurance.

**(iv) Mortgages without mortgage insurance**

For conventional Mortgages without mortgage insurance, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages without Mortgage Insurance			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>→ Origination Information → Mortgage Insurance Information → Mortgage Insurance Details</b>			
429/430	Primary MI Absence Reason Type/ Primary MI Absence Reason Type Other Description  (In Loan Selling Advisor, this appears as “Primary MI Absence Reason Type.”)	<ul style="list-style-type: none"> <li>▪ MI Canceled Based On Current LTV</li> <li>▪ No MI Based On Original LTV</li> <li>▪ Other - Indemnification In Lieu Of MI</li> <li>▪ Other - Recourse In Lieu Of MI</li> </ul>	Enter “No MI Based On Original LTV” if the loan-to-value (LTV) ratio is less than or equal to 80%.

## 6302.22: Special delivery requirements for Mortgages with capitalized balances (03/02/16)

**(a) General requirements**

Refer to Chapter 4403 for special eligibility requirements for Mortgages having principal balances that include capitalization of interest, taxes, hazard insurance premiums and/or late charges.

**(b) Data delivery instructions**

For Mortgages with capitalized balances, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Capitalized Balances			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b>			
<b>→ Note Information → Note Details</b>			
272	<i>Scheduled First Payment Date</i>		<i>Enter the current DDLPI.</i>
256	<i>Loan Maturity Date</i>		<i>Enter the actual recomputed maturity date based on the actual principal and interest payment currently applicable.</i>
<b>→ Origination Information → Origination Details</b>			
229	<i>Capitalized Loan Indicator</i>	<i>true</i>	<i>Enter true if the capitalized balances were added to the UPB of the Mortgage prior to delivery to Freddie Mac.</i>
<b>LOAN - Current</b>			
<b>→ Payment Information → Payment Details</b>			
385	<i>Loan Acquisition Scheduled UPB Amount</i>		<i>Enter the UPB of the Mortgage rounded up to the next dollar, including all capitalized amounts, as of the date of the most recent monthly payment on the Mortgage.</i>

**(c) Delivery programs**

Mortgages with capitalized balances must be sold under the Guarantor program only.

## 6302.23: Special delivery requirements for GreenCHOICE Mortgages<sup>SM</sup> (05/01/19)

**(a) General requirements**

See Chapter 4606 for special eligibility requirements for GreenCHOICE Mortgages<sup>SM</sup>.

**(b) Data delivery instructions**

For GreenCHOICE Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for GreenCHOICE Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>PROPERTY</b>			
<b>→ Property Information → Appraisal / Valuation Property Details</b>			
83	Property Valuation Amount		Enter the estimated market value after completion of the <i>energy and/or water efficiency</i> improvements.
<b>LOAN – Closing</b>			
<b>→ Note Information → Note Details</b>			
320	Note Date		Enter the date of <i>GreenCHOICE</i> Mortgage funding and not the anticipated date of final disbursement of the Escrow Funds.
<b>→ Origination Information → Origination Details</b>			
234	Escrow Indicator	true	
<b>→ Underwriting / Credit Information</b>			
<b>→ Loan Details</b>			
195	Purchase Price Amount		If considered when setting the terms of the <i>GreenCHOICE</i> Mortgage, enter the price paid for the Mortgaged Premises plus the actual cost of the <i>energy and/or water efficiency</i> improvements.
<b>→ Delivered LTV Values</b>			
255	LTV Ratio Percent		The value used to determine the loan-to-value (LTV) ratio is the lesser of the purchase price including the actual cost of the <i>energy and/or water efficiency</i> improvements, or the “as completed” appraised value.
<b>LOAN – Current</b>			
<b>→ Product Information → Product Details</b>			
368	Investor Feature Identifier	J08	Enter this value for <i>GreenCHOICE</i> Mortgages, as described in Chapter 4606.



→ Origination Information → Escrow Details			
363	Escrow Balance Amount		Enter the Escrow balance amount sufficient to cover the cost of the energy and/or water efficiency improvements.
<b>TOTAL LOANS</b>			
→ Additional LTV Details → Delivered LTV Values			
91	Combined LTV Ratio Percent		<i>The value used to determine the total LTV (TLTV) ratio is the lesser of the purchase price including the actual cost of the energy and/or water efficiency improvements, or the “as completed” appraised value.</i>

## 6302.24: Special delivery requirements for Financed Permanent Buydown Mortgages (06/29/16)

### (a) General requirements

See Chapter 4601 for special eligibility requirements for Financed Permanent Buydown Mortgages.

### (b) Data delivery instructions

#### (i) Mortgages with financed permanent buydowns

For all Mortgages with financed permanent buydowns, the Seller must deliver the following ULDD Data Points:

Data Required for All Mortgages with Financed Permanent Buydowns			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b>			
→ Note Information → Note Details			
321	Note Rate Percent		<i>Enter the permanently bought down initial Note Rate.</i>
268	Initial Principal And Interest Payment Amount		<i>Enter the initial principal and interest (P&amp;I) payment amount at the</i>

<b>Data Required for All Mortgages with Financed Permanent Buydowns</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
			<i>permanently bought down Note Rate.</i>
<b>→ Underwriting / Credit Information</b>			
<b>→→ Additional Underwriting Details</b>			
292	<i>Total Monthly Proposed Housing Expense Amount</i>		<i>Calculate using the initial P&amp;I payment amount at the permanently bought down Note Rate. Round to the nearest dollar.</i>
<b>→ Delivered LTV Values</b>			
255	<i>LTV Ratio Percent</i>		<i>Calculate this value using the Mortgage amount that includes the financed discount points.</i>
<b>TOTAL LOANS</b>			
<b>→ Additional LTV Details → Delivered LTV Values</b>			
91	<i>Combined LTV Ratio Percent</i>		<i>Calculate this value using the Mortgage amount that includes the financed discount points.</i>

**(ii) ARMs with financed permanent buydowns**

For ARMs with financed permanent buydowns, the Seller must deliver the following ULDD Data Point:

<b>Data Required for ARMs with Financed Permanent Buydowns</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
<b>LOAN – Closing</b>			
<b>→ Note Information</b>			
<b>→→ ARM Details</b>			
114	<i>Ceiling Rate Percent</i>		<i>Calculate this value using the permanently bought down initial Note Rate.</i>

## 6302.25: Special delivery requirements for Mortgages secured by Manufactured Homes (05/01/19)

### (a) General requirements

See Chapter 5703 for eligibility requirements for Mortgages secured by Manufactured Homes.

### (b) Data delivery instructions

#### (i) Mortgages secured by Manufactured Homes

For Mortgages secured by Manufactured Homes, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages Secured by Manufactured Homes			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>PROPERTY</b>			
→ Property Information → Construction Details			
51	Construction Method Type	Manufactured	
33	Manufactured Home Width Type	<ul style="list-style-type: none"> <li>▪ Multi Wide</li> <li>▪ Single Wide</li> </ul>	
<b>LOAN – Closing</b>			
→ Underwriting/Credit Information → Underwriting Details			
326/327	Automated Underwriting System Type /Automated Underwriting System Type Other Description (In Loan Selling Advisor®, this appears as “Automated Underwriting System Type”)	Loan Prospector®  Other – Loan Product Advisor®	Enter "Other" if Loan Product Advisor® was used to assess the loan.
322	Automated Underwriting Case Identifier		Enter the Loan Prospector (LP) AUS Key Number for all Mortgages secured by Manufactured Homes, if available. The related Glossary term is Key Number.

#### (ii) Mortgages secured by a Freddie Mac CHOICEHome<sup>SM</sup>

For Mortgages secured by a CHOICEHome, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages Secured by a CHOICEHome			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>PROPERTY</b>			
→ Property Information → Construction Details			
51	Construction Method Type	Manufactured	
33	Manufactured Home Width Type	Multi Wide	
<b>LOAN – Current</b>			
→ Product Information → Product Details			
368	Investor Feature Identifier	J15	Enter this value for Duty to Serve (DTS) CHOICEHome, as described in Section 5703.9.

## 6302.26: Special delivery requirements for fixed-rate Mortgages sold through Cash-Released XChange<sup>SM</sup> (05/20/19)

### (a) General requirements

For information on selling fixed-rate Mortgages through Cash-Released XChange<sup>SM</sup> under the Cash program, see Section 6101.7.

For a list of fixed-rate Mortgages eligible for sale under Mandatory Cash Contracts and Best Efforts Contracts through Cash-Released XChange, see the Loan Selling Advisor<sup>®</sup> Availability Matrix at [http://www.freddiemac.com/singlefamily/sell/pdf/available\\_products.pdf](http://www.freddiemac.com/singlefamily/sell/pdf/available_products.pdf).

### (b) Data delivery instructions

#### (i) Mortgages with Funding Dates no more than 10 days past the DDLPI, when the DDLPI and the Funding Date are in the same month

For Mortgages sold through Cash-Released XChange when the Funding Date is no more than 10 days past the DDLPI and when the DDLPI and the Funding Date are in the same month, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Funding Dates No More than 10 Days Past the DDLPI, When the DDLPI and the Funding Date are in the Same Month			
Sort ID	ULDD Data Point	Valid Value	Notes
LOAN – Current			
→ Payment Information → Payment Details			
385	Loan Acquisition Scheduled UPB Amount		<p>Enter the scheduled UPB of the Mortgage as of the Funding Date. The scheduled UPB must include reductions for:</p> <ul style="list-style-type: none"> <li>■ The principal due <b>in the Funding Date month</b> (even if not collected) and all prior months</li> <li>■ The principal portion of any advanced (prepaid) installments received prior to the Funding Date</li> <li>■ Any partial prepayments (curtailments) received on or before the Delivery Date</li> </ul>
440	Last Paid Installment Due Date		<p>For newly originated Mortgages with respect to which the first payment due date has not yet occurred, enter the date through which interest has been paid in the month of funding.</p> <p>For Mortgages for which there has been an advanced (prepaid) installment of interest, enter the date through which advanced (prepaid) installments of interest have been made.</p> <p>For all other Mortgages, enter the date of the Borrower's last paid installment.</p> <p>The related Glossary term is DDLPI.</p>

**(ii) Mortgages with Funding Dates more than 10 days after the DDLPI, when the DDLPI and the Funding Date are in the same month**

For Mortgages sold through Cash-Released XChange when the Funding Date is more than 10 days after the DDLPI, and when the DDLPI and the Funding Date are in the same month, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Funding Dates More than 10 Days after the DDLPI, When the DDLPI and the Funding Date are in the Same Month			
Sort ID	ULDD Data Point	Valid Value	Notes
LOAN – Current			
→ Payment Information → Payment Details			
385	Loan Acquisition Scheduled UPB Amount		<p>The scheduled UPB must include reductions for:</p> <ul style="list-style-type: none"> <li>■ The principal due in the <b>month after the Funding Date</b>, the principal due in the month of settlement (even if not collected) and all prior months</li> <li>■ The principal portion of any advanced (prepaid) installments received prior to the Funding Date</li> <li>■ Any partial prepayments (curtailments) received on or before the Delivery Date</li> </ul>
440	Last Paid Installment Due Date		<p>For newly originated Mortgages with respect to which the first payment due date has not yet occurred, enter the date through which interest has been paid in the month of funding.</p> <p>For Mortgages for which there has been an advanced (prepaid) installment of interest, enter the date through which advanced (prepaid) installments of interest have been made.</p> <p>For all other Mortgages, enter the date of the Borrower's last paid installment.</p> <p>The related Glossary term is DDLPI.</p>

See Exhibit 8, Delivery Balance Examples.

**(iii) Mortgages with Escrow accounts**

For Mortgages with Escrow accounts sold through Cash-Released XChange, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Escrow Accounts, Sold through Cash-Released XChange			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b>			
<b>→ Origination Information</b>			
<b>→ → Origination Details</b>			
234	Escrow Indicator	True	
<b>→ → Other Funds Collected at Closing Details</b>			
158	Other Funds Collected At Closing Type	Escrow Funds	
157	Other Funds Collected At Closing Amount		Enter the total amount of all Escrow funds.
<b>LOAN – Current</b>			
<b>→ Origination Information → Escrow Details</b>			
363	Escrow Balance Amount		Enter the Escrow balance amount.
364/365	Escrow Item Type/ Escrow Item Type Other Description  (In Loan Selling Advisor, this appears as “Escrow Item Type.”)	<ul style="list-style-type: none"> <li>▪ Borough Property Tax</li> <li>▪ City Property Tax</li> <li>▪ County Property Tax</li> <li>▪ District Property Tax</li> <li>▪ Earthquake Insurance</li> <li>▪ Flood Insurance</li> <li>▪ Hazard Insurance</li> <li>▪ Mortgage Insurance</li> <li>▪ Other - Assessment Tax</li> <li>▪ Other - City Bond Tax</li> <li>▪ Other - Condominium Association Dues</li> <li>▪ Other - Condominium Association Special Assessment</li> <li>▪ Other - Construction Completion Funds</li> <li>▪ Other - Cooperative Association Dues</li> </ul>	Enter the applicable valid value for each insurance or tax to be paid from Escrow.

**Data Required for Mortgages with Escrow Accounts, Sold through Cash-Released XChange**

Sort ID	ULDD Data Point	Valid Value	Notes
		<ul style="list-style-type: none"> <li>▪ Other - Cooperative Association Special Assessment</li> <li>▪ Other - County Bond Tax</li> <li>▪ Other - Credit Disability Insurance</li> <li>▪ Other - Credit Life Insurance</li> <li>▪ Other - Credit Property Insurance</li> <li>▪ Other - Credit Unemployment Insurance</li> <li>▪ Other - Debt Cancellation Insurance</li> <li>▪ Other - Debt Suspension Insurance</li> <li>▪ Other - Energy Efficient Improvement Funds</li> <li>▪ Other - Ground Rent</li> <li>▪ Other - Hail Insurance Premium</li> <li>▪ Other - Homeowners Association Dues</li> <li>▪ Other - Homeowners Association Special Assessment</li> <li>▪ Other - Homeowners Insurance</li> <li>▪ Other - Leasehold</li> <li>▪ Other - Parish Tax</li> <li>▪ Other - Property Tax</li> <li>▪ Other - Rehabilitation Funds</li> </ul>	



Data Required for Mortgages with Escrow Accounts, Sold through Cash-Released XChange			
Sort ID	ULDD Data Point	Valid Value	Notes
		<ul style="list-style-type: none"> <li>▪ Other - Volcano Insurance</li> <li>▪ Other Tax</li> <li>▪ Pest Insurance</li> <li>▪ School Property Tax</li> <li>▪ State Property Tax</li> <li>▪ Storm Insurance</li> <li>▪ Town Property Tax</li> <li>▪ Township Property Tax</li> <li>▪ Village Property Tax</li> <li>▪ Windstorm Insurance</li> </ul>	
366	Escrow Monthly Payment Amount		Enter the amount for the associated Escrow item type.

**(iv) Mortgages with advanced principal, interest, taxes and insurance (PITI) payments**

For Mortgages with advanced PITI payments sold through Cash-Released XChange, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Advanced PITI Payments, Sold through Cash-Released XChange			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b>			
<b>→ Origination Information → Other Funds Collected at Closing Details</b>			
158	Other Funds Collected At Closing Type	Advanced PITI Payment	
157	Other Funds Collected At Closing Amount		Enter the total principal portion of any advanced (prepaid) installment received at closing.

**(v) Mortgages with principal curtailments**

For Mortgages with principal curtailments sold through Cash-Released XChange, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Principal Curtailments, Sold through Cash-Released XChange			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b>			
<b>→ Origination Information → Other Funds Collected at Closing Details</b>			
158	Other Funds Collected At Closing Type	Principal Curtailment	
157	Other Funds Collected At Closing Amount		Enter the total amount of any prepayment (curtailment) received at closing.
<b>LOAN – Current</b>			
<b>→ Payment Information → Payment Details</b>			
438	Aggregate Loan Curtailment Amount		Enter the total of all curtailments received to date.

**(vi) Mortgages with temporary subsidy buydowns**

For Mortgages with temporary subsidy buydowns sold through Cash-Released XChange, the Seller must deliver the following ULDD Data Points:

Data Required for Temporary Subsidy Buydown Mortgages Sold through Cash-Released XChange			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b>			
<b>→ Origination Information → Other Funds Collected at Closing Details</b>			
158/159	Other Funds Collected At Closing Type/ Other Funds Collected At Closing Type Other Description  (In Loan Selling Advisor, this appears as “Other Funds Collected At Closing Type.”)	Other – Buydown	
157	Other Funds Collected At Closing Amount		Enter the amount provided to subsidize the Borrower’s interest rate on the Mortgage for the remaining time during which the lower interest rate applies.

**(vii) Underwriting information**

With respect to the credit underwriting of Mortgages that are sold through Cash-Released XChange, the Seller must deliver the following ULDD Data Points regardless of whether the Mortgage is a Loan Product Advisor<sup>®</sup> Mortgage or a Manually Underwritten Mortgage:

Cash-Released XChange Underwriting Data Requirements			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b>			
<b>→ Underwriting / Credit Information → Loan Level Credit Details</b>			
251	Loan Level Credit Score Value		The related Glossary term is Indicator Score. Enter if the Indicator Score exists.
249	Loan Level Credit Score Selection Method Type	<ul style="list-style-type: none"> <li>▪ Average Then Average</li> <li>▪ Middle Or Lower Then Average</li> <li>▪ Middle Or Lower Then Lowest</li> </ul>	Enter if the Indicator Score exists.
247	<i>Credit Score Impairment Type</i>	<ul style="list-style-type: none"> <li>▪ <i>Insufficient Credit History</i></li> <li>▪ <i>Significant Errors Score</i></li> </ul>	<i>Enter if the Indicator Score does not exist or is not usable.</i>

## 6302.27: Special delivery requirements for Seller-Owned Modified Mortgages (12/11/17)

**(a) General requirements**

See Chapter 4402 for special eligibility requirements for Seller-Owned Modified Mortgages.

**(b) Data delivery instructions**

For Seller-Owned Modified Mortgages, the Seller must deliver all required loan data for the original loan that was modified, as well as the ULDD Data Points for the modified Mortgage.

**(i) Seller-Owned Modified Mortgages**

For Seller-Owned Modified Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for Seller-Owned Modified Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Modification</b>			

Data Required for Seller-Owned Modified Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
252	<i>Loan State Date</i> <sup>1</sup>		<i>Enter the effective date of the modification agreement.</i>
253	<i>Loan State Type</i> <sup>1, 2</sup>	<i>At Modification</i>	
<b>→ Modification Information → Modification Details</b>			
259	Loan Modification Effective Date <sup>2</sup>		Enter the effective date of the modification agreement.
<b>→ Product Information → Product Details</b>			
313	<i>Lien Priority Type</i>		<i>Not required for Seller-Owned Modified Mortgages.</i>
<b>→ Note Information → Note Details</b>			
320	<i>Note Date</i>		<i>Not required for Seller-Owned Modified Mortgages.</i>
<b>→ Underwriting / Credit Information → Streamlined Loan Details</b>			
222	Related Loan Investor Type	Seller	Enter “Seller” for Seller-Owned Modified Mortgages.
<b>LOAN – Current</b>			
<b>→ Product Information → Product Details</b>			
<b>→→Modification Details</b>			
397	<i>Mortgage Modification Indicator</i>	<i>true</i>	

1 This data point name does not appear as a [Loan Selling Advisor](#)<sup>®</sup> input field, but instead is reflected in a screen heading or tab.

2 This data point must be populated to save the file in [Loan Selling Advisor](#).

## (ii) Original loan that was modified

For Seller-Owned Modified Mortgages, with respect to the original loan that was modified, the Seller must deliver the following ULDD Data Points:

Original Loan Data Required for Seller-Owned Modified Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b> ( <i>Origination information for the loan prior to modification</i> )			
332	Loan Role Type <sup>1</sup>	Subject Loan	Enter “Subject Loan” to indicate that the loan data applies to the Mortgage being delivered to Freddie Mac.
338	Loan State Date <sup>1</sup>		Enter the original Note Date of the modified Mortgage.

Original Loan Data Required for Seller-Owned Modified Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
339	Loan State Type <sup>1</sup>	At Closing	Enter “At Closing” to indicate that the associated loan data is accurate as of the Note Date.
<b>→Product Information</b>			
<b>→→ Product Details</b>			
345	Lien Priority Type	First Lien	Enter the original lien priority of the Mortgage prior to modification.
347	Mortgage Type	Conventional	Enter the original mortgage type of the Mortgage prior to modification.
335	Interest Calculation Type	Simple	Enter the interest calculation type specified on the original Note prior to modification.
342	Payment Frequency Type	Monthly	Enter the payment frequency on the original Note prior to the modification.
337	Balloon Indicator	false	Enter “false” unless the original Mortgage had a balloon feature prior to modification.
333	Loan Amortization Type	<ul style="list-style-type: none"> <li>▪ Adjustable Rate</li> <li>▪ Fixed</li> </ul>	Enter the amortization type of the original Mortgage prior to modification.
<b>→ →Interest Only Details</b>			
337.2	Interest Only Indicator	false	
<b>→Note Information → Note Details</b>			
350	Note Date		Enter the original Note Date.
349	Note Amount		Enter the original Note amount of the loan prior to modification.
351	Note Rate Percent		Enter the interest rate as indicated on the original Note.
344	Scheduled First Payment Date		Enter the first payment date as stated on the Note prior to the modification.
340	Loan Maturity Date		Enter the maturity date on the original Note prior to modification.

<sup>1</sup> This data point name does not appear as a **Loan Selling Advisor** input field, but instead is reflected in a screen heading or tab.

**(iii) Original ARM that was modified**

For Seller-Owned Modified Mortgages, with respect to the original ARM that was modified, the Seller must deliver the following ULDD Data Points:

<b>Original ARM Data Required for Seller-Owned Modified Mortgages</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
<b>LOAN – Closing</b> ( <i>Origination information for the loan prior to modification</i> )			
<b>→Note Information → ARM Details</b>			
337.1	Initial Fixed Period Effective Months Count		Enter the number of months for which the interest rate is fixed before the initial interest rate adjustment for the original Mortgage prior to modification.
<b>→→→First Adjustment</b>			
332.1	Adjustment Rule Type <sup>1</sup>	First	Enter “First” to indicate that the associated data relates to the initial adjustment structure and caps of the original Mortgage prior to modification.
332.2	Per Change Rate Adjustment Frequency Months Count		Enter the number of months between the initial rate adjustment and the second rate adjustment for the original Mortgage prior to modification.
<b>→→→Subsequent Adjustment</b>			
332.1	Adjustment Rule Type <sup>1</sup>	Subsequent	Enter “Subsequent” to indicate that the associated data relates to the periodic adjustment structure and caps of the original Mortgage prior to modification.
332.2	Per Change Rate Adjustment Frequency Months Count		Enter the number of months between the second rate adjustment and the third rate adjustment for the original Mortgage prior to modification.

<sup>1</sup> This data point name does not appear as a **Loan Selling Advisor** input field, but instead is reflected in a screen heading or tab.

## 6302.28: Special delivery requirements for Construction Conversion and Renovation Mortgages (05/01/19)

### (a) General requirements

See Chapter 4602 for Construction Conversion and Renovation Mortgages.

There are three types of documentation structures for Construction Conversion and Renovation Mortgages: (1) Integrated Construction Conversion Documentation (Integrated Documentation); (2) Separate Construction Conversion Documentation (Separate Documentation); and (3) Modification Construction Conversion Documentation (Modification Documentation).

### (b) Data delivery instructions

The ULDD Data Points and valid values that must be delivered are determined by both (1) the type of Mortgage (i.e., Construction Conversion Mortgage or Renovation Mortgage), and (2) the type of loan documentation used for the Mortgage.

#### (i) Construction Conversion and Renovation Mortgages

For all Construction Conversion and Renovation Mortgages, regardless of the type of loan documentation used, the Seller must deliver the following ULDD Data Point:

Data Required for Construction Conversion and Renovation Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>→ Product Information → Product Details</b>			
404	Loan Program Identifier	<ul style="list-style-type: none"> <li>▪ Construction Conversion</li> <li>▪ Renovation</li> </ul>	<p>Enter “Construction Conversion” for Construction Conversion Mortgages.</p> <p>Enter “Renovation” for Renovation Mortgages.</p>

#### (ii) Mortgages with Integrated Documentation for site-built or Manufactured Homes

For Construction Conversion or Renovation Mortgages with Integrated Documentation for site-built homes and Construction Conversion Mortgages with Integrated

Documentation for Manufactured Homes, the Seller must deliver the following ULDD Data Points:

<b>Data Required for Construction Conversion or Renovation Mortgages with Integrated Documentation for Site-Built Homes and Construction Conversion Mortgages with Integrated Documentation for Manufactured Homes</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
<b>PROPERTY</b>			
<b>→ Property Information → Construction Details</b>			
51	<i>Construction Method Type</i>	<ul style="list-style-type: none"> <li>▪ <i>Site Built</i></li> <li>▪ <i>Manufactured</i></li> </ul>	<i>If the valid value for Loan Program Identifier (Sort ID 404) is “Renovation,” enter “Site Built.”</i>
<b>LOAN – Closing</b>			
<b>→ Underwriting / Credit Information → Construction Details</b>			
167	Construction To Permanent First Payment Due Date		Enter the Due Date of the first principal and interest (P&I) payment of the Permanent Financing as described in Section 4602.3(b). This is the Effective Date of Permanent Financing as described in the Glossary.  This is the same as the Scheduled First Payment Date (Sort ID 272).
165	Construction To Permanent Closing Type	One Closing	Enter “One Closing” as described in Section 4602.3(b).
163	Construction To Permanent Closing Feature Type	Automatic Conversion	Enter “Automatic Conversion” as described in Section 4602.3(b).
231	<i>Construction Loan Indicator</i>	<i>true</i>	<i>Enter “true” for Construction Conversion Mortgages and Renovation Mortgages.</i>
162	Construction Loan Type	Construction to Permanent	
<b>→ Note Information → Note Details</b>			
320	<i>Note Date</i>		<i>Enter the original Note Date of the integrated Interim Construction Financing and Permanent Financing documentation.</i>
321	<i>Note Rate Percent</i>		<i>Enter the rate in effect for the Permanent Financing.</i>



**(iii) Mortgages with Separate Documentation for site-built homes or Manufactured Homes**

For Construction Conversion or Renovation Mortgages with Separate Documentation for site-built homes and Construction Conversion Mortgages with Separate Documentation for Manufactured Homes, the Seller must deliver the following ULDD Data Points:

<b>Data Required for Construction Conversion or Renovation Mortgages with Separate Documentation for Site-Built Homes and Construction Conversion Mortgages with Separate Documentation for Manufactured Homes</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
<b>PROPERTY</b>			
<b>→ Property Information → Construction Details</b>			
51	<i>Construction Method Type</i>	<ul style="list-style-type: none"> <li>▪ Site Built</li> <li>▪ Manufactured</li> </ul>	<i>If the valid value for Loan Program Identifier (Sort ID 404) is "Renovation," enter "Site Built."</i>
<b>LOAN – Closing</b>			
<b>→ Underwriting / Credit Information → Construction Details</b>			
167	Construction To Permanent First Payment Due Date		Enter the Due Date of the first P&I payment of the new Note for the Permanent Financing as described in Section 4602.3(b).  This is the same as the Scheduled First Payment Date (Sort ID 272).
165	Construction To Permanent Closing Type	Two Closing	Enter "Two Closing" as described in Section 4602.3(b).
163	Construction To Permanent Closing Feature Type	New Note	Enter "New Note" as described in Section 4602.3(b).
231	<i>Construction Loan Indicator</i>	<i>true</i>	<i>Enter "true" for Construction Conversion Mortgages and Renovation Mortgages.</i>
162	Construction Loan Type	Construction to Permanent	
<b>→ Note Information → Note Details</b>			
320	<i>Note Date</i>		<i>Enter the Note Date of the Permanent Financing documentation. This is the Effective Date of Permanent Financing as described in the Glossary.</i>

Data Required for Construction Conversion or Renovation Mortgages with Separate Documentation for Site-Built Homes and Construction Conversion Mortgages with Separate Documentation for Manufactured Homes			
Sort ID	ULDD Data Point	Valid Value	Notes
321	Note Rate Percent		Enter the rate in effect for the Permanent Financing.

(iv) **Mortgages with Modification Documentation for site-built homes or Manufactured Homes**

(a) **Mortgages for permanent financing**

For Construction Conversion or Renovation Mortgages with Modification Documentation and Construction Conversion Mortgages with Modification Documentation for Manufactured Homes, the Seller must use the “Modification” tab to enter the delivered Mortgage data, including the following ULDD Data Points:

Data Required for Construction Conversion or Renovation Mortgages with Modification Documentation for Site-Built Homes and Construction Conversion Mortgages with Modification Documentation for Manufactured Homes			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>PROPERTY</b>			
<b>→ Property Information → Construction Details</b>			
51	Construction Method Type	<ul style="list-style-type: none"> <li>■ Site Built</li> <li>■ Manufactured</li> </ul>	If the valid value for Loan Program Identifier (Sort ID 404) is “Renovation,” enter “Site Built.”
<b>LOAN – Modification</b>			
252	Loan State Date <sup>1</sup>		Enter the effective date of the modification agreement.  Enter the Note Date of the new Note if a new Note is used instead of a modification agreement.  See “Modification Agreement” as defined in Section 4602.3(b).
253	Loan State Type <sup>1, 2</sup>	At Modification	
<b>→ Modification Information → Modification Details</b>			
259	Loan Modification Effective Date <sup>2</sup>		Enter the effective date of the modification agreement. This is the Effective Date of Permanent Financing as described in the Glossary.

Data Required for Construction Conversion or Renovation Mortgages with Modification Documentation for Site-Built Homes and Construction Conversion Mortgages with Modification Documentation for Manufactured Homes			
Sort ID	ULDD Data Point	Valid Value	Notes
			Enter the Note Date of the new Note if a new Note is used instead of a modification agreement.
<b>→ Note Information → Note Details</b>			
321	Note Rate Percent		Enter the rate in effect for the Permanent Financing.
<b>→ Underwriting / Credit Information → Construction Details</b>			
167	Construction To Permanent First Payment Due Date		Enter the Due Date of the first P&I payment after the Date of the Modification Agreement or after the date of the new Note if a new Note is used instead of a modification agreement.  This is the same as the Scheduled First Payment Date (Sort ID 272).
165	Construction To Permanent Closing Type	Two Closing	Enter “Two Closing” as described in Section 4602.3(b).
163	Construction To Permanent Closing Feature Type	Modification Agreement	Enter “Modification Agreement” as described in Section 4602.3(b).
231	Construction Loan Indicator	true	Enter “true” for Construction Conversion Mortgages and Renovation Mortgages.
162	Construction Loan Type	Construction to Permanent	
<b>LOAN – Current</b>			
<b>→ Product Information → Product Details</b>			
<b>→→Modification Details</b>			
397	Mortgage Modification Indicator	true	Enter “true” for Construction Conversion and Renovation Mortgages with Modification Documentation.

<sup>1</sup> This data point name does not appear as a Loan Selling Advisor® input field, but instead is reflected in a screen heading or tab.

<sup>2</sup> This data point must be populated to save the file in Loan Selling Advisor.

**(b) Information for all construction loans**

For Construction Conversion or Renovation Mortgages with Modification Documentation, with respect to the original construction loan that was modified, the Seller must deliver the following ULDD Data Points in the “Closing” tab:

<b>Original Construction (Interim) Loan Data Required for Construction Conversion or Renovation Mortgages with Modification Documentation</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
<b>LOAN – Closing</b>			
332	<i>Loan Role Type<sup>1</sup></i>	<i>Subject Loan</i>	<i>Enter “Subject Loan” to indicate that the loan data is the original construction loan data associated with the permanent loan sold to Freddie Mac.</i>
338	<i>Loan State Date<sup>1</sup></i>		<i>Enter the original Note Date of the Interim Construction Financing documentation.</i>
339	<i>Loan State Type<sup>1</sup></i>	<i>At Closing</i>	<i>Enter “At Closing” to indicate that the associated loan data is accurate as of the Note Date.</i>
<b>→Product Information</b>			
<b>→ → Product Details</b>			
345	<i>Lien Priority Type</i>	<i>First Lien</i>	<i>Enter the lien priority of the Interim Construction Financing documentation.</i>
<b>→Note Information → Note Details</b>			
350	<i>Note Date</i>		<i>Enter the original Note Date of the Interim Construction Financing documentation.</i>
349	<i>Note Amount</i>		<i>Enter the Note amount of the Interim Construction Financing documentation.</i>

<sup>1</sup> This data point name does not appear as a Loan Selling Advisor input field, but instead is reflected in a screen heading or tab.

## 6302.29: Special delivery requirements for Mortgages with Employer Assisted Homeownership (EAH) Benefits (07/06/17)

### (a) General requirements

See Section 5501.4 and the sections referenced in that section for requirements regarding the use of Employer Assisted Homeownership (EAH) Benefits (EAH Benefits) as a source of funds for [Down Payment](#), Closing Costs and reserves.

### (b) Data delivery instructions

For Mortgages with EAH Benefits, the Seller must deliver the following ULDD Data Point:

Data Required for Mortgages with EAH Benefits			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>→ Product Information → Product Details</b>			
368	Investor Feature Identifier	D25	Enter this value if the Mortgage has EAH Benefits.

## 6302.30: Special delivery requirements for Mortgages where Borrower uses credit card, cash advance or unsecured line of credit to pay fees (03/02/16)

### (a) General requirements

See Section 5501.3(b) for requirements regarding Mortgages where Borrower uses a credit card or a cash advance on a revolving charge account or unsecured line of credit to pay fees associated with the Mortgage application process or for the credit report or appraisal report.

### (b) Data delivery instructions

If the Borrower used a credit card, cash advance or unsecured line of credit to pay fees in connection with the origination of the Mortgage, the Seller must deliver the following ULDD Data Point:

Data Required when Borrower Used Credit Card, Cash Advance or Unsecured Line of Credit to Pay Fees			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b>			
<b>Underwriting / Credit Information</b>			
290	Total Liabilities Monthly Payment Amount		Enter the monthly debt payment as defined in Section 5401.2, including the amount charged or advanced when it is included in the Borrower's total outstanding debt. Round to the nearest dollar.
<b>LOAN – Current</b>			
<b>→ Product Information → Product Details</b>			
368	Investor Feature Identifier	921	Enter this value if the Borrower used a credit card, cash advance, or unsecured line of credit to pay fees.

## 6302.31: Special delivery requirements for super conforming Mortgages (07/10/19)

### (a) General requirements

See Chapter 4603 for special eligibility requirements for super conforming Mortgages.

See Exhibit 17S, Available Mortgage Products, for more information about eligibility requirements for super conforming Mortgages.

### (b) Data delivery instructions

For super conforming Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for Super Conforming Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>PROPERTY</b>			
<b>→ Property Information → Appraisal / Valuation Property Details</b>			
89/90	<i>Property Valuation Method Type/Property Valuation Method Type Other Description</i>  (In Loan Selling Advisor®, this appears as “Property Valuation Method Type.”)	<ul style="list-style-type: none"> <li>▪ Desktop Appraisal</li> <li>▪ Full Appraisal</li> <li>▪ Other – Desk Review</li> <li>▪ Other – Field Review</li> </ul>	Enter “Desktop Appraisal” if a Form 1033, One-Unit Residential Appraisal Desk Review Report, was used to value the subject property.  Enter “Full Appraisal” if an interior and exterior inspection appraisal was used to value the subject property.  Enter “Other” if a desk review or field review was used to value the subject property.
82	Appraisal Identifier		Enter the document file identifier of the appraisal (field reviews are not submitted to the Uniform Collateral Data Portal® (UCDP®)).

### (c) Delivery programs

Super conforming Mortgages are not eligible for sale under Best Efforts Contracts.

Sellers that have negotiated Pricing Identifier Terms permitting deliveries under the Guarantor Program of fixed-rate super conforming Mortgages may not deliver super conforming Mortgages under fixed-rate Cash Contracts.

### (d) Delivery requirements for fixed-rate Cash Contracts

The UPB of all 10-, 15-, 20- and/or 30-year super conforming Mortgages delivered by the Seller under fixed-rate Cash Contracts during any month must not exceed the greater of (i) \$2 million in aggregate, or (ii) 10% of the UPB of each particular Mortgage product (10-, 15-, 20- and/or 30-year fixed rate) not including

- Refinance Mortgages that are originated under the Home Affordable Refinance Program (HARP) with LTV ratios greater than 105% delivered by the Seller under fixed-rate Cash Contracts during such month; and
- Mortgages that receive cash specified payups in accordance with Section 6101.3(d)

**(e) Pooling requirements for UMBS™, MBS and Supers™**

Refer to Section 6202.3 for pooling requirements for fixed-rate super conforming Mortgages under the fixed-rate Guarantor or MultiLender Swap programs.

## **6302.32: Special delivery requirements for Mortgages with principal curtailments (03/02/16)**

**(a) General requirements**

If the principal of a Mortgage is curtailed without recalculation of the monthly payment prior to the date the Mortgage is sold to Freddie Mac, the Seller must provide the data described in this section.

Mortgages with principal curtailments that result in modifications to recalculate the monthly payments must be delivered as Seller-Owned Modified Mortgages in accordance with Section 6302.27.

**(b) Data delivery instructions**

For Mortgages with principal curtailments that do not result in modifications to recalculate the monthly payments, the Seller must deliver the following ULDD Data Points:

<b>Data Required for Mortgages with Principal Curtailments not Resulting in Recast Payment</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
<b>LOAN – Closing</b>			
<b>→ Note Information → Note Details</b>			
256	Loan Maturity Date		<i>Enter the date of the final monthly principal and interest (P&amp;I) payment as indicated on the Note disregarding the effect of any curtailment.</i>
<b>LOAN – Current</b>			
<b>→ Payment Information → Payment Details</b>			
438	Aggregate Loan Curtailment Amount		Enter the total of all curtailments received as of the Funding Date.



## 6302.33: Special delivery requirements for Mortgages in which assets are used as a basis for **repayment of obligations** (09/14/17)

### (a) General requirements

See Section 5307.1 for requirements regarding assets as a basis for **repayment of obligations**.

### (b) Data delivery instructions

For Mortgages with respect to which assets are used as a basis for **repayment of obligations**, the Seller must deliver the following ULDD Data Point:

Data Required for Mortgages when Assets are Used as a Basis for <b>Repayment of Obligations</b>			
Sort ID	ULDD Data Point	Valid Value	Notes
LOAN – Current			
→ Product Information → Product Details			
368	Investor Feature Identifier	H31	Enter this value if the Borrower uses assets as a basis for <b>repayment of obligations</b> .

## 6302.34: Special delivery requirements for Mortgages with secondary financing (05/20/19)

### (a) General requirements

See Sections 4204.1 and 4204.2 for requirements regarding Mortgages with secondary financing, including Affordable Seconds<sup>®</sup>.

See Section 4501.10 for requirements regarding Home Possible<sup>®</sup> Mortgages with secondary financing, including Affordable Seconds.

### (b) Data delivery instructions

#### (i) Each subordinate lien

With respect to each subordinate lien, the Seller must deliver the following ULDD Data Points:

Data Required for All Subordinate Liens			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>→ Secondary Financing / Related Loan Details</b> <i>(Deliver for each Related Loan.)</i>			
510	Loan Role Type <sup>1,2</sup>	Related Loan	
514	Loan State Date <sup>1</sup>		Enter the date the data is retrieved from the Seller's delivery system.
515	Loan State Type <sup>1</sup>	Current	
517	Lien Priority Type	<ul style="list-style-type: none"> <li>▪ Second Lien</li> <li>▪ Third Lien</li> <li>▪ Fourth Lien</li> </ul>	
519	Mortgage Type	Conventional	
<b>PROPERTY</b>			
<b>→ Property Information</b>			
<b>→→ Secondary Financing / Related Loan Information</b> <i>(Deliver for each Related Loan.)</i>			
513.1	Loan Affordable Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	Enter "false" unless secondary financing is an <i>Affordable Second</i> .

<sup>1</sup> This data point name does not appear as a Loan Selling Advisor<sup>®</sup> input field, but instead is reflected in a screen heading or tab.

<sup>2</sup> This data point must be populated to save the file in Loan Selling Advisor.

**(ii) Each closed-end subordinate lien**

For each subordinate lien that is a closed-end loan, the Seller must deliver the following ULDD Data Points in addition to the ULDD Data Points required for all subordinate liens in Section 6302.34(b)(i):

Data Required for All Closed-End Subordinate Liens			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>→ Secondary Financing / Related Loan Details</b> – <i>(Deliver for each Related Loan.)</i>			
<b>→→ Closed-end Second</b>			
516	UPB Amount		Enter the balance of the closed-end subordinate Mortgage.
<b>→→ HELOC Details</b>			
513	HELOC Indicator	false	

**(iii) Each Home Equity Line of Credit (HELOC)**

For each subordinate lien that is a HELOC, the Seller must deliver the following ULDD Data Points in addition to the ULDD Data Points required for all subordinate liens in Section 6302.34(b)(i):

Data Required for All HELOCs			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>TOTAL LOANS</b>			
<b>→ Additional LTV Details → Delivered LTV Values</b>			
92	Home Equity Combined LTV Ratio Percent		<p>Enter the Home Equity Line of Credit total loan-to-value (HTLTV) ratio calculated in accordance with Section 4203.2.</p> <p>For Financed Permanent Buydown Mortgages, the Mortgage amount used to determine the HTLTV ratio includes the financed discount points.</p> <p>For GreenCHOICE Mortgages<sup>SM</sup>, the value used to determine the HTLTV ratio is the lesser of the purchase price including the actual cost of the energy and/or water efficiency improvements, or the "as completed" appraised value.</p> <p>For super conforming Mortgages, when the field review value results in a different value from the appraised value, the value used to determine the HTLTV ratio is the least of the appraised value, field review value or sales price.</p> <p>For Mortgages secured by properties subject to resale restrictions that terminate upon foreclosure (or the expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, the value used to determine the HTLTV ratio is the appraised value determined in</p>

			accordance with Section 4406.1(g)(ii), if applicable.  For Community Land Trust Mortgages, the value used to determine the HTLTV ratio is the appraised value determined in accordance with Section 4502.8.
<b>LOAN – Current</b>			
<b>→ Secondary Financing / Related Loan Details</b> <i>(Deliver for each Related Loan.)</i>			
<b>→→HELOC Details</b>			
513	HELOC Indicator	true	
511	Current HELOC Maximum Balance Amount		Enter the HELOC maximum credit line as of the Note Date of the First Lien Mortgage. If the maximum credit line has been modified, enter the modified maximum amount.
512	HELOC Balance Amount		Enter the disbursed amount of the HELOC, not the maximum credit line.

**(iv) Mortgages with Affordable Seconds**

For Mortgages with Affordable Seconds that have the following characteristics, the Seller must deliver the following ULDD Data Points in addition to the ULDD Data Points required for all subordinate liens in Section 6302.34(b)(i) and for closed-end subordinate liens in Section 6302.34(b)(ii):

<b>Data Required for Mortgages with Affordable Seconds</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
<b>LOAN – Current</b>			
<b>→ Product Information → Product Details</b>			
368	Investor Feature Identifier	G18	Enter this value for Mortgages with Affordable Seconds entered into Loan Product Advisor® in the “Total Gift Fund” field.
<b>PROPERTY</b>			
<b>→ Property Information</b>			
<b>→→ Secondary Financing / Related Loan Information</b> <i>(Deliver for each Related Loan.)</i>			
513.1	Loan Affordable Indicator	true	Enter "true" for Mortgages with Affordable Seconds.

(v) **Home Possible Mortgages with RHS Leveraged Seconds**

For additional delivery requirements for Home Possible Mortgages with RHS Leveraged Seconds, see Section 6302.14(b)(iv).

## **6302.34: Special delivery requirements for Mortgages with secondary financing (Future effective date 03/01/20)**

(a) **General requirements**

See Sections 4204.1 and 4204.2 for requirements regarding Mortgages with secondary financing, including Affordable Seconds®.

See Section 4501.10 for requirements regarding Home Possible® Mortgages with secondary financing, including Affordable Seconds.

(b) **Data delivery instructions**

(i) **Each subordinate lien**

With respect to each subordinate lien, the Seller must deliver the following ULDD Data Points:

<b>Data Required for All Subordinate Liens</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
<b>LOAN – Current</b>			
<b>→ Secondary Financing / Related Loan Details (Deliver for each Related Loan.)</b>			
510	Loan Role Type <sup>1,2</sup>	Related Loan	
514	Loan State Date <sup>1</sup>		Enter the date the data is retrieved from the Seller’s delivery system.
515	Loan State Type <sup>1</sup>	Current	
517	Lien Priority Type	<ul style="list-style-type: none"><li>▪ Second Lien</li><li>▪ Third Lien</li><li>▪ Fourth Lien</li></ul>	
519	Mortgage Type	Conventional	
<b>PROPERTY</b>			
<b>→ Property Information</b>			
<b>→→ Secondary Financing / Related Loan Information (Deliver for each Related Loan.)</b>			

Data Required for All Subordinate Liens			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>→ Secondary Financing / Related Loan Details</b> <i>(Deliver for each Related Loan.)</i>			
513.1	Loan Affordable Indicator	<ul style="list-style-type: none"> <li>▪ false</li> <li>▪ true</li> </ul>	Enter "false" unless secondary financing is an <i>Affordable Second</i> .

<sup>1</sup> This data point name does not appear as a Loan Selling Advisor<sup>®</sup> input field, but instead is reflected in a screen heading or tab.

<sup>2</sup> This data point must be populated to save the file in Loan Selling Advisor.

**(ii) Each closed-end subordinate lien**

For each subordinate lien that is a closed-end loan, the Seller must deliver the following ULDD Data Points in addition to the ULDD Data Points required for all subordinate liens in Section 6302.34(b)(i):

Data Required for All Closed-End Subordinate Liens			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>→ Secondary Financing / Related Loan Details</b> <i>– (Deliver for each Related Loan.)</i>			
<b>→→ Closed-end Second</b>			
516	UPB Amount		Enter the balance of the closed-end subordinate Mortgage.
<b>→→ HELOC Details</b>			
513	HELOC Indicator	false	

**(iii) Each Home Equity Line of Credit (HELOC)**

For each subordinate lien that is a HELOC, the Seller must deliver the following ULDD Data Points in addition to the ULDD Data Points required for all subordinate liens in Section 6302.34(b)(i):

Data Required for All HELOCs			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>TOTAL LOANS</b>			
<b>→ Additional LTV Details → Delivered LTV Values</b>			
92	Home Equity Combined LTV Ratio Percent		Enter the Home Equity Line of Credit total loan-to-value

			<p>(HTLTV) ratio calculated in accordance with Section 4203.2.</p> <p>For Financed Permanent Buydown Mortgages, the Mortgage amount used to determine the HTLTV ratio includes the financed discount points.</p> <p>For GreenCHOICE Mortgages<sup>SM</sup>, the value used to determine the HTLTV ratio is the lesser of the purchase price including the actual cost of the energy and/or water efficiency improvements, or the "as completed" appraised value.</p> <p>For super conforming Mortgages, when the field review value results in a different value from the appraised value, the value used to determine the HTLTV ratio is the least of the appraised value, field review value or sales price.</p> <p>For Mortgages secured by properties subject to resale restrictions that terminate upon foreclosure (or the expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, the value used to determine the HTLTV ratio is the appraised value determined in accordance with Section 4406.1(g)(ii), if applicable.</p> <p>For Community Land Trust Mortgages, the value used to determine the HTLTV ratio is the appraised value determined in accordance with Section 4502.8.</p>
<b>LOAN – Current</b>			
<b>→ Secondary Financing / Related Loan Details</b> <i>(Deliver for each Related Loan.)</i>			
<b>→→HELOC Details</b>			
513	HELOC Indicator	true	

511	Current HELOC Maximum Balance Amount		Enter the HELOC maximum credit line as of the Note Date of the First Lien Mortgage. If the maximum credit line has been modified, enter the modified maximum amount.
512	HELOC Balance Amount		Enter the disbursed amount of the HELOC, not the maximum credit line.

**(iv) Mortgages with Affordable Seconds**

For Mortgages with Affordable Seconds that have the following characteristics, the Seller must deliver the following ULDD Data Points in addition to the ULDD Data Points required for all subordinate liens in Section 6302.34(b)(i) and for closed-end subordinate liens in Section 6302.34(b)(ii):

**(A) All Mortgages with Affordable Seconds**

For all Mortgages with Affordable Seconds, the Seller must deliver the following ULDD Data Points:

Data Required for All Mortgages with Affordable Seconds			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>PROPERTY</b>			
<b>→ Property Information</b>			
<b>→→ Secondary Financing / Related Loan Information</b> <i>(Deliver for each Related Loan.)</i>			
513.1	Loan Affordable Indicator	true	Enter “true” for Mortgages with Affordable Seconds.

**(B) Mortgages with Affordable Seconds entered into Loan Product Advisor® in the “Total Gift Fund” field**

For Mortgages with Affordable Seconds entered into Loan Product Advisor® in the “Total Gift Fund” field, the Seller must deliver the following ULDD Data Point:

Data Required for Mortgages with Affordable Seconds Entered into Loan Product Advisor® in the “Total Gift Fund” Field			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			



Data Required for Mortgages with Affordable Seconds Entered into Loan Product Advisor® in the “Total Gift Fund” Field			
Sort ID	ULDD Data Point	Valid Value	Notes
→ Product Information → Product Details			
368	Investor Feature Identifier	G18	Enter this value for Mortgages with Affordable Seconds entered into Loan Product Advisor® in the “Total Gift Fund” field.

**(C) Mortgages with Affordable Seconds from certain allowable sources**

For Mortgages with Affordable Seconds from certain allowable sources described in Section 4204.2(a)(i), the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Affordable Seconds from Certain Sources			
Sort ID	ULDD Data Point	Valid Value	Notes
LOAN – Current			
→ Product Information → Product Details			
368	Investor Feature Identifier	<ul style="list-style-type: none"> <li>▪ J07</li> <li>▪ J54</li> </ul>	<p>If applicable, the Seller must identify the source of the Affordable Second:</p> <p>Enter J07 to indicate “Non-profit not affiliated with Government Agency Affordable Second” as described in Section 4204.2(a)(i)(C).</p> <p>Enter J54 to indicate “Home Possible Mortgage with Seller-funded Affordable Second” as described in Section 4204.2(a)(i)(B).</p>

(v) **Home Possible Mortgages with RHS Leveraged Seconds**

For additional delivery requirements for Home Possible Mortgages with RHS Leveraged Seconds, see Section 6302.14(b)(iv).

## 6302.35: Special delivery requirements for Mortgages eligible for sale using the loan-level buyup and buydown program (04/24/17)

(a) **General requirements**

See Section 6201.10 for requirements regarding the loan-level buyup and buydown program.

(b) **Data delivery instructions**

For Mortgages sold to Freddie Mac using the loan-level buyup and buydown program, the Seller must deliver the following ULDD Data Points:

Data Required for Loan-Level Buyup or Buydown Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>Execution Information → Loan Level Buyup/Buydown Details</b>			
387	Loan Buyup Buydown Type	<ul style="list-style-type: none"> <li>▪ Buydown</li> <li>▪ Buyup</li> <li>▪ BuyupBuydownDoesNotApply</li> </ul>	Enter "Buyup" for loan-level buyup. Enter "Buydown" for loan-level buydown. Enter "Buyup Buydown Does Not Apply" when loan-level buyup and buydown does not apply.
386	Loan Buyup Buydown Basis Point Number		Enter, in basis points, the increase or decrease amount of the <b>Credit Fee in Yield</b> for each individual Mortgage allocated to a specific Guarantor or MultiLender Swap Contract.

Data Required for Loan-Level Buyup or Buydown Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>Execution Information → Loan Level Buyup/Buydown Details</b>			
			Leave blank if a loan-level buyup/buydown is not elected.

**(c) Delivery programs**

Mortgages may be sold only under the following programs:

- Fixed-rate Guarantor
- MultiLender Swap

## 6302.36: Special delivery requirements for Affordable Merit Rate<sup>®</sup> Mortgages (12/11/17)

**(a) General requirements**

See Chapter 4604 for special eligibility requirements for Affordable Merit Rate<sup>®</sup> Mortgages. See Exhibit 17S, Available Mortgage Products, for more information about eligibility requirements for Affordable Merit Rate Mortgages.

**(b) Data delivery instructions**

For Affordable Merit Rate Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for Affordable Merit Rate Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b>			
<b>→ Product Information → Product Details</b>			
138	Loan Amortization Type <sup>1</sup>	Rate Improvement Mortgage	Enter this value for Affordable Merit Rate Mortgages.

<sup>1</sup> This data point must be populated to save the file in [Loan Selling Advisor<sup>®</sup>](#).

**(c) Delivery programs**

Affordable Merit Rate Mortgages must be sold under fixed-rate Cash only.

**6302.37: Special delivery requirements for Mortgages secured by properties with resale restrictions (11/05/18)**

**(a) General requirements**

See Chapter 4406 for special eligibility requirements for Mortgages secured by properties with resale restrictions.

**(b) Data delivery instructions**

(i) For Mortgages secured by properties with income-based resale restrictions, the Seller must deliver the following ULDD Data Points:

- (A) For Mortgages secured by properties with income-based resale restrictions that survive foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure:

<b>Data Required for Mortgages Secured by Properties with Income-based Resale Restrictions that Survive Foreclosure (or Expiration of Any Applicable Redemption Period) or Recordation of a Deed-in-lieu of Foreclosure</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
<b>LOAN - CURRENT</b>			
<b>→ Product Information → Product Details</b>			
368	Investor Feature Identifier	631	Enter this value when the Mortgage is secured by a property with income-based resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure.

- (B) For Mortgages secured by properties with income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure:

<b>Data Required for Mortgages Secured by Properties with Income-based Resale Restrictions that Terminate upon Foreclosure (or Expiration of Any Applicable Redemption Period) or Recordation of a Deed-in-lieu of Foreclosure</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
<b>PROPERTY</b>			
<b>→ →Appraisal/Valuation Details</b>			
83	Property Valuation Amount		<p><i>Enter the value that was used to calculate the LTV ratio for the delivered loan.</i></p> <p><i>For Mortgages subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, enter the appraised value determined in accordance with Section 4406.1(g)(ii).</i></p>
<b>LOAN - Closing</b>			
<b>→ Underwriting / Credit Information →→ Loan Details</b>			
195	Purchase Price Amount		<p><i>For Mortgages subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, enter the appraised value determined in accordance with Section 4406.1(g)(ii).</i></p> <p><i>Not required for refinance transaction Mortgages.</i></p>

<b>Data Required for Mortgages Secured by Properties with Income-based Resale Restrictions that Terminate upon Foreclosure (or Expiration of Any Applicable Redemption Period) or Recordation of a Deed-in-lieu of Foreclosure</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
<b>LOAN - Current</b>			
<b>→ Product Information →→ Product Details</b>			
368	Investor Feature Identifier	630	Enter this value when the Mortgage is secured by a property with income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, where the appraised value is determined in accordance with Section 4406.1(g)(ii).

- (ii) For Mortgages secured by properties with resale restrictions other than income-based that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, the Seller must deliver the following ULDD Data Points:

<b>Data Required for Mortgages Secured by Properties with Resale Restrictions Other than Income-based that Terminate upon Foreclosure (or Expiration of Any Applicable Redemption Period) or Recordation of a Deed-in-lieu of Foreclosure</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
<b>PROPERTY</b>			
<b>→ →Appraisal/Valuation Detail</b>			
83	<i>Property Valuation Amount</i>		<i>Enter the value that was used to calculate the LTV ratio for the delivered loan. For Mortgages subject to resale restrictions other than income-based that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, enter the appraised value determined in accordance with Section 4406.1(g)(ii).</i>

Data Required for Mortgages Secured by Properties with Resale Restrictions Other than Income-based that Terminate upon Foreclosure (or Expiration of Any Applicable Redemption Period) or Recordation of a Deed-in-lieu of Foreclosure			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b>			
<b>→ Underwriting / Credit Information →→ Loan Details</b>			
195	Purchase Price Amount		For Mortgages subject to resale restrictions other than income-based that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, enter the appraised value determined in accordance with Section 4406.1(g)(ii). Not required for refinance transaction Mortgages.

## 6302.37: Special delivery requirements for Mortgages secured by properties with resale restrictions (Future effective date 03/01/20)

### (a) General requirements

See Chapter 4406 for special eligibility requirements for Mortgages secured by properties with resale restrictions.

### (b) Data delivery instructions

(i) For Mortgages secured by properties with income-based resale restrictions, the Seller must deliver the following ULDD Data Points:

- (A) For Mortgages secured by properties with income-based resale restrictions that survive foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure:

Data Required for Mortgages Secured by Properties with Income-based Resale Restrictions that Survive Foreclosure (or Expiration of Any Applicable Redemption Period) or Recordation of a Deed-in-lieu of Foreclosure			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN - CURRENT</b>			
<b>→ Product Information → Product Details</b>			

<b>Data Required for Mortgages Secured by Properties with Income-based Resale Restrictions that Survive Foreclosure (or Expiration of Any Applicable Redemption Period) or Recordation of a Deed-in-lieu of Foreclosure</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
368	Investor Feature Identifier	631	Enter this value when the Mortgage is secured by a property with income-based resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure.

- (B) For Mortgages secured by properties with income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure:

<b>Data Required for Mortgages Secured by Properties with Income-based Resale Restrictions that Terminate upon Foreclosure (or Expiration of Any Applicable Redemption Period) or Recordation of a Deed-in-lieu of Foreclosure</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
<b>PROPERTY</b>			
<b>→ → Appraisal/Valuation Details</b>			
83	<i>Property Valuation Amount</i>		<i>Enter the value that was used to calculate the LTV ratio for the delivered loan. For Mortgages subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, enter the appraised value determined in accordance with Section 4406.1(g)(ii).</i>
<b>LOAN - Closing</b>			
<b>→ Underwriting / Credit Information → → Loan Details</b>			
195	<i>Purchase Price Amount</i>		<i>For Mortgages subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, enter the appraised value determined in accordance with Section 4406.1(g)(ii).</i>



<b>Data Required for Mortgages Secured by Properties with Income-based Resale Restrictions that Terminate upon Foreclosure (or Expiration of Any Applicable Redemption Period) or Recordation of a Deed-in-lieu of Foreclosure</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
			<i>Not required for refinance transaction Mortgages.</i>
<b>LOAN - Current</b>			
<b>→ Product Information →→ Product Details</b>			
368	Investor Feature Identifier	630	Enter this value when the Mortgage is secured by a property with income-based resale restrictions that terminate upon foreclosure or recordation of a deed-in-lieu of foreclosure, where the appraised value is determined in accordance with Section 4406.1(g)(ii).

- (ii) For Mortgages secured by properties with resale restrictions other than income-based that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, the Seller must deliver the following ULDD Data Points:

<b>Data Required for Mortgages Secured by Properties with Resale Restrictions Other than Income-based that Terminate upon Foreclosure (or Expiration of Any Applicable Redemption Period) or Recordation of a Deed-in-lieu of Foreclosure</b>			
<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
<b>PROPERTY</b>			
<b>→ →Appraisal/Valuation Detail</b>			
83	<i>Property Valuation Amount</i>		<i>Enter the value that was used to calculate the LTV ratio for the delivered loan. For Mortgages subject to resale restrictions other than income-based that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, enter the appraised value determined in accordance with Section 4406.1(g)(ii).</i>

Data Required for Mortgages Secured by Properties with Resale Restrictions Other than Income-based that Terminate upon Foreclosure (or Expiration of Any Applicable Redemption Period) or Recordation of a Deed-in-lieu of Foreclosure			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Closing</b>			
<b>→ Underwriting / Credit Information →→ Loan Details</b>			
195	Purchase Price Amount		For Mortgages subject to resale restrictions other than income-based that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, enter the appraised value determined in accordance with Section 4406.1(g)(ii). Not required for refinance transaction Mortgages.

## 6302.38: Special delivery requirements for Pledged Mortgages (12/11/17)

### (a) General requirements

See Chapter 6305 for special eligibility requirements for Pledged Mortgages.

### (b) Data delivery instructions

For Pledged Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for Pledged Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>PARTY</b>			
<b>→ Party Information → Warehouse Lender Details</b>			
398.1	Warehouse Lender Indicator	true	Enter “true” if the Mortgage was subject to a warehouse financing arrangement at delivery.
650.2	Party Role Type <sup>1</sup>	Warehouse Lender	
650.1	Party Role Identifier (In <a href="#">Loan Selling Advisor®</a> , this appears as “Warehouse		Enter the Warehouse Lender’s unique Freddie Mac identifier.

Data Required for Pledged Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
	Lender Identifier.” On Form 996E, Warehouse Provider Release And Transfer, this appears as “Warehouse Provider Identifier”.)		

<sup>1</sup> This data point name does not appear as a **Loan Selling Advisor** input field, but instead is reflected in a screen heading or tab.

## 6302.39: Special delivery requirements for Mortgages with special attributes designated for cash specified pools (10/15/18)

Effective October 15, 2018, Section 6302.39 is deleted

## 6302.40: Special delivery requirements for Enhanced Relief Refinance<sup>®</sup> Mortgages (11/01/18)

### (a) General requirements

See Chapter 4304 for special eligibility requirements for Enhanced Relief Refinance Mortgages<sup>®</sup>.

### (b) Data delivery instructions

- (i) For Enhanced Relief Refinance Mortgages, the Seller must deliver the following ULDD Data Points

Data Required for Enhanced Relief Refinance Mortgages			
Sort ID	Data Point Name	Valid Value	Notes
<b>LOAN – At Closing → Underwriting / Credit Information</b>			
<b>→ Loan Details</b>			
315	Loan Purpose Type	Refinance	
294	Refinance Cash Out Determination Type	No Cash Out	
<b>→ Streamlined Loan Details</b>			
222	Related Loan Investor Type	FRE	

<b>Data Required for Enhanced Relief Refinance Mortgages</b>			
<b>Sort ID</b>	<b>Data Point Name</b>	<b>Valid Value</b>	<b>Notes</b>
221	<i>Related Investor Loan Identifier</i>	<i>&lt;Associated FRE Loan #&gt;</i>	<i>This is the 9-digit Freddie Mac-supplied number assigned to the original Mortgage by the Seller when the Mortgage was initially sold to Freddie Mac.</i>
<b>→Additional Underwriting Details</b>			
291	<i>Total Monthly Income Amount</i>		<p><i>If less than or equal to a 20% principal and interest (P&amp;I) increase, insert the monthly amount of Stated Income.</i></p> <p><i>If greater than a 20% P&amp;I increase, insert documented monthly income.</i></p> <p><i>For all Higher-Priced Covered Transactions (HPTC) and Higher-Priced Mortgage Loans (HPML) insert documented monthly income.</i></p> <p><i>Enter the aggregate amount of ULDD Data Point Borrower Qualifying Income Amount (Sort ID 573) for all Borrowers.</i></p>
<b>LOAN – Current</b>			
<b>Product Information → Product Details</b>			
451	<i>Refinance Program Identifier</i>	<i>Enhanced Relief Refinance</i>	<i>For Relief Refinance Mortgages with Note Dates on or after 10/1/2017, enter “EnhancedReliefRefinance.”</i>

Data Required for Enhanced Relief Refinance Mortgages			
Sort ID	Data Point Name	Valid Value	Notes
<b>→ Origination Information → Mortgage Insurance Information → Mortgage Insurance Details</b>			
413/414	MI Company Name Type/ MI Company Name Type Other Description  (In Loan Selling Advisor®, this appears as “MI Company Name Type.”)	<ul style="list-style-type: none"> <li>▪ Essent</li> <li>▪ Genworth</li> <li>▪ MGIC</li> <li>▪ PMI</li> <li>▪ Radian</li> <li>▪ RMIC</li> <li>▪ Triad</li> <li>▪ UGI</li> <li>▪ Other – ArchMI</li> <li>▪ Other – CAHLIF</li> <li>▪ Other – MIF</li> <li>▪ Other – NMI</li> <li>▪ Other – RMIC-NC</li> </ul>	Enter a valid insurer from Exhibit 10. For Enhanced Relief Refinance Mortgages with LTV ratios greater than 80% requiring mortgage insurance in accordance with Section 4304.8.
412	MI Certificate Identifier		Enter the certificate number of the existing mortgage insurance policy transferred to the Enhanced Relief Refinance Mortgage or the replacement certificate number. Enter a value between five and 10 characters, as defined in Exhibit 10.
416	MI Coverage Percent		If the Mortgage being refinanced has mortgage insurance and the LTV ratio of the Enhanced Relief Refinance Mortgage is greater than 80%, enter the same percentage of loss coverage.
<b>PROPERTY</b>			
<b>→ Property Information → Condominium Details</b>			
42	Project Classification Identifier	Exempt From Review	Enter “ExemptFromReview” for Enhanced Relief Refinance Mortgages.

**(ii) Enhanced Relief Refinance Mortgages originated using Home Value Explorer® (HVE®)**

When delivering Enhanced Relief Refinance Mortgages with the value of the Mortgaged Premises determined using a point value estimate from HVE, the Seller must deliver the following ULDD Data Points:

Data Required for Enhanced Relief Refinance Mortgages Originated using HVE			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>PROPERTY</b>			
<b>→ Property Information → Appraisal / Valuation Property Details</b>			
89	<i>Property Valuation Method Type</i>	<i>Automated Valuation Model</i>	
83	<i>Property Valuation Amount</i>		<i>Enter the value supported by HVE.</i>
84	<i>Property Valuation Effective Date</i>		<i>Enter the effective date of the most recent point value estimate.</i>
80	AVM Model Name Type	Home Value Explorer	
<b>LOAN – Current</b>			
<b>→ Product Information → Product Details</b>			
368	Investor Feature Identifier	H03	Enter this value for Mortgages with a HVE point value estimate used to determine value.

**(iii) Enhanced Relief Refinance Mortgages with an Affordable Second®**

See Section 6302.34 when delivering Enhanced Relief Refinance Mortgages with an Affordable Second.

**(c) Special mortgage insurance delivery requirements**

For Enhanced Relief Refinance Mortgages, the Seller must complete the ULDD Data Point *MI Company Name Type* only if the Mortgage has mortgage insurance coverage. For such Mortgages, the Seller must deliver the mortgage insurance company name that identifies the Freddie Mac-approved mortgage insurer that is insuring the Mortgage in the ULDD Data Point *MI Company Name Type*, as well as completing the other mortgage insurance-related ULDD Data Points.

*Triad Guaranty Insurance Corporation and Freddie Mac approved affiliates (collectively, “Triad”)*

If the Mortgage being refinanced has a certificate of insurance from Triad, that coverage may be maintained for the Enhanced Relief Refinance Mortgage and that Mortgage is eligible for sale to Freddie Mac. For purposes of delivering Enhanced Relief Refinance Mortgages with Triad mortgage insurance, the Seller should deliver the ULDD Data Point *MI Company Name Type* “Triad.”

*Republic Mortgage Insurance Co. and RMIC of North Carolina (collectively, “RMIC”)*

If the Mortgage being refinanced has a certificate of insurance from RMIC, that coverage may be maintained for the Enhanced Relief Refinance Mortgage and that Mortgage is eligible for sale to Freddie Mac. For purposes of delivering Enhanced Relief Refinance Mortgages with RMIC mortgage insurance, the Seller should deliver the ULDD Data Point *MI Company Name Type* “RMIC.”

*PMI Mortgage Insurance Co. and its Freddie Mac-approved wholly-owned subsidiaries (collectively, “PMI”)*

If the Mortgage being refinanced has a certificate of insurance from PMI and the existing coverage is continued through modification of the existing mortgage insurance certificate, that coverage may be maintained for the Enhanced Relief Refinance Mortgage and the Enhanced Relief Refinance Mortgage is eligible for sale to Freddie Mac. For purposes of delivering Enhanced Relief Refinance Mortgages with PMI mortgage insurance, the Seller should deliver the ULDD Data Point *MI Company Name Type* “PMI.”

If the Enhanced Relief Refinance Mortgage is being delivered without mortgage insurance in accordance with the requirements of Section 4304.8(a), the Seller must deliver the following ULDD Data Points:

Data Required for Enhanced Relief Refinance Mortgages			
Sort ID	Data Point Name	Valid Value	Notes
<b>LOAN – Current → Origination Information</b>			
<b>→ Mortgage Insurance Information → Mortgage Insurance Details</b>			
429/430	Primary MI Absence Reason Type/ Primary MI Absence Reason Type Other Description  (In Loan Selling Advisor, this appears as “Primary MI Absence Reason Type.”)	Other - No MI Based on Mortgage Being Refinanced	Enter “NoMIBasedOnMortgageBeingRefinanced” for Enhanced Relief Refinance Mortgages, if applicable.

**(d) Delivery of Mortgages with recourse or indemnification**

In connection with the delivery of each Enhanced Relief Refinance Mortgage where the Mortgage being refinanced had **recourse** as described in Section 4304.8(b), the Seller must insert “001” (indicating the Mortgage is sold with recourse) in the ULDD Data Point *Investor Feature Identifier*, if the Mortgage being refinanced was sold with recourse for the life of the Mortgage or the Mortgage was credit enhanced with recourse for the life of the Mortgage after it was sold to Freddie Mac.

In connection with the delivery of each Enhanced Relief Refinance Mortgage where the Mortgage being refinanced had **indemnification** as described in Section 4304.8(b), the Seller must insert “033” (indicating the Mortgage is sold with indemnification) in the ULDD Data Point *Investor Feature Identifier*, as applicable, if the Mortgage being refinanced was sold with indemnification for the life of the Mortgage or the Mortgage was credit enhanced with indemnification for the life of the Mortgage after it was sold to Freddie Mac.

If the Mortgage being refinanced was sold or the Mortgage being refinanced was credit enhanced after it was sold to Freddie Mac, with indemnification or recourse for less than the life of the Mortgage, the Seller need not provide ULDD Data Point *Investor Feature Identifiers* “001” or “033” indicating the Enhanced Relief Refinance Mortgage is subject to recourse or indemnification. In this instance, Freddie Mac will manage the transfer of the credit enhancement from the Mortgage being refinanced to the Enhanced Relief Refinance Mortgage.

**(e) Delivery programs**

**(i) Delivery programs for fixed-rate and adjustable-rate Enhanced Relief Refinance Mortgages with loan-to-value (LTV) ratios less than or equal to 105%**

Enhanced Relief Refinance Mortgages having LTV ratios less than or equal to 105% must be sold under the following:

- Fixed-rate Cash, using one of the following Servicing options:
  - Servicing retained
  - Concurrent Transfer of Servicing
  - Cash-Released XChange<sup>SM</sup>

More information regarding Mortgages eligible for sale through Cash-Released XChange can be found on Freddie Mac’s web site at [http://www.freddiemac.com/singlefamily/sell/pdf/available\\_products.pdf](http://www.freddiemac.com/singlefamily/sell/pdf/available_products.pdf).

- Weighted Average Coupon (WAC) ARM Cash
- Fixed-rate Guarantor
- WAC ARM Guarantor
- MultiLender Swap



**(ii) Delivery programs for fixed-rate Enhanced Relief Refinance Mortgages with LTV ratios greater than 105% and less than or equal to 125%**

Enhanced Relief Refinance Mortgages having LTV ratios greater than 105% and less than or equal to 125% must be sold under the following:

■ Fixed-rate Cash, using one of the following Servicing options:

- Servicing retained
- Concurrent Transfer of Servicing

Enhanced Relief Refinance Mortgages having LTV ratios greater than 105% are not eligible for sale through Cash-Released XChange.

■ Fixed-rate Guarantor

**(iii) Delivery programs for fixed-rate Enhanced Relief Refinance Mortgages with LTV ratios greater than 125%**

Enhanced Relief Refinance Mortgages having LTV ratios greater than 125% must be sold only under:

■ Fixed-rate Cash, using one of the following Servicing options:

- Servicing retained
- Concurrent Transfer of Servicing

Enhanced Relief Refinance Mortgages having LTV ratios greater than 105% are not eligible for sale through Cash-Released XChange.

■ Fixed-rate Guarantor

**(f) Special delivery requirements for Cash contracts**

For fixed-rate and adjustable-rate Enhanced Relief Refinance Mortgages with LTV ratios less than or equal to 105%, there are no special delivery requirements.

For fixed-rate Enhanced Relief Refinance Mortgages with LTV ratios greater than 105%:

■ All Mortgages in a particular Cash contract must have LTV ratios either:

- Greater than 105% and less than or equal to 115%

- ❑ Greater than 115% and less than or equal to 125%
- ❑ Greater than 125%

Mortgages with LTV ratios greater than 105% must not be included in fixed-rate Cash contracts that include Mortgages with LTV ratios less than or equal to 105%.

- The Seller must identify fixed-rate Cash contracts for Enhanced Relief Refinance Mortgages with LTV ratios greater than 105% by selecting the appropriate “LTV Range for the contract” on the Take Out a Cash Contract screen in Loan Selling Advisor.
  - ❑ For LTV ratios greater than 105% and less than or equal to 115%: select “>105% - <=115%”
  - ❑ For LTV ratios greater than 115% and less than or equal to 125% select “>115% - <=125%”
  - ❑ For LTV ratios greater than 125%: select “>125%”

The Seller should refer to relevant sections in this Chapter 6302 and its other Purchase Documents for delivery requirements related to specific Mortgages (e.g., super conforming Mortgages).

## **6302.41: Special delivery requirements for Freddie Mac HomeOne<sup>SM</sup> Mortgages (05/01/19)**

### **(a) General requirements**

See Chapter 4605 for special eligibility requirements for HomeOne<sup>SM</sup> Mortgages.

See Section 5103.6 for requirements related to homeownership education.

### **(b) Data delivery instructions**

See Section 6302.16 for delivery requirements for HomeOne Mortgages that are “no cash-out” refinance Mortgages.

For HomeOne Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for HomeOne Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>BORROWER</b>			
<b>→Borrower Information</b>			
<b>→→ Borrower Details</b>			
576/577	Counseling Confirmation Type/ Counseling Confirmation Type Other Description  (In Loan Selling Advisor®, this appears as “Counseling Confirmation Type.”)	<ul style="list-style-type: none"> <li>▪ Government Agency</li> <li>▪ HUD Approved Counseling Agency</li> <li>▪ Lender Trained Counseling</li> <li>▪ No Borrower Counseling</li> <li>▪ Other – Borrower Did Not Participate</li> <li>▪ Other – Mortgage Insurance Company</li> <li>▪ Other – Non Profit Organization</li> </ul>	<p>When required, at least one Borrower on the Mortgage must complete homeownership education prior to loan closing.</p> <p>Enter “Government Agency” if the Borrower completed Freddie Mac’s online CreditSmart® Steps to Homeownership Tutorial - With Certificate, OR if the homeownership education was provided by a Housing Finance Agency (HFA), OR if the homeownership education was provided by a for-profit CDFI.</p> <p>Enter “HUD Approved Counseling Agency” if the Borrower completed homeownership education that was provided by a HUD-approved nonprofit counseling agency.</p> <p>Do not enter “Lender Trained Counseling.”</p> <p>Enter “No Borrower Counseling” if the Borrower is not required to participate in homeownership education, such as for a refinance transaction.</p> <p>Enter “Other – Borrower Did Not Participate” if the referenced Borrower did not</p>

Data Required for HomeOne Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
			<p>participate in homeownership education, and the required homeownership education was completed by another Borrower on the loan.</p> <p>Enter “Other – Mortgage Insurance Company” if the counseling was a program provided by a mortgage insurance company.</p> <p>Enter “Other – Non-Profit Organization” if the homeownership education was provided by a Community Development Financial Institution (CDFI), or a program that meets the standards of the National Industry Standards for Homeownership Education and Counseling.</p>
578/579	<p>Counseling Format Type/ Counseling Format Type Other Description</p> <p>(In Loan Selling Advisor, this appears as “Counseling Format Type.”)</p>	<ul style="list-style-type: none"> <li>▪ Borrower Education Not Required</li> <li>▪ Classroom</li> <li>▪ Home Study</li> <li>▪ Individual</li> <li>▪ Other – Borrower Did Not Participate</li> </ul>	<p>When required, at least one Borrower on the Mortgage must complete homeownership education prior to loan closing.</p> <p>Enter “Borrower Education Not Required” if the Borrower is not required to participate in homeownership education, such as for a refinance transaction.</p> <p>Enter “Classroom” if instructor-led homeownership education was completed (not one-on-one).</p>

Data Required for HomeOne Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
			<p>Enter “HomeStudy” if the Borrower completed Freddie Mac’s online CreditSmart® Steps to Homeownership Tutorial - With Certificate.</p> <p>Enter “Individual” if one-on-one counseling was performed.</p> <p>Enter “Other – Borrower Did Not Participate” if the referenced Borrower did not participate in homeownership education, and the required homeownership education was completed by an occupying Borrower on the loan.</p>

## 6302.42: Special delivery requirements for Community Land Trust Mortgages (11/05/18)

### (a) General requirements

See Chapter 4502 for special eligibility requirements for Community Land Trust Mortgages.

### (b) Data delivery instructions

For Community Land Trust Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for Community Land Trust Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>PROPERTY</b>			
→ Property Information			
→→ Property Details			
63	Property Estate Type	Leasehold	

Data Required for Community Land Trust Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>→→ Appraisal/ Valuation Property Details</b>			
83	Property Valuation Amount		<p>Enter the value that was used to calculate the LTV ratio for the delivered loan.</p> <p>For Community Land Trust Mortgages enter the appraised value determined in accordance with Section 4502.8.</p>
<b>LOAN – Closing</b>			
<b>→ Underwriting / Credit Information → Loan Details</b>			
195	Purchase Price Amount		<p>For Community Land Trust Mortgages, enter the appraised value determined in accordance with Section 4502.8.</p> <p>Not required for refinance transaction Mortgages.</p>
<b>LOAN – Current</b>			
<b>→ Product Information → Product Details</b>			
368	Investor Feature Identifier	J09	Enter this value indicating Duty to Serve (DTS) Community Land Trust.

**(c) Delivery programs**

Community Land Trust Mortgages must be sold under fixed-rate Cash.

## 6302.43: Special delivery requirements for CHOICERenovation<sup>SM</sup> Mortgages (06/19/19)

**(a) General requirements**

See Chapter 4607 for special eligibility requirements for CHOICERenovation<sup>SM</sup> Mortgages.

**(b) Data delivery instructions**

See Section 6302.28 for special delivery requirements for Construction Conversion and Renovation Mortgages.

For CHOICERenovation Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for CHOICERenovation Mortgages			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>→ Product Information → Product Details</b>			
404	<i>Loan Program Identifier</i>	<i>Renovation</i>	
368	Investor Feature Identifier	J25	Enter this value indicating CHOICERenovation Mortgage.
368	Investor Feature Identifier	J24	Enter this value indicating CHOICERenovation Mortgage with recourse.

## 6302.44: Special delivery requirements for Mortgages utilizing the age of documentation flexibility in Eligible Disaster Areas (10/27/19)

**(a) General requirements**

See Section 4407.3 for special eligibility requirements for age of documentation for Mortgages secured by properties located in Eligible Disaster Areas.

**(b) Data delivery instructions**

For Mortgages secured by properties located in Eligible Disaster Areas utilizing the age of documentation flexibility, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages Utilizing the Age of Documentation Flexibility in Eligible Disaster Areas			
Sort ID	ULDD Data Point	Valid Value	Notes
<b>LOAN – Current</b>			
<b>→ Product Information → Product Details</b>			

**Data Required for Mortgages Utilizing the Age of Documentation Flexibility in Eligible Disaster Areas**

<b>Sort ID</b>	<b>ULDD Data Point</b>	<b>Valid Value</b>	<b>Notes</b>
368	Investor Feature Identifier	H37	Enter this value indicating extended age of documentation for Eligible Disaster Areas.



# Chapter 6303: Assessment and Payment of Fees

## 6303.1: Assessment of fees (06/27/18)

In connection with the delivery of certain Mortgages:

- The Seller may be required to pay Freddie Mac Credit Fees in Price and/or other types of fees (including buydown fees or Yield Maintenance Fees, as defined in Section 6102.2), or
- Freddie Mac may:
  - Be required to pay the Seller proceeds (such as buyup proceeds or Yield Maintenance Fees), or
  - Apply a credit for a Credit Fee in Price

The fees and proceeds will be calculated, assessed and paid, and credits for Credit Fees in Price will be applied as described in this chapter.

### (a) Credit Fees in Price

#### (i) Assessment of Credit Fees in Price

Credit Fees in Price will be assessed and billed to the Seller in conjunction with the sale of Mortgages with certain loan attributes. The Seller must refer to Exhibit 19, Credit Fees in Price, for information on Credit Fees in Price. Credit Fees in Price are paid in accordance with the Credit Fee in Price provisions in Section 6303.2.

A particular Mortgage may be subject to more than one Credit Fee in Price. Unless stated otherwise in the Seller's Purchase Documents, Credit Fees in Price applicable to a Mortgage are cumulative.

#### (ii) Calculation of Credit Fees in Price and credits for Credit Fees in Price

Credit Fees in Price or credits for Credit Fees in Price that are based on a percentage of the UPB are calculated by multiplying the UPB of the Mortgage on the Funding/Settlement Date by the Credit Fee in Price rate(s) or credits for Credit Fees in Price specified in Exhibit 19, Credit Fees in Price, and/or the Credit Fee in Price matrix provided to the Seller.

For Mortgages with Credit Fees in Price that are based on a flat dollar amount, the Credit Fee in Price will be as specified in Exhibit 19 and/or the Credit Fee in Price matrix provided to the Seller.

Additional information on certain Exhibit 19 fees and how they are assessed is detailed below.

### **(iii) Credit Score/Loan-to-Value (CS/LTV) (A-minus) Credit Fees in Price**

Credit Fees in Price will be assessed and billed to the Seller in conjunction with the sale of certain A-minus Mortgages, other Caution Mortgages and Non-Loan Product Advisor Mortgages with certain Credit Score and loan-to-value (LTV) ratio combinations.

For CS/LTV (A-minus) Credit Fees in Price applicable to Loan Product Advisor<sup>®</sup> Mortgages, the following information is used from the Last Feedback Certificate to determine the fee amount:

- The Risk Classification is used to determine whether the Mortgage is subject to a CS/LTV (A-minus) Credit Fee in Price
- The CS/LTV Fee Level is used to determine the applicable Credit Fee in Price rate

All Caution Mortgages, including those identified as A-minus eligible, are subject to a CS/LTV (A-minus) Credit Fee in Price.

For Non-Loan Product Advisor Mortgages, CS/LTV (A-minus) Credit Fees in Price are assessed based on the Indicator Score, credit score selection method, loan purpose, property type, ownership type, number of units as delivered to Freddie Mac and the LTV ratio calculated by Freddie Mac in conjunction with the sale of Mortgages. Freddie Mac's LTV ratio calculation is based on data delivered by the Seller. If the Seller does not deliver an Indicator Score for Non-Loan Product Advisor Mortgages, the Mortgages will be assessed the highest CS/LTV (A-minus) fee.

### **(iv) Indicator Score/Loan-to-Value (IS/LTV) Credit Fees in Price**

Credit Fees in Price will be assessed and billed to the Seller in conjunction with the sale of all Mortgages with certain IS/LTV combinations.

Unless the Mortgage is sold through **Cash-Released XChange<sup>SM</sup>**, for Indicator Score/Loan-to-Value (IS/LTV) Credit Fees in Price applicable to Loan Product Advisor Mortgages, the applicable Credit Fee in Price will be based on the LTV ratio calculated by Freddie Mac based on data delivered by the Seller, and the Indicator Score found on the Last Feedback Certificate.

If the Seller does not deliver the Key Number for a Loan Product Advisor Mortgage, that Mortgage will be assessed the below 620 IS/LTV fee. For Mortgages sold through **Cash-Released XChange**, the Seller must deliver ULDD Data Point *Loan Level Credit Score Value* regardless of whether the Mortgage is a Loan Product Advisor Mortgage, and the Mortgage will be assessed an IS/LTV Credit Fees in Price based on ULDD Data Point *Loan Level Credit Score Value*.

For Non-Loan Product Advisor Mortgages, IS/LTV Credit Fees in Price are assessed based on the Indicator Score delivered to Freddie Mac and the LTV ratio calculated by Freddie Mac in conjunction with the sale of Mortgages. Freddie Mac's LTV ratio calculation is based on data delivered by the Seller. If the Seller does not deliver the

Indicator Score for Non-Loan Product Advisor Mortgages, the Mortgages will be assessed the below 620 IS/LTV fee.

**(v) Notification of changes to Credit Fees in Price**

Freddie Mac reserves the right to change an existing Credit Fee in Price rate, (including credits for Credit Fees in Price), to change the process used to determine whether a Mortgage is subject to a Credit Fee in Price or eligible for a credit for a Credit Fee in Price, or to implement a Credit Fee in Price or credit for a Credit Fee in Price on any Mortgage product and/or Mortgage attribute that is not subject to a Credit Fee in Price or eligible for a credit for a Credit Fee in Price, upon prior written notice to the Seller.

**(b) Payment of buyup proceeds and buydown fees**

All buyup proceeds and buydown fees will be determined in accordance with the provisions of Section 6201.10(d), as applicable. Credit Fees in Price applicable to the Mortgage will be:

- Deducted from the amount of any buyup proceeds applicable to the Mortgage, or
- Added to the amount of any buydown fees, applicable to the Mortgage

**(c) Gold Rush<sup>®</sup> fees**

For Guarantor or MultiLender Swap Contracts, Gold Rush fees will be determined in accordance with the following sections:

- Section 6203.4 for Fixed-Rate Guarantor Contracts
- Section 6204.4 for WAC ARM Guarantor Contracts
- Section 6205.4 for MultiLender Swap Contracts

Gold Rush fees appear on the invoice submitted to the Seller each calendar month.

**(d) Yield Maintenance Fees**

Yield Maintenance Fees will be determined in accordance with provisions of Section 6102.5. A Yield Maintenance Fee may be due from the Seller to Freddie Mac or may result in proceeds being paid by Freddie Mac to the Seller.

**(e) Invoices and account activity statements**

Sellers may contact **CashCollections@freddiemac.com** with questions about their monthly invoices and account activity statements.

**(i) Invoices**

**(A) Mortgages sold under Cash Purchase Contracts**

For all Mortgages sold to Freddie Mac under Cash Purchase Contracts under the Cash program, Freddie Mac will net the amount of Credit Fees in Price and credits for a Credit Fee in Price against the amount paid to the Seller. All other types of fees applicable to Mortgages sold under the Cash program (for example, payoff fees, Yield Maintenance Fees and any premium recapture described in Section 6303.5) will be assessed on the Seller's monthly invoice.

**(B) Mortgages sold under Guarantor and MultiLender Swap Contracts**

The net amount of initial Credit Fees in Price, buyup proceeds and buydown amounts applicable to Mortgages sold to Freddie Mac under Guarantor and MultiLender Swap Contracts will appear on the Seller's monthly invoice and will be drafted from the Automated Clearing House (ACH) account that the Seller has designated for payment of fees associated with the sale of Mortgages to Freddie Mac in accordance with the provisions of the Daily ACH Process described in Section 6303.2(a). In the alternative, if the Seller is due a credit, Freddie Mac will deposit the credit amount to the designated ACH account within five Business Days of the Settlement Date.

The net amount of all other monthly billed fees associated with the sale of Mortgages to Freddie Mac under the Guarantor and MultiLender Swap programs (such as payoff fees, Gold Rush Fees, any adjustments to a Credit Fee in Price applicable to Mortgages sold under the Guarantor and MultiLender Swap programs, and any premium recapture and/or buyup reimbursements described in Section 6303.5) will be assessed on the Seller's monthly invoice and drafted from the Seller's ACH account monthly in accordance with the provisions of the Monthly ACH process described in Chapter 6303.

**(ii) Account activity statements**

In addition to the invoice of the most recent month's activity, each calendar month Freddie Mac will submit to the Seller a statement reflecting all open account activity and the total amount due on the Seller's account. The statement will include late fees as described in Section 6303.6 for accounts past due and any account adjustments or credits received for previous months' activities.

If the total amount due to (or from) Freddie Mac shown on the statement is different from the invoice amount, the Seller may remit to (or receive from) Freddie Mac the amount shown on the statement in accordance with the procedures for payment described in Section 6303.2.

## 6303.1: Assessment of fees (Future effective date 02/06/20)

In connection with the delivery of certain Mortgages:

- The Seller may be required to pay Freddie Mac Credit Fees in Price and/or other types of fees (including buydown fees or Yield Maintenance Fees, as defined in Section 6102.2), or
- Freddie Mac may:
  - Be required to pay the Seller proceeds (such as buyup proceeds or Yield Maintenance Fees), or
  - Apply a credit for a Credit Fee in Price

The fees and proceeds will be calculated, assessed and paid, and credits for Credit Fees in Price will be applied as described in this chapter.

### (a) Credit Fees in Price

#### (i) Assessment of Credit Fees in Price

Credit Fees in Price will be assessed and billed to the Seller in conjunction with the sale of Mortgages with certain loan attributes. The Seller must refer to Exhibit 19, Credit Fees in Price, for information on Credit Fees in Price. Credit Fees in Price are paid in accordance with the Credit Fee in Price provisions in Section 6303.2.

A particular Mortgage may be subject to more than one Credit Fee in Price. Unless stated otherwise in the Seller's Purchase Documents, Credit Fees in Price applicable to a Mortgage are cumulative.

#### (ii) Calculation of Credit Fees in Price and credits for Credit Fees in Price

Credit Fees in Price or credits for Credit Fees in Price that are based on a percentage of the UPB are calculated by multiplying the UPB of the Mortgage on the Funding/Settlement Date by the Credit Fee in Price rate(s) or credits for Credit Fees in Price specified in Exhibit 19, Credit Fees in Price, and/or the Credit Fee in Price matrix provided to the Seller.

For Mortgages with Credit Fees in Price that are based on a flat dollar amount, the Credit Fee in Price will be as specified in Exhibit 19 and/or the Credit Fee in Price matrix provided to the Seller.

Additional information on certain Exhibit 19 fees and how they are assessed is detailed below.

### **(iii) Credit Score/Loan-to-Value (CS/LTV) (A-minus) Credit Fees in Price**

Credit Fees in Price will be assessed and billed to the Seller in conjunction with the sale of certain A-minus Mortgages, other Caution Mortgages and Non-Loan Product Advisor Mortgages with certain Credit Score and loan-to-value (LTV) ratio combinations.

For CS/LTV (A-minus) Credit Fees in Price applicable to Loan Product Advisor<sup>®</sup> Mortgages, the following information is used from the Last Feedback Certificate to determine the fee amount:

- The Risk Classification is used to determine whether the Mortgage is subject to a CS/LTV (A-minus) Credit Fee in Price
- The CS/LTV Fee Level is used to determine the applicable Credit Fee in Price rate

All Caution Mortgages, including those identified as A-minus eligible, are subject to a CS/LTV (A-minus) Credit Fee in Price.

For Non-Loan Product Advisor Mortgages, CS/LTV (A-minus) Credit Fees in Price are assessed based on the Indicator Score, credit score selection method, loan purpose, property type, ownership type, number of units as delivered to Freddie Mac and the LTV ratio calculated by Freddie Mac in conjunction with the sale of Mortgages. Freddie Mac's LTV ratio calculation is based on data delivered by the Seller. If the Seller does not deliver an Indicator Score for Non-Loan Product Advisor Mortgages, the Mortgages will be assessed the highest CS/LTV (A-minus) fee.

### **(iv) Indicator Score/Loan-to-Value (IS/LTV) Credit Fees in Price**

Credit Fees in Price will be assessed and billed to the Seller in conjunction with the sale of all Mortgages with certain IS/LTV combinations.

Unless the Mortgage is sold through Cash-Released XChange<sup>SM</sup>, for Indicator Score/Loan-to-Value (IS/LTV) Credit Fees in Price applicable to Loan Product Advisor Mortgages, the applicable Credit Fee in Price will be based on the LTV ratio calculated by Freddie Mac based on data delivered by the Seller, and the Indicator Score found on the Last Feedback Certificate.

If the Seller does not deliver the Key Number for a Loan Product Advisor Mortgage, that Mortgage will be assessed the below 620 IS/LTV fee. For Mortgages sold through Cash-Released XChange, the Seller must deliver ULDD Data Point *Loan Level Credit Score Value* regardless of whether the Mortgage is a Loan Product Advisor Mortgage, and the Mortgage will be assessed an IS/LTV Credit Fees in Price based on ULDD Data Point *Loan Level Credit Score Value*.

For Non-Loan Product Advisor Mortgages, IS/LTV Credit Fees in Price are assessed based on the Indicator Score delivered to Freddie Mac and the LTV ratio calculated by Freddie Mac in conjunction with the sale of Mortgages. Freddie Mac's LTV ratio calculation is based on data delivered by the Seller. If the Seller does not deliver the

Indicator Score for Non-Loan Product Advisor Mortgages, the Mortgages will be assessed the below 620 IS/LTV fee.

**(v) Notification of changes to Credit Fees in Price**

Freddie Mac reserves the right to change an existing Credit Fee in Price rate, (including credits for Credit Fees in Price), to change the process used to determine whether a Mortgage is subject to a Credit Fee in Price or eligible for a credit for a Credit Fee in Price, or to implement a Credit Fee in Price or credit for a Credit Fee in Price on any Mortgage product and/or Mortgage attribute that is not subject to a Credit Fee in Price or eligible for a credit for a Credit Fee in Price, upon prior written notice to the Seller.

**(b) Payment of buyup proceeds and buydown fees**

All buyup proceeds and buydown fees will be determined in accordance with the provisions of Section 6201.10(d), as applicable. Credit Fees in Price applicable to the Mortgage will be:

- Deducted from the amount of any buyup proceeds applicable to the Mortgage, or
- Added to the amount of any buydown fees, applicable to the Mortgage

**(c) Gold Rush<sup>®</sup> fees**

For Guarantor or MultiLender Swap Contracts, Gold Rush fees will be determined in accordance with the following sections:

- Section 6203.4 for Fixed-Rate Guarantor Contracts
- Section 6204.4 for WAC ARM Guarantor Contracts
- Section 6205.4 for MultiLender Swap Contracts

**(d) Yield Maintenance Fees**

Yield Maintenance Fees will be determined in accordance with provisions of Section 6102.5. A Yield Maintenance Fee may be due from the Seller to Freddie Mac or may result in proceeds being paid by Freddie Mac to the Seller.

**(e) Monthly invoice and account activity statement**

Sellers may contact **CashCollections@freddiemac.com** with questions about their monthly invoice and account activity statement.

**(i) Monthly invoice**

**(A) Mortgages sold under Cash Purchase Contracts**

For all Mortgages sold to Freddie Mac under Cash Purchase Contracts under the Cash program, Freddie Mac will net the amount of Credit Fees in Price and credits for a

Credit Fee in Price against the amount paid to the Seller. All other types of fees applicable to Mortgages sold under the Cash program (for example, pairoff fees, Yield Maintenance Fees and any premium recapture described in Section 6303.5) will be assessed on the Seller's monthly invoice.

## **(B) Mortgages sold under Guarantor and MultiLender Swap Contracts**

The net amount of initial Credit Fees in Price, buyup proceeds and buydown fees applicable to Mortgages sold to Freddie Mac under Guarantor and MultiLender Swap Contracts will be drafted from the Automated Clearing House (ACH) account that the Seller has designated for payment of fees associated with the sale of Mortgages to Freddie Mac in accordance with the provisions of the daily ACH process described in Section 6303.2(a).

The net amount of all other monthly billed fees associated with the sale of Mortgages to Freddie Mac under the Guarantor and MultiLender Swap programs (such as pairoff fees, any adjustments to a Credit Fee in Price applicable to Mortgages sold under the Guarantor and MultiLender Swap programs, and any premium recapture proceeds described in Section 6303.5) will be assessed on the Seller's monthly invoice and drafted from the Seller's ACH account monthly in accordance with the provisions of the monthly ACH process described in Chapter 6303.

### **(ii) Account activity statement**

Included with the monthly invoice is a statement reflecting all open account activity and the total amount due on the Seller's account for the most recent calendar month. The statement will include late fees as described in Section 6303.6 for accounts past due and any account adjustments or credits received for previous months' activities.

## **6303.2: Payment of fees (02/06/19)**

Freddie Mac will remit to or draft from the Automated Clearing House (ACH) account that the Seller has designated for payment of all fees associated with the sale of Mortgages to Freddie Mac (Seller's ACH account) in accordance with the following:

### **(a) Daily ACH Process**

Freddie Mac will draft from the Seller's ACH account the net amount of initial Credit Fees in Price, buyup proceeds and buydown amounts applicable to Mortgages sold to Freddie Mac under the Guarantor and MultiLender Swap programs on the fifth Business Day after each applicable Settlement Date. Adjustments and reversals to such fees/amounts will be made using the Monthly ACH Process described below or otherwise in accordance with instructions provided to the Seller by Freddie Mac.

Freddie Mac will provide the Seller with a courtesy e-mail notice to the address specified by the Seller approximately two Business Days before the ACH draft of the net amount of Guarantor/MultiLender Swap fees and amounts described in this Section 6303.2(a); however,



the Seller remains responsible for ensuring that the Seller's ACH account maintains sufficient funds to cover any drafts by Freddie Mac (see below).

Freddie Mac recommends that a Seller designate one or more members of its organization as a courtesy e-mail recipient. To designate, add, modify or delete a recipient, send a written request to **Seller\_Billing@freddiemac.com**. The request must include the Seller/Servicer number with contact information (name, e-mail and phone number).

#### **(b) Monthly ACH Process**

Freddie Mac will draft the net amount of all other monthly billed fees associated with the sale of Mortgages to Freddie Mac, such as payoff fees, Gold Rush<sup>®</sup> fees, Yield Maintenance Fees, any adjustments to Credit Fees in Price applicable to Mortgages sold under the Cash, Guarantor and MultiLender Swap programs and associated training fees, from the Seller's ACH account monthly in accordance with this Section 6303.2(b).

If the monthly statement indicates a net amount due to Freddie Mac, Freddie Mac will draft from the Seller's ACH account on the last Business Day of the month for payment of the monthly statement. If the monthly statement indicates a net amount due to the Seller, Freddie Mac will remit that amount to the Seller's ACH account by the last Business Day of the month. The Seller's monthly statement will reflect all ACH transactions completed during the statement period.

To establish ACH payment, the Seller must complete, execute and submit to Freddie Mac Form 1132, Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH) as either:

- A paper document, signed in pen and ink by an Authorized Employee, by regular mail or overnight delivery service in accordance with the mailing instructions contained in the Form 1132; or
- An Electronic Record (as defined in Section 1401.2) copy, using a Portable Document Format (PDF) (or other Electronic Record format commonly used in the mortgage industry), that has been completed and contains the copy or representation of the pen and ink signature of the Authorized Employee (such copy or representation of the Authorized Employee's signature shall be such Authorized Employee's adopted Electronic Signature as defined in Section 1401.2) attached to an e-mail and delivered to Freddie Mac at the following e-mail address: **cashcollections@freddiemac.com**.

Freddie Mac and the Seller agree that the delivery of Electronic Records with Electronic Signatures are eligible Electronic Transactions (as defined in Section 1401.2) and are governed by the applicable provisions of Chapter 1401.

The employee authorized to execute Form 1132 on the Seller's behalf must be designated as an "Authorized Employee" on the Seller's Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, or Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable.

The account identified in Form 1132 for the payment of fees must be a Demand Deposit Account that is separate from any Custodial Account required to be maintained pursuant to any of the Purchase Documents.

The Seller agrees to notify Freddie Mac immediately at **Seller\_Billing@freddiemac.com** of any changes to the status of the Seller's ACH account.

Except as set forth below with respect to the Daily ACH Process drafting, in the event that funds in the Seller's ACH account are insufficient to cover the statement amount, the Seller's ACH account is invalid, or if Freddie Mac is unable to draft from the Seller's ACH account for any reason, the statement will be subject to the late payment fees described in Section 6303.6. In that event, the Seller must remit the amount due in accordance with instructions provided by Freddie Mac.

Freddie Mac will not assess any late payment fee if funds in the Seller's ACH account are insufficient to cover the amount due from a Daily ACH Draft, or if Freddie Mac is unable to draft from the Seller's ACH account under the Daily ACH Process for any reason, provided that if any Seller ACH account amount due to Freddie Mac remains outstanding on the due date of the Seller's monthly statement, the Seller will be assessed the late payment fees described in Section 6303.6 on such outstanding amount from and after that due date.

## **6303.2: Payment of fees (Future effective date 02/06/20)**

Freddie Mac will remit to or draft from the Automated Clearing House (ACH) account that the Seller has designated for payment of all fees associated with the sale of Mortgages to Freddie Mac (Seller's ACH account) in accordance with the following:

### **(a) Daily ACH process**

Freddie Mac will draft from the Seller's ACH account the net amount of **the fees specified below** applicable to Mortgages sold to Freddie Mac under the Guarantor and MultiLender Swap programs on the fifth Business Day after each applicable Settlement Date. Adjustments and reversals to such fees will be made using the monthly ACH process described below or otherwise in accordance with instructions provided to the Seller by Freddie Mac.

<b>Fees drafted five Business Days after applicable Settlement Date</b>
Initial Credit Fees in Price
Buyup proceeds and buydown fees
Buyup and buydown adjustments
Gold Rush <sup>®</sup> fees and adjustments
Guarantor settlement interest

In the alternative, if the Seller is due a credit, Freddie Mac will deposit the credit amount to the designated ACH account within five Business Days of the Settlement Date.

Freddie Mac will provide the Seller with a courtesy e-mail notice to the address specified by the Seller approximately two Business Days before the ACH draft of the net amount of fees described in this Section 6303.2(a); however, the Seller remains responsible for ensuring that the Seller's ACH account maintains sufficient funds to cover any drafts by Freddie Mac (see below).

Freddie Mac recommends that a Seller designate one or more members of its organization as a courtesy e-mail recipient. To designate, add, modify or delete a recipient, send a written request to **Seller\_Billing@freddiemac.com**. The request must include the Seller/Servicer number with contact information (name, e-mail and phone number).

### **(b) Monthly ACH process**

Freddie Mac will draft the net amount of all other fees associated with the sale of Mortgages to Freddie Mac, such as payoff fees, Yield Maintenance Fees, any adjustments to Credit Fees in Price applicable to Mortgages sold under the Cash, Guarantor and MultiLender Swap programs and associated training fees from the Seller's ACH account monthly in accordance with this Section 6303.2(b).

In the alternative, if the Seller is due a credit, Freddie Mac will deposit the credit amount to the designated ACH account on the last Business Day of the month. If the monthly statement indicates a net amount due to Freddie Mac, Freddie Mac will draft the payment from the Seller's ACH account on the last Business Day of the month. The Seller's monthly account activity statement will reflect all ACH transactions completed during the statement period.

To establish ACH payment, the Seller must complete, execute and submit to Freddie Mac Form 1132, Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH) as either:

- A paper document, signed in pen and ink by an Authorized Employee, by regular mail or overnight delivery service in accordance with the mailing instructions contained in the Form 1132; or
- An Electronic Record (as defined in Section 1401.2) copy, using a Portable Document Format (PDF) (or other Electronic Record format commonly used in the mortgage industry), that has been completed and contains the copy or representation of the pen and ink signature of the Authorized Employee (such copy or representation of the Authorized Employee's signature shall be such Authorized Employee's adopted Electronic Signature as defined in Section 1401.2) attached to an e-mail and delivered to Freddie Mac at the following e-mail address: **cashcollections@freddiemac.com**.  
Freddie Mac and the Seller agree that the delivery of Electronic Records with Electronic Signatures are eligible Electronic Transactions (as defined in Section 1401.2) and are governed by the applicable provisions of Chapter 1401.

The employee authorized to execute Form 1132 on the Seller's behalf must be designated as an "Authorized Employee" on the Seller's Form 988SF, Certificate of Incumbency for a

Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, or Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable.

The account identified in Form 1132 for the payment of fees must be a Demand Deposit Account that is separate from any Custodial Account required to be maintained pursuant to any of the Purchase Documents.

The Seller agrees to notify Freddie Mac immediately at [Seller\\_Billing@freddiemac.com](mailto:Seller_Billing@freddiemac.com) of any changes to the status of the Seller's ACH account.

Except as set forth below with respect to the daily ACH process drafting, in the event that funds in the Seller's ACH account are insufficient to cover the statement amount, the Seller's ACH account is invalid, or if Freddie Mac is unable to draft from the Seller's ACH account for any reason, the statement will be subject to the late payment fees described in Section 6303.6. In that event, the Seller must remit the amount due in accordance with instructions provided by Freddie Mac.

Freddie Mac will not assess any late payment fee if funds in the Seller's ACH account are insufficient to cover the amount due from a daily ACH draft, or if Freddie Mac is unable to draft from the Seller's ACH account under the daily ACH process for any reason. If any Seller ACH account amount due to Freddie Mac remains outstanding on the due date of the Seller's monthly statement, the Seller will be assessed the late payment fees described in Section 6303.6 on such outstanding amount from and after that due date.

### **6303.3: Refunds, repayments, credits and adjustments of Credit Fees in Price (06/12/19)**

#### **(a) Refunding Credit Fees in Price and repayment of credits for Credit Fees in Price in connection with repurchases**

During the first 12 months after funding/settlement, Freddie Mac may refund to the Seller all or a portion of the Credit Fees in Price attributable to any Mortgage that:

- Freddie Mac deems ineligible for purchase
- The Seller is required to repurchase from Freddie Mac
- The Seller requests and is approved to repurchase voluntarily from Freddie Mac  
With respect to any Mortgage that is deemed ineligible for purchase or that the Seller is required to repurchase from Freddie Mac, the Seller must reimburse Freddie Mac for any credit for a Credit Fee in Price Freddie Mac has applied to the Seller's monthly invoice or the purchase price paid to the Seller for a Mortgage sold under the Cash program.

With respect to refunds of a Credit Fee in Price, Freddie Mac may deduct a processing fee from any refund amount. The processing fee will be equal to 0.5% of the UPB of the

Mortgage on the Funding/Settlement Date, except that in no event will the processing fee exceed the refund amount.

**(b) Recalculating Credit Fees in Price, credits for Credit Fees in Price and proceeds**

If, during the first six months after the month of funding/settlement, Freddie Mac or the Seller determines that for a particular Mortgage the Seller has not delivered the required data or the correct data to accurately calculate the Credit Fee in Price or funding fee, credit for the Credit Fee in Price or the amount of any proceeds paid by Freddie Mac for that Mortgage, Freddie Mac will recalculate the Credit Fee in Price or funding fee, credit for the Credit Fee in Price or the proceeds for the Mortgage using the correct data identified by Freddie Mac. In that event, the Seller may be assessed an additional Credit Fee in Price or may receive a refund of a Credit Fee in Price, may receive a credit for the Credit Fee in Price or be required to repay a Credit Fee in Price, may receive additional proceeds or be required to repay proceeds received from Freddie Mac. Adjustments to fees and proceeds will be included on a subsequent monthly invoice. Any other recalculation of Credit Fee in Price or funding fees, credits or proceeds will be at Freddie Mac's discretion.

## **6303.4: Fee for Purchase Contracts that exceed the Maximum Annual Mortgage Purchase Amount (04/24/17)**

If Freddie Mac has established a Maximum Annual Mortgage Purchase Amount with respect to the Seller, Freddie Mac may charge a reasonable fee based on the entire amount of any Purchase Contract that is rescinded pursuant to Section 1201.4(b). Freddie Mac will determine the amount of the fee at the time the fee is assessed. The Seller must remit to Freddie Mac the full amount of the fee in the same manner as the payment of **Credit Fees in Price** set forth in Section 6303.2.

## **6303.5: Recapture of premiums and reimbursement of buyup proceeds (06/12/19)**

For any Mortgage that is paid off (whether because of a refinance, a prepay or any other reason) within 120 days of the Freddie Mac Funding Date or Settlement Date, Freddie Mac may at its sole discretion require the Seller/Servicer to reimburse Freddie Mac for:

- With respect to a Mortgage delivery through the Cash program, any premium paid for the Mortgage calculated as the amount by which the purchase price exceeded the par price, multiplied by the outstanding UPB of the particular Mortgage on the Funding Date
- With respect to a Mortgage delivery through the Guarantor or MultiLender Swap program, any premium (expressed as a percentage) that was or would have been applicable to the Pool comprising the particular Mortgage, based on market conditions existing on the Settlement

Date of such Mortgage as determined by Freddie Mac, multiplied by the outstanding UPB of the particular Mortgage on the date of the pay off

- Any buyup proceeds paid by Freddie Mac to the Seller in connection with the delivery of a Mortgage through the Guarantor or MultiLender Swap program

The amount of any such premiums and/or buyup proceeds will appear on the Seller account activity statement described in Section 6303.1(e) and will be drafted from the Seller's Automated Clearing House Account (ACH) account in accordance with Section 6303.2.

## **6303.6: Late payment policy (06/03/19)**

Fees and remittances not paid or made when due will be subject to a late payment fee consisting of an interest reimbursement charge. The charge will be calculated on the amount due but unpaid as of the last day of the month in which the payment is due. Unless otherwise specified in the Guide for a specific unpaid fee or remittance, the rate of interest will equal the highest quoted prime rate on the last Business Day of the month in which the invoice is dated plus 3.000%. The prime rate is published in the "Money Rates" section or other comparable sections of *The Wall Street Journal*. If the prime rate is not published, Freddie Mac will determine the interest rate.

The late payment fee calculation is as follows: (amount paid late or past due) multiplied by (prime rate + 3.000%) divided by 365, multiplied by the number of days in the calendar month in which the invoice is due but unpaid.

Freddie Mac reserves the right to assess a late payment fee against any Seller/Serviceicer for failure to make timely payments or remit any fee or remittance required to be made under any of the Purchase Documents, whether or not such fee or remittance is invoiced by Freddie Mac, and regardless of the manner and method of any billing notification. The amount of any repurchase late fee will appear on the Seller account activity statement described in Section 6303.1(e) and will be drafted from the Seller's Automated Clearing House (ACH) account in accordance with Section 6303.2.

The interest reimbursement referred to above is in addition to any remedies Freddie Mac may have under the law or the Purchase Documents for violation of the Seller/Serviceicer's obligation to make timely payments. In addition to such remedies, Freddie Mac reserves the right, in its sole discretion, to:

- Require payment before the Funding Date rather than as permitted under other provisions of the Purchase Documents
- Postpone any proposed Settlement Date for any Pools when the Seller/Serviceicer has fees that remain due and unpaid five Business Days before the proposed Settlement Date

Freddie Mac reserves the right, at any time and in its sole discretion, to change the late payment fee structure, including, but not limited to, changing the rate of interest assessed, changing the method of calculating the interest reimbursement or imposing a minimum interest reimbursement or a penalty amount, or both.

Freddie Mac, from time to time and upon giving 30 days' written notice, may modify the terms and procedures for crediting and payment of proceeds by Freddie Mac, or payment of fees and remittances by the Seller/Servicer.

Freddie Mac also reserves the right, in its sole discretion, to require payment of fees and remittances before the Settlement Date rather than as permitted under other provisions of the Purchase Documents for reasons other than the breach of Seller/Servicer's obligation to make timely payment. In such case, proceeds and credits, and fees and remittances will be paid in accordance with the procedures specified by Freddie Mac at the time such determination is made.

# Chapter 7101: Transfers of Servicing and Intra-Servicer Portfolio Moves

## 7101.1: Transfers of Servicing overview (08/13/18)

Freddie Mac's requirements for Transfers of Servicing are set forth in this chapter.

Subject to obtaining Freddie Mac's written approval, a Transfer of Servicing can result from either:

- A negotiation between the Transferor Servicer and the Transferee Servicer; or
- Certain changes in ownership of a Seller/Servicer that result in a conveyance or other transfer, in effect, of the Servicing Contract Rights. The Seller/Servicer is responsible for:
  - Determining when a Transfer of Servicing will occur due to an organizational change
  - Submitting the appropriate request specified in Section 7101.2
  - Complying with other requirements in this Guide, as applicable

See also Section 8105.2 regarding Servicing compensation to a new Servicer pursuant to a Transfer of Servicing initiated by Freddie Mac.

## 7101.2: Submitting requests for Transfers of Servicing and Intra-Servicer Portfolio Moves (06/12/19)

The Transferor Servicer and Transferee Servicer must obtain Freddie Mac's written approval of each Transfer of Servicing request before the transfer takes place. In the event the Transferee Servicer is going to establish a subservicing arrangement with a new Servicing Agent, the Transferee Servicer and its proposed Servicing Agent must comply with the requirements of Chapter 8101, including submitting a complete and fully-executed Form 479A, Single-Family Servicing Agent Certification and Agreement.

Freddie Mac's prior written approval is required, regardless of whether the Transfer of Servicing is initiated or requested by a Servicer or any other party, such as a conservator, receiver or liquidator of the Servicer.



On or before the Effective Date of Transfer, the Transferor Servicer must provide to the Transferee Servicer copies of:

- All of the Transferor Servicer's Purchase Documents applicable to the Transfer of Servicing (excluding any Credit Fees in Yield and Credit Fees in Price); and
- All of the Purchase Documents of any preceding Transferor Servicer that are applicable to the Transfer of Servicing (excluding any Credit Fees in Yield and Credit Fees in Price)

For Transfers of Servicing with an Effective Date of Transfer prior to April 11, 2018, Transferor Servicers must provide such Purchase Documents to a Transferee Servicer upon such Servicer's written request.

#### **(a) Concurrent Transfers of Servicing**

For a Concurrent Transfer of Servicing, the Transferor Servicer must obtain Freddie Mac's approval of the Transfer of Servicing before entering into Pricing Identifier Terms or other Purchase Contracts to sell the Mortgages to Freddie Mac. Freddie Mac will monitor the financial condition and performance of the Transferor Servicer (Seller) and the Transferee Servicer and may, in its discretion, rescind or suspend approval of the Concurrent Transfer of Servicing.

The Transferor Servicer and Transferee Servicer must complete Form 960, Agreement for Concurrent Transfer of Servicing of Single-Family Mortgages. A separate Form 960 is required for each Transferee Servicer. The fully executed Form 960 must be submitted to Freddie Mac (**see Directory 3**).

Freddie Mac will indicate approval, if appropriate, by executing and returning a copy of Form 960 to the Transferor Servicer and Transferee Servicer. Freddie Mac's approval of the transfer is effective for Mortgages delivered on or after the date Freddie Mac executes Form 960. The Form 960 will expire on the expiration date the Transferor Servicer enters on Form 960. If no expiration date is entered, the Form 960 will remain in effect until either Freddie Mac, the Transferor Servicer, or the Transferee Servicer terminate the Form 960.

The Transferor Servicer or Transferee Servicer may terminate the Form 960 by first providing notice to the other (Transferor Servicer or Transferee Servicer as applicable) and then provide written notice to Freddie Mac (**see Directory 3**) at least 5 Business Days prior to the requested termination date.

In instances where a Transferor Servicer submits multiple Concurrent Transfer of Servicing requests, Freddie Mac's approval does not constitute approval to exceed the amount of the Transferor Servicer's applicable Commitment Amount.

Freddie Mac will provide to the Transferee Servicer a funding detail report, which may be shared with the Transferee Servicer to aid it in preparing Servicing and accounting reports.

A Seller/Transferor Servicer may select only one Transferee Servicer for a given Purchase Contract.

The requirements for a Concurrent Transfer of Servicing of Mortgages sold to Freddie Mac through Cash-Released XChange<sup>SM</sup> are contained in Exhibit 28A, Loan Servicing Purchase and Sale Agreement for Cash-Released XChange<sup>SM</sup>. All other Concurrent Transfers of Servicing must follow the requirements in this chapter.

## **(b) Subsequent Transfers of Servicing**

### **(i) Process**

At least 45 days but not more than 60 days before the requested Effective Date of Transfer for a Subsequent Transfer of Servicing, the Transferor Servicer must log into the Freddie Mac Service Loans application, go to the “Manage Portfolio” tab and select “Create a new STOS” request. The Transferor Servicer must complete all fields and respond to all questions designated to be completed by the Transferor Servicer, including selecting the Transferee Servicer. In addition, at least 45 days but not more than 60 days before the requested Effective Date of Transfer, the Transferor Servicer must submit the list of the Mortgages that are related to the Transfer of Servicing (the “Proposed Mortgage List”) through the Service Loans application.

Freddie Mac will notify the prospective Transferee Servicer of the requested Transfer of Servicing by e-mail using the e-mail address supplied by the Transferor Servicer in the Service Loans application. The Transferee Servicer must log into the Service Loans application, go to the “Manage Portfolio” tab and select the Transfer of Servicing transaction that was proposed by the Transferor Servicer. The Transferee Servicer must complete all fields designated to be completed by the Transferee Servicer for the proposed Transfer of Servicing.

Freddie Mac will provide the Transferor Servicer and Transferee Servicer with additional data related to the Proposed Mortgage List and populate the responses to certain questions based on data in Freddie Mac systems that was previously supplied to Freddie Mac (e.g., by the Seller, prior Servicer, or the Transferor Servicer). The Transferor Servicer must validate the accuracy and completeness of all data, the responses to all the questions, and the content of the Proposed Mortgage List.

Once all required fields are completed by both the Transferor Servicer and the Transferee Servicer and the Proposed Mortgage List is submitted, the Service Loans application will provide the Transferor Servicer and Transferee Servicer

the opportunity to review an electronic Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages (“STOS Agreement”), which must be electronically signed by both Servicers, at least 45 days but not more than 60 days before the requested Effective Date of Transfer.

The Transferor Servicer will have the capability to add or remove Mortgages from the Proposed Mortgage List and revalidate the responses to the various questions to ensure they remain accurate in light of the added or removed Mortgages up to eight days prior to the Effective Date of Transfer. In addition, Freddie Mac may require the Transferor Servicer to make changes to the Proposed Mortgage List. The Transferor Servicer and Transferee Servicer must agree on the final list of Mortgages related to the Transfer of Servicing prior to the Effective Date of Transfer (“Final Mortgage List”) and, in the event there were changes to the Proposed Mortgage List, the Servicers must electronically execute a new STOS Agreement related to the Final Mortgage List no later than eight days prior to the Effective Date of Transfer.

If there are no changes to the Proposed Mortgage List, then such list is the Final Mortgage List and the Servicers are not required to electronically execute a new STOS Agreement.

The Servicing Contract Rights related to any Mortgage with the following characteristics as of the day prior to the Effective Date of Transfer are not subject to any Transfer of Servicing notwithstanding the inclusion of such Mortgage’s loan number on the Final Mortgage List:

- Any Mortgage that has been paid off, and
- Any Mortgage that is a guaranteed or insured by the FHA or VA and has a scheduled foreclosure sale date

## **(ii) Approval and execution**

Upon Freddie Mac’s approval of the Transfer of Servicing, Freddie Mac will notify the Transferor Servicer and Transferee Servicer of Freddie Mac’s approval in writing and the Service Loans application status for the proposed Transfer of Servicing will change to an “approved” status. Freddie Mac reserves the right to withdraw its approval of the Transfer of Servicing at any time prior to the Effective Date of Transfer in the event the Servicer makes any changes to the Proposed Mortgage List, other than removal of Mortgages, or there is an intervening event that impacts the continuing eligibility of either Servicer to engage in the Transfer of Servicing (e.g., bankruptcy, regulatory prohibition, etc.). Provided Freddie Mac does not withdraw its approval, on or before the Effective Date of Transfer, Freddie Mac will electronically sign the STOS Agreement acknowledging its earlier approval for the Servicers to proceed with the Transfer of Servicing on the Effective Date of Transfer.

The Effective Date of Transfer must be the first day of the month.

Prior to its electronic execution of the STOS Agreement, the Transferor Servicer must provide to the Transferee Servicer any and all data related to each Mortgage set forth in the Final Mortgage List, including the underlying data related to each such Mortgage for those questions that the Transferor Servicer answered and/or validated “yes” as the appropriate response in the Service Loans application. Specifically, the Transferor Servicer must inform the Transferee Servicer of each REO related to the Transfer of Servicing and, with respect to each Mortgage related to the Transfer of Servicing, specify by Freddie Mac loan number whether the Mortgage:

1. Has lender-purchased mortgage insurance and the terms of such insurance
2. Is subject to a credit enhancement and the type of such enhancement, if any
3. Is subject to a Trial Period Plan or mortgage modification and type of program for each (e.g., Home Affordable Modification Program<sup>SM</sup> (HAMP<sup>®</sup>), Freddie Mac Standard Modification, Freddie Mac Streamlined Modification, Freddie Mac Flex Modification<sup>®</sup>, etc.)
4. Is or may become a Senior Subordinate Mortgage and in this instance, advise the Transferee Servicer of the Servicing Requirements set forth in Chapter 8601
5. Has any of the following characteristics and provide the data related to such characteristic:
  - Step-rate
  - Actual/actual remitting obligation
  - Partial principal forbearance
  - Originated pursuant to an affordable housing initiative
  - Secured by a Manufactured Home
  - Transfer of Servicing is restricted under a negotiated term of business
  - Payment cap or option ARMs, or
  - Biweekly payments
6. Has a specific remittance option, and the type of remittance option

7. Has a repurchase or remedy demand in any status; and/or
8. Has a note that is an eNote or was modified electronically pursuant to Freddie Mac's HAMP electronic modification requirements and in this case, name the repository holding such eNote or Electronic modification agreement. (The word "Electronic" in this instance has the meaning set forth in Section 1401.2 and the word "eNote" has the meaning set forth in Section 1402.2.)

Prior to electronically executing the STOS Agreement, the Transferee Servicer must conduct due diligence on each Mortgage to be transferred to ensure that it has received all relevant data pertaining to each Mortgage and, based on that information, determine that it has the operational capacity and capability to service each such Mortgage.

### **(iii) Electronic Signature Process**

Servicers engaging in a Subsequent Transfer of Servicing must comply with the Service Loans application electronic signature process.

A Servicer's completion of all required fields, validation of the answers to all questions set forth in the Service Loans application related to the Final Mortgage List, and the Servicer's electronic execution and submission of the STOS Agreement in accordance with this chapter and any additional requirements set forth in the Service Loans application or the **Service Loans User Guide**, is an Eligible Electronic Transaction as defined in Section 1401.2. In addition, the fully executed STOS Agreement is a Purchase Document. Each Servicer engaging in a Subsequent Transfer of Servicing must electronically sign the STOS Agreement and submit it to Freddie Mac via the Service Loans application as an Electronic Record with its respective duly authorized employees' Electronic Signatures attached to or logically associated with such Electronic Record.

Freddie Mac will acknowledge its approval, if granted, by electronically signing the STOS Agreement in the Service Loans application and will notify both the Transferor Servicer and the Transferee Servicer of such approval and the availability of the fully-executed STOS Agreement in the Service Loans application. The Transferor Servicer and the Transferee Servicer each must download and retain the fully-executed STOS Agreement and Final Mortgage List in their respective Servicing systems.

### **(c) Denied Transfer of Servicing requests**

Freddie Mac reserves the right to deny a Transfer of Servicing request. Freddie Mac may provide the Transferor Servicer written notice of the denial, but is not obligated to provide a written notice explaining the reason for denial.

## **(d) Freddie Mac's rights**

### **(i) Unauthorized Transfer of Servicing**

Any unauthorized assignment and assumption of Servicing constitutes grounds for suspension or disqualification of both the unauthorized Transferor Servicer and purported Transferee Servicer as Seller/Serviceicers. In addition, Freddie Mac may exercise any of its other rights under the Purchase Documents.

An unauthorized Servicer's assignment and/or sale of any or all of its Servicing Contract Rights without Freddie Mac's prior written approval will result in the assessment of a compensatory fee determined by Freddie Mac not to exceed 1% of Freddie Mac's share of the UPB of the Mortgages that were related to the unauthorized Transfer of Servicing. The imposition of this compensatory fee does not limit Freddie Mac's rights to exercise any of its other rights under the Purchase Documents including, but not limited to, suspension or disqualification of both the unauthorized Transferor Servicer and purported Transferee Servicer as Seller/Serviceicers. If an unauthorized assignment and/or sale of Servicing Contract Rights occurs, the unauthorized Transferor Servicer and purported Transferee Servicer are jointly and severally liable to Freddie Mac with respect to any losses, costs and damages (including, but not limited to, attorney fees and related court and legal costs) incurred by Freddie Mac arising out of or related to the unauthorized assignment and/or sale of Servicing Contract Rights.

### **(ii) Post-transfer reviews**

Freddie Mac may perform a post-transfer review of any approved Transfer of Servicing, which may include onsite visits, to determine whether the Transferor Servicer and Transferee Servicer complied with the requirements of the Guide and applicable Purchase Documents.

Freddie Mac may also request the Servicer to perform a post-transfer review and provide documentation of such review.

## **(e) Intra-Servicer Portfolio Move Request for Servicing of Single-Family Mortgages**

Certain Serviceicers have been allocated two or more Seller/Serviceicer numbers with respect to specific Mortgages that they service for Freddie Mac. If a Serviceicer wishes to consolidate or reallocate the loan numbers attributable to one of its Seller/Serviceicer numbers to another of its Seller/Serviceicer numbers (the "New Seller/Serviceicer Number") (an "Intra-Servicer Portfolio Move"), the Serviceicer must submit an Intra-Servicer Portfolio Move Request for Servicing of Single-Family Mortgages and a list of such Mortgages via the Service Loans application, and obtain Freddie Mac's prior approval by undertaking the following steps:

- At least 45 days, but not more than 120 days, prior to the requested effective date of change, the Servicer must log into Service Loans application, go to the “Manage Portfolio” tab, select “Create New Request” and then and select “Intra-Servicer Portfolio Move Request”
- Complete all questions designated to be completed by the Servicer
- Submit the list of Mortgages related to the change in Seller/Servicer number
- Sign the Intra-Servicer Portfolio Move Request to acknowledge the terms and conditions associated with the change in Seller/Servicer number

Upon receipt of the Intra-Servicer Portfolio Move Request and the list of related Mortgages, Freddie Mac will review the list to ensure that the Servicing of such Mortgages may be reallocated to the New Seller/Servicer Number. Upon Freddie Mac’s approval, the Seller/Servicer number associated with the Mortgages will change in Freddie Mac’s systems as of the requested effective date of change and the Servicer must make corresponding changes in its systems as of the same date. An approved Intra-Servicer Portfolio Move does not result in any change to the rights, liabilities and obligations the Servicer owes towards Freddie Mac under the Purchase Documents.

Once the Servicer receives Freddie Mac’s approval, the Servicer must inform its Document Custodian of the New Seller/Servicer Number.

Servicers must also ensure that Principal and Interest Payments and Escrow Funds received from Mortgages included in the Intra-Servicer Portfolio Move Request are deposited in the Custodial Account associated with the New Seller/Servicer Number. See Section 8302.1 for more information.

## **7101.2: Submitting requests for Transfers of Servicing and Intra-Servicer Portfolio Moves (Future effective date 12/09/19)**

The Transferor Servicer and Transferee Servicer must obtain Freddie Mac’s written approval of each Transfer of Servicing request before the transfer takes place. In the event the Transferee Servicer is going to establish a subservicing arrangement with a new Servicing Agent, the Transferee Servicer and its proposed Servicing Agent must comply with the requirements of Chapter 8101, including submitting a complete and fully-executed Form 479A, Single-Family Servicing Agent Certification and Agreement.

Freddie Mac’s prior written approval is required, regardless of whether the Transfer of Servicing is initiated or requested by a Servicer or any other party, such as a conservator, receiver or liquidator of the Servicer.

On or before the Effective Date of Transfer, the Transferor Servicer must provide to the Transferee Servicer copies of:

- All of the Transferor Servicer's Purchase Documents applicable to the Transfer of Servicing (excluding any Credit Fees in Yield and Credit Fees in Price); and
- All of the Purchase Documents of any preceding Transferor Servicer that are applicable to the Transfer of Servicing (excluding any Credit Fees in Yield and Credit Fees in Price)

For Transfers of Servicing with an Effective Date of Transfer prior to April 11, 2018, Transferor Servicers must provide such Purchase Documents to a Transferee Servicer upon such Servicer's written request.

#### **(a) Concurrent Transfers of Servicing**

For a Concurrent Transfer of Servicing, the Transferor Servicer must obtain Freddie Mac's approval of the Transfer of Servicing before entering into Pricing Identifier Terms or other Purchase Contracts to sell the Mortgages to Freddie Mac. Freddie Mac will monitor the financial condition and performance of the Transferor Servicer (Seller) and the Transferee Servicer and may, in its discretion, rescind or suspend approval of the Concurrent Transfer of Servicing.

The Transferor Servicer and Transferee Servicer must complete Form 960, Agreement for Concurrent Transfer of Servicing of Single-Family Mortgages. A separate Form 960 is required for each Transferee Servicer. The fully executed Form 960 must be submitted to Freddie Mac (**see Directory 3**).

Freddie Mac will indicate approval, if appropriate, by executing and returning a copy of Form 960 to the Transferor Servicer and Transferee Servicer. Freddie Mac's approval of the transfer is effective for Mortgages delivered on or after the date Freddie Mac executes Form 960. The Form 960 will expire on the expiration date the Transferor Servicer enters on Form 960. If no expiration date is entered, the Form 960 will remain in effect until either Freddie Mac, the Transferor Servicer, or the Transferee Servicer terminate the Form 960.

The Transferor Servicer or Transferee Servicer may terminate the Form 960 by first providing notice to the other (Transferor Servicer or Transferee Servicer as applicable) and then provide written notice to Freddie Mac (**see Directory 3**) at least 5 Business Days prior to the requested termination date.

In instances where a Transferor Servicer submits multiple Concurrent Transfer of Servicing requests, Freddie Mac's approval does not constitute approval to exceed the amount of the Transferor Servicer's applicable Commitment Amount.



Freddie Mac will provide to the Transferee Servicer a funding detail report, which may be shared with the Transferee Servicer to aid it in preparing Servicing and accounting reports.

A Seller/Transferor Servicer may select only one Transferee Servicer for a given Purchase Contract.

The requirements for a Concurrent Transfer of Servicing of Mortgages sold to Freddie Mac through Cash-Released XChange<sup>SM</sup> are contained in Exhibit 28A, Loan Servicing Purchase and Sale Agreement for Cash-Released XChange<sup>SM</sup>. All other Concurrent Transfers of Servicing must follow the requirements in this chapter.

## **(b) Subsequent Transfers of Servicing**

### **(i) Process**

At least 45 days but not more than 60 days before the requested Effective Date of Transfer for a Subsequent Transfer of Servicing, the Transferor Servicer must [access the Servicing Transfer Manager tool available via the Servicing Gateway \(see Exhibit 88, Servicing Tools\)](#), go to the “Manage Portfolio” tab and select “Create a new STOS” request. The Transferor Servicer must complete all fields and respond to all questions designated to be completed by the Transferor Servicer, including selecting the Transferee Servicer. In addition, at least 45 days but not more than 60 days before the requested Effective Date of Transfer, the Transferor Servicer must submit the list of the Mortgages that are related to the Transfer of Servicing (the “Proposed Mortgage List”) through [Servicing Transfer Manager](#).

Freddie Mac will notify the prospective Transferee Servicer of the requested Transfer of Servicing by e-mail using the e-mail address supplied by the Transferor Servicer in [Servicing Transfer Manager](#). The Transferee Servicer must log into [Servicing Transfer Manager](#), go to the “Manage Portfolio” tab and select the Transfer of Servicing transaction that was proposed by the Transferor Servicer. The Transferee Servicer must complete all fields designated to be completed by the Transferee Servicer for the proposed Transfer of Servicing.

Freddie Mac will provide the Transferor Servicer and Transferee Servicer with additional data related to the Proposed Mortgage List and populate the responses to certain questions based on data in Freddie Mac systems that was previously supplied to Freddie Mac (e.g., by the Seller, prior Servicer, or the Transferor Servicer). The Transferor Servicer must validate the accuracy and completeness of all data, the responses to all the questions, and the content of the Proposed Mortgage List.

Once all required fields are completed by both the Transferor Servicer and the Transferee Servicer and the Proposed Mortgage List is submitted, [Servicing](#)

**Transfer Manager** will provide the Transferor Servicer and Transferee Servicer the opportunity to review an Electronic Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages (“STOS Agreement”), which must be electronically signed by both Servicers, at least 45 days but not more than 60 days before the requested Effective Date of Transfer.

The Transferor Servicer will have the capability to add or remove Mortgages from the Proposed Mortgage List and revalidate the responses to the various questions to ensure they remain accurate in light of the added or removed Mortgages up to eight days prior to the Effective Date of Transfer. In addition, Freddie Mac may require the Transferor Servicer to make changes to the Proposed Mortgage List. The Transferor Servicer and Transferee Servicer must agree on the final list of Mortgages related to the Transfer of Servicing prior to the Effective Date of Transfer (“Final Mortgage List”) and, in the event there were changes to the Proposed Mortgage List, the Servicers must electronically execute a new STOS Agreement related to the Final Mortgage List no later than eight days prior to the Effective Date of Transfer.

If there are no changes to the Proposed Mortgage List, then such list is the Final Mortgage List and the Servicers are not required to electronically execute a new STOS Agreement.

The Servicing Contract Rights related to any Mortgage with the following characteristics as of the day prior to the Effective Date of Transfer are not subject to any Transfer of Servicing notwithstanding the inclusion of such Mortgage’s loan number on the Final Mortgage List:

- Any Mortgage that has been paid off, and
- Any Mortgage that is a guaranteed or insured by the FHA or VA and has a scheduled foreclosure sale date

## **(ii) Approval and execution**

Upon Freddie Mac’s approval of the Transfer of Servicing, Freddie Mac will notify the Transferor Servicer and Transferee Servicer of Freddie Mac’s approval in writing and the **Servicing Transfer Manager** status for the proposed Transfer of Servicing will change to an “approved” status. Freddie Mac reserves the right to withdraw its approval of the Transfer of Servicing at any time prior to the Effective Date of Transfer in the event the Servicer makes any changes to the Proposed Mortgage List, other than removal of Mortgages, or there is an intervening event that impacts the continuing eligibility of either Servicer to engage in the Transfer of Servicing (e.g., bankruptcy, regulatory prohibition, etc.). Provided Freddie Mac does not withdraw its approval, on or before the Effective Date of Transfer, Freddie Mac will electronically sign the STOS Agreement

acknowledging its earlier approval for the Servicers to proceed with the Transfer of Servicing on the Effective Date of Transfer.

The Effective Date of Transfer must be the first day of the month.

Prior to its Electronic execution of the STOS Agreement, the Transferor Servicer must provide to the Transferee Servicer any and all data related to each Mortgage set forth in the Final Mortgage List, including the underlying data related to each such Mortgage for those questions that the Transferor Servicer answered and/or validated “yes” as the appropriate response in **Servicing Transfer Manager**. Specifically, the Transferor Servicer must inform the Transferee Servicer of each REO related to the Transfer of Servicing and, with respect to each Mortgage related to the Transfer of Servicing, specify by Freddie Mac loan number whether the Mortgage:

1. Has lender-purchased mortgage insurance and the terms of such insurance
2. Is subject to a credit enhancement and the type of such enhancement, if any
3. Is subject to a Trial Period Plan or mortgage modification and type of program for each (e.g., Home Affordable Modification Program<sup>SM</sup> (HAMP<sup>®</sup>), Freddie Mac Standard Modification, Freddie Mac Streamlined Modification, Freddie Mac Flex Modification<sup>®</sup>, etc.)
4. Is or may become a Senior Subordinate Mortgage and in this instance, advise the Transferee Servicer of the Servicing Requirements set forth in Chapter 8601
5. Has any of the following characteristics and provide the data related to such characteristic:
  - Step-rate
  - Actual/actual remitting obligation
  - Partial principal forbearance
  - Originated pursuant to an affordable housing initiative
  - Secured by a Manufactured Home
  - Transfer of Servicing is restricted under a negotiated term of business
  - Payment cap or option ARMs, or
  - Biweekly payments

6. Has a specific remittance option, and the type of remittance option
7. Has a repurchase or remedy demand in any status; and/or
8. Has a note that is an eNote or **has an eModification Agreement** and, in this case, names the repository holding such eNote or **eModification Agreement**.

Prior to electronically executing the STOS Agreement, the Transferee Servicer must conduct due diligence on each Mortgage to be transferred to ensure that it has received all relevant data pertaining to each Mortgage and, based on that information, determine that it has the operational capacity and capability to service each such Mortgage.

### **(iii) Electronic Signature Process**

Servicers engaging in a Subsequent Transfer of Servicing must comply with the **Servicing Transfer Manager** Electronic signature process.

A Servicer's completion of all required fields, validation of the answers to all questions set forth in **Servicing Transfer Manager** related to the Final Mortgage List, and the Servicer's electronic execution and submission of the STOS Agreement in accordance with this chapter and any additional requirements set forth in **Servicing Transfer Manager** or the **Servicing Transfer Manager User Guide**, is an Eligible Electronic Transaction as defined. In addition, the fully executed STOS Agreement is a Purchase Document. Each Servicer engaging in a Subsequent Transfer of Servicing must electronically sign the STOS Agreement and submit it to Freddie Mac via **Servicing Transfer Manager** as an Electronic Record with its respective duly authorized employees' Electronic Signatures attached to or logically associated with such Electronic Record.

Freddie Mac will acknowledge its approval, if granted, by electronically signing the STOS Agreement in **Servicing Transfer Manager** and will notify both the Transferor Servicer and the Transferee Servicer of such approval and the availability of the fully-executed STOS Agreement in **Servicing Transfer Manager**. The Transferor Servicer and the Transferee Servicer each must download and retain the fully-executed STOS Agreement and Final Mortgage List in their respective Servicing systems.

For purposes of this Section 7101.2(b) the following terms are defined as follows:

- **Electronic** has the meaning set forth in Section 1401.2
- **Electronic Record** has the meaning set forth in Section 1401.2
- **Electronic Signature** has the meaning set forth in Section 1401.2

- **eNote** has the meaning set forth in Section 1402.2
- **eModification Agreement** has the meanings set forth in Sections 1401.2 and 1402.2
- **Eligible Electronic Transaction** has the meaning set forth in Section 1401.2

**(c) Denied Transfer of Servicing requests**

Freddie Mac reserves the right to deny a Transfer of Servicing request. Freddie Mac may provide the Transferor Servicer written notice of the denial, but is not obligated to provide a written notice explaining the reason for denial.

**(d) Freddie Mac's rights**

**(i) Unauthorized Transfer of Servicing**

Any unauthorized assignment and assumption of Servicing constitutes grounds for suspension or disqualification of both the unauthorized Transferor Servicer and purported Transferee Servicer as Seller/Serviceicers. In addition, Freddie Mac may exercise any of its other rights under the Purchase Documents.

An unauthorized Servicer's assignment and/or sale of any or all of its Servicing Contract Rights without Freddie Mac's prior written approval will result in the assessment of a compensatory fee determined by Freddie Mac not to exceed 1% of Freddie Mac's share of the UPB of the Mortgages that were related to the unauthorized Transfer of Servicing. The imposition of this compensatory fee does not limit Freddie Mac's rights to exercise any of its other rights under the Purchase Documents including, but not limited to, suspension or disqualification of both the unauthorized Transferor Servicer and purported Transferee Servicer as Seller/Serviceicers. If an unauthorized assignment and/or sale of Servicing Contract Rights occurs, the unauthorized Transferor Servicer and purported Transferee Servicer are jointly and severally liable to Freddie Mac with respect to any losses, costs and damages (including, but not limited to, attorney fees and related court and legal costs) incurred by Freddie Mac arising out of or related to the unauthorized assignment and/or sale of Servicing Contract Rights.

**(ii) Post-transfer reviews**

Freddie Mac may perform a post-transfer review of any approved Transfer of Servicing, which may include onsite visits, to determine whether the Transferor Servicer and Transferee Servicer complied with the requirements of the Guide and applicable Purchase Documents.

Freddie Mac may also request the Servicer to perform a post-transfer review and provide documentation of such review.

**(e) Intra-Servicer Portfolio Move Request for Servicing of Single-Family Mortgages**

Certain Servicers have been allocated two or more Seller/Servicer numbers with respect to specific Mortgages that they service for Freddie Mac. If a Servicer wishes to consolidate or reallocate the loan numbers attributable to one of its Seller/Servicer numbers to another of its Seller/Servicer numbers (the “New Seller/Servicer Number”) (an “Intra-Servicer Portfolio Move”), the Servicer must submit an Intra-Servicer Portfolio Move Request for Servicing of Single-Family Mortgages and a list of such Mortgages via [Servicing Transfer Manager](#), and obtain Freddie Mac’s prior approval by undertaking the following steps:

- At least 45 days, but not more than 120 days, prior to the requested effective date of change, the Servicer must log into [Servicing Transfer Manager](#), go to the “Manage Portfolio” tab, select “Create New Request” and then and select “Intra-Servicer Portfolio Move Request”
- Complete all questions designated to be completed by the Servicer
- Submit the list of Mortgages related to the change in Seller/Servicer number
- Sign the Intra-Servicer Portfolio Move Request to acknowledge the terms and conditions associated with the change in Seller/Servicer number

Upon receipt of the Intra-Servicer Portfolio Move Request and the list of related Mortgages, Freddie Mac will review the list to ensure that the Servicing of such Mortgages may be reallocated to the New Seller/Servicer Number. Upon Freddie Mac’s approval, the Seller/Servicer number associated with the Mortgages will change in Freddie Mac’s systems as of the requested effective date of change and the Servicer must make corresponding changes in its systems as of the same date. An approved Intra-Servicer Portfolio Move does not result in any change to the rights, liabilities and obligations the Servicer owes towards Freddie Mac under the Purchase Documents.

Once the Servicer receives Freddie Mac’s approval, the Servicer must inform its Document Custodian of the New Seller/Servicer Number.

Servicers must also ensure that Principal and Interest Payments and Escrow Funds received from Mortgages included in the Intra-Servicer Portfolio Move Request are deposited in the Custodial Account associated with the New Seller/Servicer Number. See Section 8302.1 for more information.

## 7101.3: Review of Transferor Servicer and Transferee Servicer (08/13/18)

### (a) Freddie Mac review

- (i) Freddie Mac will work with the Transferor Servicer and Transferee Servicer to approve a Transfer of Servicing, but reserves the right to approve with conditions. Freddie Mac is not obligated to approve a Transfer of Servicing. Freddie Mac will not approve a **proposed** Transfer of Servicing if Freddie Mac, in the exercise of its judgment and in its sole discretion, determines that such a transfer is not in the best interests of Freddie Mac or determines that the Transferor Servicer or Transferee Servicer will not be able to adequately service the Mortgages and/or REO **subject to, or otherwise meet their respective obligations under, their respective Servicing Contracts.**
- (ii) The Transferor Servicer and Transferee Servicer must be approved Seller/Servicers and must be in compliance with all the requirements of the Purchase Documents. When reviewing a Transfer of Servicing request, Freddie Mac will review both the Transferor Servicer and the Transferee Servicer. Transferor Servicers and Transferee Servicers must not be subject to any situations prohibited under Section 2301.2 unless approved by Freddie Mac. The review will focus on, but not be limited to, financial capacity to honor contractual obligations, existence of any outstanding obligations (such as repurchases), delinquency and REO ratios, delinquency reporting and the Transferee Servicer's and Transferor Servicer's performance results on their **respective** Servicer Success Scorecards.

Freddie Mac's review of the Transfer of Servicing request may take additional time if either the Transferor Servicer or Transferee Servicer is subject to any situations prohibited under Section 2301.2, or the Purchase Documents reflect negotiated terms, including the sale of Mortgages to Freddie Mac with recourse.

### (b) Transferor Servicer review

The Transferor Servicer must participate with the Transferee Servicer with respect to the Transferee Servicer's due diligence review on the Mortgages **related to the Transfer of Servicing**, Custodial Accounts, obligations under the Purchase Documents and any alternative to foreclosure and provide to the Transferee Servicer any missing data, documents or other information necessary for the Transferee Servicer to perform its obligations under the Guide, applicable Purchase Documents, and in accordance with the terms of the Mortgage and applicable alternatives to foreclosure.

The Transferor Servicer should consider adopting the best practices set forth in the *Servicing Transfer Best Practices* document published at



[http://www.freddiemac.com/singlefamily/pdf/tos\\_best\\_practices.pdf](http://www.freddiemac.com/singlefamily/pdf/tos_best_practices.pdf). Upon request, the Transferor Servicer must provide to Freddie Mac the post-transfer review results.

**(c) Transferee Servicer review**

The Transferee Servicer must perform a due diligence review on the Mortgages **related to the Transfer of Servicing** and on Custodial Accounts, and to be aware of any obligations of the Transferor Servicer under the Purchase Documents and any alternative to foreclosure, whether offered and outstanding or currently in place with a Borrower. The Transferee Servicer's due diligence efforts should include, but are not limited to, a review of the following information that the Transferor Servicer may provide:

1. Reports and data that confirm and support information provided by the Transferor Servicer
2. Pertinent reports prepared by internal or external auditors, including any recently completed Freddie Mac audit

The Transferee Servicer should consider adopting the best practices set forth in the *Servicing Transfer Best Practices* document published at [www.freddiemac.com/singlefamily/pdf/tos\\_best\\_practices.pdf](http://www.freddiemac.com/singlefamily/pdf/tos_best_practices.pdf). Upon request, the Transferee Servicer must provide to Freddie Mac the post-transfer review results.

The Transferor Servicer may not provide a copy of its Servicer Success Scorecard to the Transferee Servicer without Freddie Mac's prior written approval.

## **7101.4: Additional conditions for Transfers of Servicing (06/19/19)**

The Transferor Servicer and Transferee Servicer each represent and warrant to Freddie Mac that each has met the additional requirements in this section with respect to the Mortgages related to the Transfer of Servicing and each agree and acknowledge that Freddie Mac's approval of a Transfer of Servicing is conditioned upon such representation and warranty.

**(a) Mortgage insurance coverage**

The Transfer of Servicing must comply with the requirements of each MI that insures any of the Mortgages. Before the Effective Date of Transfer, the Transferor Servicer must obtain a commitment from each MI to continue to provide coverage required by Freddie Mac for the benefit of the Transferee Servicer. If any MI will not continue to



provide coverage for the benefit of the Transferee Servicer, the Transferor Servicer must obtain a written commitment by another MI to provide equivalent coverage.

**(b) Prohibited Transfer of Servicing**

The Mortgages related to the Transfer of Servicing must:

- Not be subject to a Purchase Document (e.g., negotiated term of business) that prohibits Transfers of Servicing
- Not be subject to any outstanding requirements that must be met by the Transferor Servicer prior to the Effective Date of Transfer. **This includes, but is not limited to, Transfers of Servicing involving:**
  - GreenCHOICE Mortgages<sup>SM</sup> where energy and/or water efficiency improvements are **not yet** completed. (See Section 4606.7 regarding Transfers of Servicing involving GreenCHOICE Mortgages.)
  - **CHOICERenovation Mortgages<sup>SM</sup> where repairs and/or improvements to the Mortgaged Premises (the “renovations”) are not yet completed. (See Section 4607.18 regarding Transfers of Servicing involving CHOICERenovation Mortgages.)**
- For Community Land Trust Mortgages, be serviced by an authorized Servicer pursuant to Section 8701.1(b) or its Servicing Agent at all times
- For eMortgages (as defined in Section 1402.2), be serviced by an approved Servicer of eMortgages for Freddie Mac pursuant to Section 1402.9(a) or its Servicing Agent at all times

**(c) Additional delivery data for Concurrent Transfers of Servicing**

For Concurrent Transfers of Servicing, the additional Mortgage delivery data required must be submitted by:

- The Transferor Servicer if the data are submitted at the time the Mortgages are delivered to Freddie Mac, or
- The Transferee Servicer if the data are submitted after Mortgage delivery

The Transferor Servicer must obtain Freddie Mac’s approval before Mortgage delivery for the Transferee Servicer to submit the data after Mortgage delivery.

If Freddie Mac approves post-delivery submission of the data, the Transferor Servicer must provide to the Transferee Servicer copies of the origination file documents required to complete accurate data delivery.

#### **(d) Mortgages in a Trial Period**

The Transferor Servicer must provide special notification to the Transferee Servicer of each Mortgage related to the Transfer of Servicing that is subject to a Trial Period Plan and must confirm that the Transferee Servicer is aware of and agrees to assume the additional responsibilities associated with the Servicing of these Mortgages.

If the Transfer of Servicing involves Mortgages in a Trial Period or already subject to a modification, the Transferor Servicer must affirmatively answer the related questions in the Freddie Mac Service Loans application and identify the applicable modification initiative on the Proposed Mortgage List and Final Mortgage List, as those terms are identified in Section 7101.2(b) (e.g., Home Affordable Modification Program<sup>SM</sup> (HAMP<sup>®</sup>), Freddie Mac Standard Modification, Freddie Mac Streamlined Modification, Freddie Mac Flex Modification<sup>®</sup>, etc.).

#### **(e) Modified Mortgages that have a step-rate provision or partial principal forbearance**

The Servicer must affirmatively answer the appropriate question in the Service Loans application regarding whether any of the Mortgages related to the Transfer of Servicing includes modified Mortgages that have a step-rate provision (i.e., the interest rate is subject to incremental increases beginning in year 6 of the modification) or a partial principal forbearance.

#### **(f) Mortgages modified electronically**

HAMP Mortgages are the only Mortgages that were permitted to be modified using Electronic, as defined in Chapter 1401, modification agreements. If any of the Mortgages related to the Transfer of Servicing have been modified electronically, the Transferor Servicer must respond affirmatively to that question in the Service Loans application. See Section 9205.20(b) for requirements governing the HAMP eModification Agreement.

#### **(g) Maintain financial eligibility requirements**

Prior to the Effective Date of Transfer, the Transferor Servicer must evaluate whether or not the proposed Transfer of Servicing will in any way impair its ability to demonstrate to Freddie Mac's satisfaction, that it has sufficient capitalization, profitability, liquidity and funding sources to support its ongoing operations and its commitments to Freddie Mac following the Transfer of Servicing, and the Transferee Servicer must conduct the same evaluation of itself.

## 7101.4: Additional conditions for Transfers of Servicing (Future effective date 12/09/19)

The Transferor Servicer and Transferee Servicer each represent and warrant to Freddie Mac that each has met the additional requirements in this section with respect to the Mortgages related to the Transfer of Servicing and each agree and acknowledge that Freddie Mac's approval of a Transfer of Servicing is conditioned upon such representation and warranty.

### (a) Mortgage insurance coverage

The Transfer of Servicing must comply with the requirements of each MI that insures any of the Mortgages. Before the Effective Date of Transfer, the Transferor Servicer must obtain a commitment from each MI to continue to provide coverage required by Freddie Mac for the benefit of the Transferee Servicer. If any MI will not continue to provide coverage for the benefit of the Transferee Servicer, the Transferor Servicer must obtain a written commitment by another MI to provide equivalent coverage.

### (b) Prohibited Transfer of Servicing

The Mortgages related to the Transfer of Servicing must:

- Not be subject to a Purchase Document (e.g., negotiated term of business) that prohibits Transfers of Servicing
- Not be subject to any outstanding requirements that must be met by the Transferor Servicer prior to the Effective Date of Transfer. This includes, but is not limited to, Transfers of Servicing involving:
  - GreenCHOICE Mortgages<sup>SM</sup> where energy and/or water efficiency improvements are not yet completed. (See Section 4606.7 regarding Transfers of Servicing involving GreenCHOICE Mortgages.)
  - CHOICERenovation Mortgages<sup>SM</sup> where repairs and/or improvements to the Mortgaged Premises (the “renovations”) are not yet completed. (See Section 4607.18 regarding Transfers of Servicing involving CHOICERenovation<sup>SM</sup> Mortgages.)
- For Community Land Trust Mortgages, be serviced by an authorized Servicer pursuant to Section 8701.1(b) or its Servicing Agent at all times
- For eMortgages (as defined in Section 1402.2), be serviced by an approved Servicer of eMortgages for Freddie Mac pursuant to Section 1402.9(a) or its Servicing Agent at all times

### **(c) Additional delivery data for Concurrent Transfers of Servicing**

For Concurrent Transfers of Servicing, the additional Mortgage delivery data required must be submitted by:

- The Transferor Servicer if the data are submitted at the time the Mortgages are delivered to Freddie Mac, or
- The Transferee Servicer if the data are submitted after Mortgage delivery

The Transferor Servicer must obtain Freddie Mac's approval before Mortgage delivery for the Transferee Servicer to submit the data after Mortgage delivery.

If Freddie Mac approves post-delivery submission of the data, the Transferor Servicer must provide to the Transferee Servicer copies of the origination file documents required to complete accurate data delivery.

### **(d) Mortgages in a Trial Period**

The Transferor Servicer must provide special notification to the Transferee Servicer of each Mortgage related to the Transfer of Servicing that is subject to a Trial Period Plan and must confirm that the Transferee Servicer is aware of and agrees to assume the additional responsibilities associated with the Servicing of these Mortgages.

If the Transfer of Servicing involves Mortgages in a Trial Period or already subject to a modification, the Transferor Servicer must affirmatively answer the related questions in Freddie Mac [Servicing Transfer Manager \(see Exhibit 88, Servicing Tools\)](#) and identify the applicable modification initiative on the Proposed Mortgage List and Final Mortgage List, as those terms are identified in Section 7101.2(b) (e.g., Home Affordable Modification Program<sup>SM</sup> (HAMP<sup>®</sup>), Freddie Mac Standard Modification, Freddie Mac Streamlined Modification, Freddie Mac Flex Modification<sup>®</sup>, etc.).

### **(e) Modified Mortgages that have a step-rate provision or partial principal forbearance**

The Servicer must affirmatively answer the appropriate question in [Servicing Transfer Manager](#) regarding whether any of the Mortgages related to the Transfer of Servicing includes modified Mortgages that have a step-rate provision (i.e., the interest rate is subject to incremental increases beginning in year 6 of the modification) or a partial principal forbearance.

### **(f) Mortgages modified electronically**

HAMP Mortgages are the only Mortgages that were permitted to be modified using Electronic, as defined in Chapter 1401, modification agreements. If any of the

Mortgages related to the Transfer of Servicing have been modified electronically, the Transferor Servicer must respond affirmatively to that question in **Servicing Transfer Manager**. See Section 9205.20(b) for requirements governing the HAMP eModification Agreement.

**(g) Maintain financial eligibility requirements**

Prior to the Effective Date of Transfer, the Transferor Servicer must evaluate whether or not the proposed Transfer of Servicing will in any way impair its ability to demonstrate to Freddie Mac's satisfaction, that it has sufficient capitalization, profitability, liquidity and funding sources to support its ongoing operations and its commitments to Freddie Mac following the Transfer of Servicing, and the Transferee Servicer must conduct the same evaluation of itself.

## **7101.5: Requirements for reporting Transfers of Servicing to Freddie Mac (05/01/19)**

**(a) Loan-level reporting**

The Transferor Servicer must report to Freddie Mac all loan-level transactions, including payoffs and reporting revisions for the Accounting Cycle prior to the transfer month. (For example, for Transfers of Servicing effective February 1<sup>st</sup>, the Transferor Servicer will submit all loan-level transactions before the close of business on January 31<sup>st</sup> and clear outstanding edits no later than January 31<sup>st</sup> plus one Business Day.)

Beginning on the Effective Date of Transfer, the Transferee Servicer must submit all loan-level reporting, whether required to be submitted electronically or by paper copy, in the name and Seller/Servicer number of the Transferee Servicer.

**(b) Accounting reporting and drafting**

All accounting reporting due to Freddie Mac must be submitted in accordance with Section 8303.3.

All of the following must be reported by, and will be drafted from, the Transferor Servicer:

- Payoffs for which the payoff date is before the Effective Date of Transfer
- Third-party foreclosure sales for which the sale date is before the Effective Date of Transfer
- Forecasted scheduled interest reported in the month before the Effective Date of Transfer that is due to Freddie Mac in the month of the transfer

- Principal reported in the Accounting Cycle immediately preceding the Effective Date of Transfer (e.g., principal reported between the P&I Determination Date and the end of the Accounting Cycle of the month immediately preceding the Transfer of Servicing)

Freddie Mac will draft the applicable amounts from the Transferor Servicer.

All of the following must be reported by, and will be drafted from, the Transferee Servicer:

- Payoffs for which the payoff date is on or after the Effective Date of Transfer
- Third-party foreclosure sales for which the sale date is on or after the Effective Date of Transfer
- Principal and interest reported on or after the Effective Date of Transfer

Freddie Mac will draft the applicable amounts from the Transferee Servicer.

## **7101.6: Endorsement of Notes and assignment of Security Instruments related to Transfers of Servicing (06/12/19)**

When a Mortgage is sold to Freddie Mac, the Seller must endorse the Note in blank in accordance with Section 6301.3. When a Transfer of Servicing occurs, the Transferor Servicer may not complete the blank endorsement or further endorse the Note, but must prepare and complete assignments of the Security Instrument according to the following requirements:

### **(a) Concurrent Transfer of Servicing for a Mortgage not registered with MERS®**

In connection with a Concurrent Transfer of Servicing, with respect to each Mortgage that is not registered with MERS, the Transferor Servicer must:

- Record any Intervening Assignments to complete the chain of assignments to it from the original mortgagee, in accordance with Section 6301.6(a)
- Assign the Security Instruments to the Transferee Servicer, and record the assignment
- Follow the document custodial procedures set forth in Section 7101.9 and deliver the assignment to the Transferee Servicer's Document Custodian to be verified in accordance with the requirements of Section 6304.2

See Section 6301.6(a) for additional information.

**(b) Concurrent or Subsequent Transfer of Servicing for a Mortgage registered with MERS**

In connection with any Transfer of Servicing, with respect to each Mortgage that is registered with MERS:

- If the **Transferee Servicer is a MERS Member**, no further assignment is needed. The Transferor Servicer must notify MERS of the Transfer of Servicing.
  - If the **Transferee Servicer is not a MERS Member**, then The Transferor Servicer must prepare and record an assignment of the Security Instrument (on behalf of MERS) from MERS to the Transferee Servicer
  - The Transferor Servicer must follow the document custodial procedures set forth in Section 7101.9, and deliver the assignment to the Transferee Servicer's Document Custodian to be verified and certified in accordance with the requirements of Section 6304.2

See Section 6301.6(b) for additional information.

**(c) Subsequent Transfer of Servicing for a Mortgage not registered with MERS**

In connection with a Subsequent Transfer of Servicing, with respect to each Mortgage that is not registered with MERS, the Transferor Servicer must:

- Recover and destroy any original unrecorded assignments to Freddie Mac that may have been prepared
- Assign the Security Instrument to the Transferee Servicer and record the assignment
- Follow the document custody procedures set forth in Section 7101.9, and deliver assignment(s) to the Transferee Document Custodian to be verified and certified in accordance with the requirements of Section 6304.2

If the most recent assignment of the Security Instrument is to Freddie Mac and was recorded, the Transferor Servicer may not prepare an assignment to the Transferee Servicer.

## **7101.7: Concurrent or Subsequent Transfers of Servicing for a Mortgage secured by a Manufactured Home located in a certificate of title State (03/02/16)**

The requirements in this section apply to preparing and completing assignments of the security interest in the Manufactured Home for Concurrent or Subsequent Transfers of Servicing when the Manufactured Home is located in a certificate of title State that does not provide for surrender and cancellation of the certificate of title (see Section 5703.7). In a certificate of title State, a lien on the Manufactured Home is evidenced and perfected by notation on the certificate of title to the Manufactured Home. The lien on the land on which the Manufactured Home is permanently attached is perfected by recording the Security Instrument.

Therefore, in addition to the procedures described in Section 7101.6 for preparing and completing assignments of the Security Instrument, the following procedures must be followed with respect to the Manufactured Home:

- If the Borrower holds the original certificate of title to the Manufactured Home, and the original certificate of title must be produced to note the assignment, the Seller/Servicer must obtain the original certificate of title from the Borrower and follow the applicable procedure to note the assignment on the certificate of title
- The Transferor Servicer must note any intervening assignments from the original mortgagee to the Transferor Servicer on the certificate of title and, if required, record the complete chain of assignments from the original mortgagee to the Transferor Servicer with the State motor vehicles administration or other authorized agency
- The Transferor Servicer must note the assignment of its interest in the Manufactured Home to the Transferee Servicer on the certificate of title and, if required, record the assignment with the State motor vehicles administration or other authorized agency
- If the Borrower holds the original certificate of title, the Transferor Servicer must make and retain a copy of the original certificate with the noted assignments before returning the original certificate of title with the noted assignments to the Borrower in accordance with applicable procedures
- The Transferor Servicer must deliver the certificate of title (or if applicable a copy of the certificate of title) evidencing the complete chain of title to the Transferee Servicer who must retain the certificate of title or a copy of the certificate of title, as applicable, in the Mortgage file



## 7101.8: Transfer of records (08/13/18)

### (a) Transfer of Mortgage and REO files

No later than 30 days after the Effective Date of Transfer, the Transferor Servicer must deliver to the Transferee Servicer the following records for each Mortgage and REO for which Servicing is transferred:

- (i) **Mortgage file:** The Mortgage file that the Servicer is required to maintain in accordance with Chapter 3302
  - If the Transferee Servicer does not have the same form of document and records maintenance (photographic, photostatic, microfilm, microfiche, electronic imaging, optical disk or laser disk storage) as the Transferor Servicer, then the Transferor Servicer must either convert the documents and records to the form of storage utilized by the Transferee Servicer or generate paper copies of all documents and records for the Transferee Servicer
  - Effective for Mortgages with Note Dates on or after July 1, 2013, Servicers may no longer make copies of original paper Mortgage file documents for any Mortgage file documents (excluding the paper original Mortgage file documents specified in Section 3302.2, which must always be maintained and stored as paper originals) using microfilm or microfiche. Servicers may copy original paper Mortgage file documents using scanning systems commonly used in the regular course of business at this time, and maintain copies of such documents as Portable Document Format (PDF), Tagged Image File (TIF) format, Joint Photographic Experts Group (JPEG) format or other electronic document formats commonly used in the regular course of business at this time.
- (ii) **Payment history:** The complete history of Mortgage payments and, if applicable, Escrow disbursements (including the most recent Escrow analysis), with supporting documentation, from the Origination Date of the Mortgage
- (iii) **Correspondence and reports:** Copies of all correspondence with **and from**, and reports to, the Borrowers and, as applicable, FHA, VA, RHS, MI, Freddie Mac and any government authority
- (iv) **Notice of transfer:** A copy of the notice to the Borrowers regarding the Transfer of Servicing
- (v) **REO history:** If REO is being serviced, the complete history of receipts, expenditures and management and marketing activities (including copies of any filed MI claims), with supporting documentation, from the date the REO was acquired

**(b) Transfer of portfolio records**

No later than the Effective Date of Transfer, the Transferor Servicer must deliver to the Transferee Servicer the following records for the Mortgages and REO **related to the Transfer of Servicing**:

- (i) Notices to third parties:** The notices required in Section 7101.14, including documentation of MI approval and commitment to insure
- (ii) Service contracts:** Copies of tax and flood hazard determination service contracts, if applicable
- (iii) Unpaid charges:** A list of Escrowed charges due and unpaid as of the Effective Date of Transfer
- (iv) Trial balances:** Trial balances, as of the close of the last Business Day immediately preceding the Effective Date of Transfer, showing:
  - Transfers of Ownership, payoffs and other Servicing exceptions in process
  - Escrows, Escrow advances and prepayments
  - Where applicable, buydown accounts and balances
  - Delinquencies, foreclosures, bankruptcies and REO
- (v) Automatic payments:** A list of Mortgages subject to automatic drafting of monthly payments
- (vi) Insurance policies:** A list of Mortgages showing expiration dates of the insurance policies on the Mortgaged Premises, whether or not premiums for these policies were Escrowed by the Transferor Servicer
- (vii) Other documents:** Ledger records and definitions of codes used in ledger records, trial balances or any other documents required by Freddie Mac to be transferred to the Transferee Servicer

**(c) Additional requirements for Subsequent Transfers of Servicing**

For a Subsequent Transfer of Servicing, the Transferor Servicer must deliver to the Transferee Servicer, no later than 30 days after the Effective Date of Transfer, the following documents in addition to those specified in Sections 7101.8(a) and (b):

- **Custodial Accounts:** A copy of the depository's reconciliation, as of the close of the bank's last business day immediately preceding the Effective Date of Transfer, for each Custodial Account maintained in accordance with Chapter 8304

- **Freddie Mac reports:** Copies of all Servicing and accounting reports filed with Freddie Mac for the three months immediately preceding the Effective Date of Transfer

## 7101.9: Document custody requirements for Transfers of Servicing (08/13/18)

### (a) Concurrent Transfers of Servicing

For a Concurrent Transfer of Servicing (other than for Mortgages sold servicing released) to occur, a Seller must submit Form 960, Agreement for Concurrent Transfer of Servicing of Single-Family Mortgages, to Freddie Mac for approval as described in Section 7101.2(a). The Seller will deliver the Mortgage to the Servicer's Document Custodian to perform the certifications required in Sections 6301.8(a) and 6304.3(b) and, on the Settlement Date and concurrent with Freddie Mac's purchase of the Mortgage, Servicing for the Mortgage will transfer to the Servicer as Transferee Servicer. The Seller must cooperate with the Servicer and its Document Custodian to affect a smooth and orderly Concurrent Transfer of Servicing.

There is a Concurrent Transfer of Servicing to a Servicer selected by Freddie Mac for all Mortgages sold through Cash-Released XChange<sup>SM</sup> as described in Sections 6101.7 and 7101.2(a). The Seller must establish a contractual relationship with The Bank of New York Mellon Trust Company, N.A. as Designated Custodian (**see Directory 4**) in accordance with requirements of Section 2202.3(b) prior to delivering such Mortgages for sale to Freddie Mac.

For each Concurrent Transfer of Servicing,

#### ■ **The Seller must:**

- Verify that the Servicer's Document Custodian has a contractual relationship with the Servicer as evidenced by a copy of their executed Tri-Party Agreement
- Deliver the Notes with related documents and all assignments, together with the Form 1034E, Custodian Certification Schedule, or the Note Delivery Cover Sheet, to the Servicer's Document Custodian
- Verify that all Mortgages registered and assigned to MERS<sup>®</sup>, and all Mortgages closed with MERS as the original mortgagee of record, are identified as such. Refer to Section 6301.6 for additional requirements for these Mortgages.

■ **The Document Custodian must:**

- ❑ Review the Mortgage documents and information as required by Section 6304.3(b) and, for Mortgages other than Mortgages sold servicing release, verify that a copy of Form 960 evidencing Freddie Mac's approval of the Transfer of Servicing accompanies the Note and assignments
- ❑ Complete the certification of the Mortgages in Loan Selling Advisor®
- ❑ Update its document tracking system in accordance with the requirements in Section 2202.2(b)

**(b) Responsibilities for Subsequent Transfers of Servicing**

The Transferor Servicer's Document Custodian must cooperate with the Transferee Servicer's Document Custodian to affect a smooth and orderly transfer.

- No later than 30 days after the Effective Date of Transfer, the Transferor Servicer's Document Custodian must:
  - ❑ Work with the Transferor and the Transferee Servicers, the Transferee Servicer's Document Custodian and Freddie Mac to cure all document deficiencies prior to recertification of the Notes
  - ❑ Verify that the Transferee Servicer's Document Custodian has been selected by the Transferee Servicer in accordance with Freddie Mac's requirements and that a copy of the Transferee Servicer's executed Tri-Party Agreement, "STOS Agreement" and Final Mortgage List, as those terms are defined in Section 7101.2(b), accompany the Transferor Servicer's request to transfer custody of the Notes and assignments to the Transferee Servicer's Document Custodian
  - ❑ Deliver to the Transferee Servicer's Document Custodian the Notes with related documents, all assignments in its custody and Form 1034T, Subsequent Transfer Document Custodial Certification Schedule. Notes and related documents may be transported only by a nationally recognized commercial or bonded carrier or courier service.
  - ❑ Ensure that all Mortgages registered and assigned to MERS and all Mortgages closed with MERS as the original mortgagee of record are identified as such

See Section 2202.6 for information on Transfer of Custody.

■ **The Transferee Servicer's Document Custodian must:**

- ❑ Have a Tri-Party Agreement in effect with the Transferee Servicer in accordance with Section 2202.3

- ❑ The Transferee Servicer's Document Custodian must perform the verifications specified in Section 6304.3(a) with respect to each Note and assignment for which custody is being transferred, and must execute the Form 1034T as required by this section; however, upon a Subsequent Transfer of Servicing, the Transferee Servicer's Document Custodian need verify only that the following information on the Note matches the corresponding information about the related Mortgage contained on the Form 1034T:
  - Freddie Mac loan number, if present on the Note; otherwise, the Document Custodian must validate the Freddie Mac loan number against data in electronic files or records provided by the Transferee Servicer
  - Borrower's name, and
  - Property address (excluding zip code)
- ❑ Verify that a copy of **the STOS Agreement**, evidencing Freddie Mac's approval of the Transfer of Servicing **and Final Mortgage List** accompanies the transfer of **custody of** Notes with related documents and all assignments
- ❑ On behalf of itself and the Transferee Servicer complete, execute and deliver the Form 1034T to Freddie Mac (**see Directory 9**) no later than 180 days after the Effective Date of Transfer. By submitting the Form 1034T to Freddie Mac, the Transferee Servicer and the Transferee Servicer's Document Custodian represent and warrant to Freddie Mac that they have made the certifications contained in the Form 1034T, and that each of them is bound by the information and certifications contained in the Form 1034T.
- ❑ Retain the Form 1034T for at least three months from the date the certification is completed. See Section 8107.2(d) for information on imaging and retention.
- ❑ Update its document tracking system
- **Transfers of Servicing without a transfer of custody**
  - ❑ **The Transferor Servicer must:**
    - Prepare and execute the Form 1034T
    - Prepare an assignment to the Transferee Servicer, which must be recorded and certified, unless the Mortgage is registered to MERS and the Transferee Servicer is a MERS member
    - Deliver the executed Form 1034T and the assignment to the **Transferee Servicer's** Document Custodian no later than 30 days after the Effective Date of Transfer
  - ❑ **The **Transferee Servicer's** Document Custodian must:**

- Remove from the Mortgage file and destroy **any** recordable but unrecorded assignment, if prepared, from the Transferor Servicer to Freddie Mac
  - Execute Form 1034T on behalf of the Transferee Servicer and send a copy to Freddie Mac (**see Directory 9**) no later than 180 days after the Effective Date of Transfer
  - Retain the original or an imaged copy of the Form 1034T for at least three months from the date the certification is completed. See Section 8107.2(d) for information on imaging and retention.
- **The Transferee Servicer:**
- If it has elected to hold assignments for MERS-registered Mortgages in the Mortgage files, must provide the Document Custodian with documentation of that election. See Section 6304.1.
  - Is responsible for all representations and warranties with respect to the validity and enforceability of the Mortgage documents

## **7101.9: Document custody requirements for Transfers of Servicing (Future effective date 01/02/20)**

### **(a) Concurrent Transfers of Servicing**

For a Concurrent Transfer of Servicing (other than for Mortgages sold servicing released) to occur, a Seller must submit Form 960, Agreement for Concurrent Transfer of Servicing of Single-Family Mortgages, to Freddie Mac for approval as described in Section 7101.2(a). The Seller will deliver the Mortgage to the Servicer's Document Custodian to perform the certifications required in Sections 6301.8(a) and 6304.3(b) and, on the Settlement Date and concurrent with Freddie Mac's purchase of the Mortgage, Servicing for the Mortgage will transfer to the Servicer as Transferee Servicer. The Seller must cooperate with the Servicer and its Document Custodian to affect a smooth and orderly Concurrent Transfer of Servicing.

There is a Concurrent Transfer of Servicing to a Servicer selected by Freddie Mac for all Mortgages sold through Cash-Released XChange<sup>SM</sup> as described in Sections 6101.7 and 7101.2(a). The Seller must establish a contractual relationship with The Bank of New York Mellon Trust Company, N.A. as Designated Custodian (**see Directory 4**) in accordance with requirements of Section 2202.3(b) prior to delivering such Mortgages for sale to Freddie Mac.

For each Concurrent Transfer of Servicing,

■ **The Seller must:**

- ❑ Verify that the Servicer's Document Custodian has a contractual relationship with the Servicer as evidenced by a copy of their executed Tri-Party Agreement
- ❑ Deliver the Notes with related documents and all assignments, together with the Form 1034E, Custodian Certification Schedule, or the Note Delivery Cover Sheet, to the Servicer's Document Custodian
- ❑ Verify that all Mortgages registered and assigned to MERS<sup>®</sup>, and all Mortgages closed with MERS as the original mortgagee of record, are identified as such. Refer to Section 6301.6 for additional requirements for these Mortgages.

■ **The Document Custodian must:**

- ❑ Review the **Notes and assignments** and information as required by Section 6304.3(b) and, for Mortgages other than Mortgages sold servicing released, verify that a copy of Form 960 evidencing Freddie Mac's approval of the Transfer of Servicing accompanies the Note and assignments
- ❑ **Certify** the Mortgages in Loan Selling Advisor<sup>®</sup>
- ❑ Update its document tracking system in accordance with the requirements in Section 2202.2(b)

**(b) Responsibilities for Subsequent Transfers of Servicing**

The Transferor Servicer's Document Custodian (**Transferor Document Custodian**) and the Transferee Servicer's Document Custodian (**Transferee Document Custodian**) **must cooperate** to effect a smooth and orderly transfer. **Refer to the Document Custody Procedures Handbook for additional information.**

- **The Transferor Servicer must complete the Form 1034T, Document Custodial Certification Schedule for Subsequent Transfers of Servicing, and forward it together with the "STOS Agreement" with the Final Mortgage List, as those terms are defined in Section 7101.2(b), to the Transferor Document Custodian so that the Transferor Document Custodian can transfer custody of the Notes and assignments to the Transferee Document Custodian within 30 days following the Effective Date of Transfer.**
- No later than 30 days after the Effective Date of Transfer, the Transferor Document Custodian must:
  - ❑ Verify that a copy of the Transferee Servicer's executed STOS Agreement **with the** Final Mortgage List accompanies the Transferor Servicer's request to

transfer custody of the Notes and assignments to the Transferee Document Custodian

- ❑ Deliver to the Transferee Document Custodian the Notes with related documents, all assignments in its custody and Form 1034T, Subsequent Transfer Document Custodial Certification Schedule. Notes and related documents may be transported only by a nationally recognized commercial or bonded carrier or courier service.
- ❑ Ensure that all Mortgages registered and assigned to MERS and all Mortgages closed with MERS as the original mortgagee of record are identified as such
- ❑ **The Transferor Document Custodian must** work with the Transferor and the Transferee Servicers, the Transferee Document Custodian and Freddie Mac to cure all document deficiencies prior to recertification of the Notes
- ❑ **The Transferee Servicer must:**
  - ❑ Notify the Transferee Document Custodian on or before the Effective Date of Transfer that a Transfer of Servicing (or custody) is in process
  - ❑ Provide the Transferee Document Custodian with documentation if it has elected to hold assignments for MERS-registered Mortgages in the Mortgage files. See Section 6304.1.
  - ❑ Be responsible for the completeness of the Note and all related documents and for all representations and warranties with respect to the validity and enforceability of the Mortgage documents
- **The Transferee Document Custodian must:**
  - ❑ Have a Tri-Party Agreement in effect with the Transferee Servicer in accordance with Section 2202.3 prior to the effective Date of Transfer
  - ❑ Verify that a copy of the STOS Agreement evidencing Freddie Mac's approval of the Transfer of Servicing and Final Mortgage List accompanies the transfer of custody of Notes and all related documents
  - ❑ Notify the Transferor Document Custodian within 35 days after the Effective Date of Transfer that it has (or has not) received boxes or envelopes that appear (through cursory inspection) to contain the appropriate number of transferred Note files
  - ❑ Perform the verifications specified in Section 6304.3(a) for each Note for which custody is being transferred by verifying that the following information on the Note matches the information about the related Mortgage contained on the Form 1034T:



- Freddie Mac loan number, if present on the Note; otherwise, the Document Custodian must validate the Freddie Mac loan number against data provided by the Transferee Servicer
- Borrower's name, and
- Property address (excluding zip code)

and that:

- The Note is an original Note (unless there is a lost note affidavit with a complete copy of the Note attached and accompanied by written evidence that Freddie Mac has approved use of the lost note affidavit, such as a copy of a special term of business or a Single Loan Exception)
- The chain of endorsements is proper and complete from the original payee on the Note to the Transferor Servicer's endorsement to blank
- Remove from the file and destroy any recordable but unrecorded assignment, if prepared, from the Transferor Servicer to Freddie Mac
- On behalf of itself and the Transferee Servicer, complete, execute and deliver the Form 1034T to Freddie Mac (**see Directory 9**) no later than 180 days after the Effective Date of Transfer. By submitting the Form 1034T to Freddie Mac, the Transferee Servicer and the Transferee Document Custodian **make** the certifications contained in the Form 1034T, and **represent and warrant to Freddie Mac** that each of them is bound by the information and certifications contained in the Form 1034T.
- Retain the Form 1034T for at least three months **after** certification is completed. See Section 8107.2(d).
- Update its document tracking system **to reflect the transfer of custody**

**(c) Subsequent Transfers of Servicing without a transfer of custody**

□ **The Transferor Servicer must:**

- Prepare an assignment to the Transferee Servicer, which must be recorded and certified unless the Mortgage is registered to MERS and the Transferee Servicer is a MERS member
- **Prepare and** execute Form 1034T and **deliver it and** the assignment to the Transferee Document Custodian no later than 30 days after the Effective Date of Transfer

□ **The Transferee Servicer must:**

- ❑ If it has elected to hold assignments for MERS-registered Mortgages in the Mortgage files, provide the Document Custodian with documentation of that election. See Section 6304.1.
- ❑ Assume responsibility for the completeness of the Note and all related documents and for all representations and warranties with respect to the validity and enforceability of the Mortgage documents
- ❑ **The Document Custodian must:**
  - Remove from the file and destroy any recordable but unrecorded assignment, if prepared, from the Transferor Servicer to Freddie Mac
  - Execute Form 1034T on behalf of the Transferee Servicer and send a copy to Freddie Mac (**see Directory 9**) no later than 180 days after the Effective Date of Transfer
  - Retain the Form 1034T for at least three months **after** certification is completed. See Section 8107.2(d).

**(d) Transfers of custody only**

- **The Servicer must:**
  - ❑ Prepare and execute Form 1034T, leaving blank the information required for the Transferee Servicer, and the Mortgage List as described therein and deliver it to the Transferor Document Custodian so that the Transferor Document Custodian can transfer custody of the Notes and assignments to the Transferee Document Custodian prior to the date on which custody of the Notes and related documents will occur, referred to in Form 1034T as the Effective Date of Transfer.
- **The Transferor Document Custodian must:**
  - ❑ No later than 30 days after the Effective Date of Transfer, deliver to the Transferee Document Custodian the Notes with related documents, all assignments in its custody and the executed Form 1034T with the Mortgage List. Notes and related documents may be transported only by a nationally recognized commercial or bonded carrier or courier service.
- **The Transferee Document Custodian must:**
  - ❑ Notify the Transferor Document Custodian within 35 days after the Effective Date of Transfer that it has (or has not) received boxes or envelopes that appear (through cursory inspection) to contain the appropriate number of transferred Note files

- ❑ Perform the verifications specified in Section 6304.3(a) each Note for which custody is being transferred by verifying that the following information on the Note matches the information about the related Mortgage from Form 1034T:
  - Freddie Mac loan number, if present on the Note; otherwise, the Document Custodian must validate the Freddie Mac loan number against data provided by the Transferee Servicer
  - Borrower's name
  - Property address (excluding zip code)

and that:

- The Note is an original Note (unless there is a lost note affidavit with a complete copy of the Note attached and accompanied by written evidence that Freddie Mac has approved use of the lost note affidavit, such as a copy of a special term of business or a Single Loan Exception)
  - The chain of endorsements is proper and complete from the original payee on the Note to the Transferor Servicer's endorsement to blank
- ❑ On behalf of itself and the Servicer, complete, execute and deliver Form 1034T to Freddie Mac as described for Subsequent Transfers of Servicing in Section 7101.9(b).
  - ❑ Retain the Form 1034T for at least three months after certification is completed. See Section 8107.2(d).
  - ❑ Update its document tracking system to reflect the transfer of custody

Transferor Document Custodian and Transferee Document Custodian must cooperate to effect a smooth and orderly transfer. Refer to the Document Custody Procedures Handbook for additional information.

## 7101.10: Transfer of funds (08/13/18)

### (a) General

The Transferor Servicer must transfer all account balances (including, but not limited to, Escrows, prepayments and buydown funds) must be transferred to the Transferee Servicer's depository in a manner that ensures such funds are, at all times, held in a custodial capacity on behalf of Freddie Mac in accordance with Section 8302.6. A final reconciliation of all monies relating to such transfer must be made by the Transferor Servicer on the Effective Date of Transfer.

**(b) Escrow accounts**

The Transferor Servicer must forward the entire balance of all Custodial Accounts related to Escrows, buydown funds, repair accounts and replacement reserves (net of documented advances) to the Transferee Servicer's depository on the Effective Date of Transfer.

**(c) Interest**

Delinquent interest advanced to Freddie Mac by the Transferor Servicer as of the Effective Date of Transfer net of prepaid interest must be reimbursed to the Transferor Servicer by the Transferee Servicer no later than the date the funds are due to Freddie Mac.

**(d) Principal**

Delinquent principal advanced to Freddie Mac by the Transferor Servicer as of the Effective Date of Transfer net of prepaid principal must be reimbursed to the Transferor Servicer by the Transferee Servicer no later than the Effective Date of Transfer.

## **7101.11: Notice to Borrowers regarding Transfers of Servicing (08/13/18)**

**(a) Transferor Servicer's notice to the Borrower**

The Transferor Servicer must provide timely notice to the Borrowers **with Mortgages related to the Transfer of Servicing** to ensure a smooth transition, avoid disruption in Mortgage payments and comply with applicable laws and regulations. The Transferor Servicer must provide written notice to each Borrower at least 15 days before the first payment is due to be received by the Transferee Servicer.

**(b) Transferee Servicer's notice to the Borrower**

The Transferee Servicer must provide to each Borrower written confirmation of the information in the Transferor Servicer's notice to the Borrowers within 15 days before the date the first payment is due to be received by the Transferee Servicer.

**(c) Notice requirements**

The notice must advise the Borrower of the following:

1. The Effective Date of Transfer
2. The name and address of the Transferee Servicer

3. The names and telephone numbers of the contact persons or departments of the Transferor Servicer and of the Transferee Servicer where the Borrowers' inquiries relating to the Transfer of Servicing should be directed. (If toll-free numbers are not available, the letter must indicate that collect calls will be accepted.)
4. The date when the Transferor Servicer will no longer collect the Borrowers' payments and when the Transferee Servicer will begin to collect them
5. Any previously Escrowed optional Mortgage life or accident and health insurance for which the Transferee Servicer will not assume responsibility, with appropriate suggestions or instructions for the Borrower to continue such coverage
6. Procedures for maintenance of automatic draft payments, if applicable

The notice may not amend the terms of a Mortgage other than those relating to where to send payments.

## **7101.12: Borrower issues and inquiries related to Transfers of Servicing (03/02/16)**

The Transferor and Transferee Servicers must ensure that their staff and facilities are adequately prepared to process Servicing and accounting transactions and to respond to Borrower inquiries during the transfer transition period. The Transferee Servicer must assume responsibility for responding to Borrower inquiries received after the Effective Date of Transfer. If any Servicing or accounting problem cannot be resolved without the involvement of the Transferor Servicer, the Transferee Servicer, and not the Borrower, should initiate the contact with the Transferor Servicer.

During the transfer transition period, the Transferor and Transferee Servicers must make reasonable efforts to resolve disputes to the Borrowers' satisfaction when such disputes arise from legitimate Borrower misunderstanding of instructions in the notice of Transfer of Servicing. Late charges must be waived and, if applicable, appropriate adjustments to payment and credit records made for misapplied or unapplied payments due to the Transferee Servicer but received by the Transferor Servicer.

## **7101.13: Funds and correspondence received after Transfers of Servicing (08/13/18)**

Within one **Business Day** of receipt, the Transferor Servicer must deliver to the Transferee Servicer any funds for, or correspondence regarding, any of the transferred Mortgages and REO **related to the Transfer of Servicing if such funds or correspondence is** received on or after the Effective Date of Transfer.

## 7101.14: Notices of Transfers of Servicing to third parties (03/02/16)

The Transferor Servicer must obtain the following approvals and provide the following notices, as applicable:

- Obtain MI approval and commitment to insure as required by Section 7101.4(a)
- Advise all applicable property insurers including, if applicable, Federal Emergency Management Agency, of the Transfer of Servicing and of the name and address of the Transferee Servicer to modify the mortgage clause required by Section 8202.7
- Provide the required notices to FHA, RHS and/or VA, if applicable
- Notify all other appropriate parties including, but not limited to, mortgage life and/or accident and health insurers, tax verification/reporting services, and flood zone hazard determination services, tax authorities, homeowners associations, fee owners for leasehold Mortgages, other lienholders and public utilities levying mandatory assessments for which Escrow is collected

## 7101.15: Liabilities of the Transferor Servicer and Transferee Servicer (08/13/18)

### (a) Warranties

Except as stated in the following paragraph, for Transfer of Servicing requests received by Freddie Mac, the Transferee Servicer, **by electronically signing the Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages (“STOS Agreement”)** in the Freddie Mac Service Loans application, is liable to Freddie Mac for all **Seller and any prior Servicer’s duties, obligations, responsibilities, representations, covenants, warranties, agreements and related liabilities** in the Purchase Documents with respect to the Mortgages **related to the Transfer of Servicing as set forth in the Final Mortgage List (as defined in Section 7102(b)) in the Service Loans application**, whether or not the Transferor Servicer had such liability. The Transferee Servicer’s assumption of **such rights, duties, obligations, responsibilities, representations, covenants, warranties, agreements and related liabilities** upon **the Effective Date of Transfer** does not release the Transferor Servicer, any prior Servicer, or the original Seller of their **duties, obligations, responsibilities, representations, covenants, warranties, agreements and related liabilities** with respect to the Mortgages **and REO related to the Transfer of Servicing**, all such parties’ liability being joint and several with the Transferee Servicer. However, a Transferor Servicer does not assume such liability for Servicing violations

occurring in all respects on or after the **Effective Date of Transfer** and based solely and directly upon the actions or omissions of later Transferee Servicers.

***Mortgages sold through Gold Cash Xtra<sup>®</sup> and Cash-Released XChange<sup>SM</sup> that are related to a Concurrent Transfer of Servicing***

For Mortgages sold through Gold Cash Xtra<sup>®</sup> and Cash-Released XChange<sup>SM</sup>, the Seller remains solely liable to Freddie Mac for all sale representations, covenants and warranties in the Purchase Documents (sale representations and warranties) with respect to the Mortgages **related to the Transfer of Servicing**. The Transferee Servicer is liable to Freddie Mac for all Servicing **duties, obligations**, responsibilities, representations, covenants, warranties, **agreements and related liabilities** in the Purchase Documents with respect to the Mortgages **related to the Transfer of Servicing**. For subsequent Transfers of Servicing of such Mortgages:

- The Seller Transferor remains solely liable to Freddie Mac for all sale representations and warranties with respect to the Mortgages **related to the Transfer of Servicing**; and
- The subsequent Transferee Servicer is liable to Freddie Mac for all Servicing **duties, obligations**, responsibilities, representations, covenants, warranties, **agreements and related liabilities** in the Purchase Documents with respect to the Mortgages and REO **related to the Transfer of Servicing**, but the Transferee Servicer's assumption of **these duties, obligations**, responsibilities, representations, covenants, warranties, **agreements and related liabilities** upon the **Effective Date of Transfer** does not release the subsequent Transferor Servicer or any prior Servicer of their **duties, obligations**, responsibilities, representations, covenants, warranties, **agreements and related liabilities** with respect to the Mortgages **related to the Transfer of Servicing**, their liability being joint and several with the Transferee Servicer. However, a Transferor Servicer does not assume such liability for Servicing violations **committed by the Transferee Servicer or any subsequent Transferee Servicer** occurring in all respects after the **Effective Date of Transfer** and based solely and directly upon the actions or omissions of later Transferee Servicers.

Note: For provisions applicable to the Concurrent Transfer of Servicing rights of Mortgages sold to Freddie Mac through Gold Cash Xtra, see Exhibit 28, Loan Servicing Purchase and Sale Agreement.

**(b) Hold harmless**

The Transferor Servicer and the Transferee Servicer, jointly and severally, fully indemnify and agree to hold Freddie Mac, its successors and assigns, harmless from and against any and all losses, claims, demands, actions, suits, damages, costs and expenses (including reasonable attorney fees) of every nature and character that may arise or be made against or be incurred by Freddie Mac as a result of the Transferor Servicer's or the Transferee Servicer's failure to comply with applicable law or



failure to comply with Freddie Mac's Servicing requirements as set forth in the Purchase Documents, including, but not limited to failure to provide the notices required by Section 7101.14, failure to make any payment to the appropriate parties for which Escrow is collected and failure to credit properly any payments received from Borrowers.

**(c) Servicing**

By electronically signing the STOS Agreement, the Transferee Servicer agrees to service the Mortgages set forth in the Final Mortgage List in the Service Loans application in accordance with the terms of the Servicing Contract.

## **7101.15: Liabilities of the Transferor Servicer and Transferee Servicer (Future effective date 12/09/19)**

**(a) Warranties**

Except as stated in the following paragraph, for Transfer of Servicing requests received by Freddie Mac, the Transferee Servicer, by electronically signing the Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages ("STOS Agreement") in Freddie Mac Servicing Transfer Manager (see Exhibit 88, Servicing Tools), is liable to Freddie Mac for all Seller and any prior Servicer's duties, obligations, responsibilities, representations, covenants, warranties, agreements and related liabilities in the Purchase Documents with respect to the Mortgages related to the Transfer of Servicing as set forth in the Final Mortgage List (as defined in Section 7101.2(b)) in Servicing Transfer Manager, whether or not the Transferor Servicer had such liability. The Transferee Servicer's assumption of such rights, duties, obligations, responsibilities, representations, covenants, warranties, agreements and related liabilities upon the Effective Date of Transfer does not release the Transferor Servicer, any prior Servicer, or the original Seller of their duties, obligations, responsibilities, representations, covenants, warranties, agreements and related liabilities with respect to the Mortgages and REO related to the Transfer of Servicing, all such parties' liability being joint and several with the Transferee Servicer. However, a Transferor Servicer does not assume such liability for Servicing violations occurring in all respects on or after the Effective Date of Transfer and based solely and directly upon the actions or omissions of later Transferee Servicers.

***Mortgages sold through Gold Cash Xtra® and Cash-Released XChange<sup>SM</sup> that are related to a Concurrent Transfer of Servicing***

For Mortgages sold through Gold Cash Xtra® and Cash-Released XChange<sup>SM</sup>, the Seller remains solely liable to Freddie Mac for all sale representations, covenants and warranties in the Purchase Documents (sale representations and warranties) with



respect to the Mortgages related to the Transfer of Servicing. The Transferee Servicer is liable to Freddie Mac for all Servicing duties, obligations, responsibilities, representations, covenants, warranties, agreements and related liabilities in the Purchase Documents with respect to the Mortgages related to the Transfer of Servicing. For subsequent Transfers of Servicing of such Mortgages:

- The Seller Transferor remains solely liable to Freddie Mac for all sale representations and warranties with respect to the Mortgages related to the Transfer of Servicing; and
- The subsequent Transferee Servicer is liable to Freddie Mac for all Servicing duties, obligations, responsibilities, representations, covenants, warranties, agreements and related liabilities in the Purchase Documents with respect to the Mortgages and REO related to the Transfer of Servicing, but the Transferee Servicer's assumption of these duties, obligations, responsibilities, representations, covenants, warranties, agreements and related liabilities upon the Effective Date of Transfer does not release the subsequent Transferor Servicer or any prior Servicer of their duties, obligations, responsibilities, representations, covenants, warranties, agreements and related liabilities with respect to the Mortgages related to the Transfer of Servicing, their liability being joint and several with the Transferee Servicer. However, a Transferor Servicer does not assume such liability for Servicing violations committed by the Transferee Servicer or any subsequent Transferee Servicer occurring in all respects after the Effective Date of Transfer and based solely and directly upon the actions or omissions of later Transferee Servicers.

Note: For provisions applicable to the Concurrent Transfer of Servicing rights of Mortgages sold to Freddie Mac through Gold Cash Xtra, see Exhibit 28, Loan Servicing Purchase and Sale Agreement.

**(b) Hold harmless**

The Transferor Servicer and the Transferee Servicer, jointly and severally, fully indemnify and agree to hold Freddie Mac, its successors and assigns, harmless from and against any and all losses, claims, demands, actions, suits, damages, costs and expenses (including reasonable attorney fees) of every nature and character that may arise or be made against or be incurred by Freddie Mac as a result of the Transferor Servicer's or the Transferee Servicer's failure to comply with applicable law or failure to comply with Freddie Mac's Servicing requirements as set forth in the Purchase Documents, including, but not limited to failure to provide the notices required by Section 7101.14, failure to make any payment to the appropriate parties for which Escrow is collected and failure to credit properly any payments received from Borrowers.

**(c) Servicing**

By electronically signing the STOS Agreement, the Transferee Servicer agrees to service the Mortgages set forth in the Final Mortgage List in **Servicing Transfer Manager** in accordance with the terms of the Servicing Contract.

# Chapter 8101: General Freddie Mac Servicing Policies

## 8101.1: Servicers' general responsibilities (11/30/16)

The Servicer is responsible to act in the most timely, efficient and responsible manner to protect Freddie Mac's interests. Freddie Mac expects the Servicer's facilities and practices to be sufficient to safeguard Freddie Mac's interests and expects the Servicer to provide proper accounting and prompt response to the needs of both Freddie Mac and the Borrower.

The Servicer agrees that its duties include, but are not limited to, the payment, or verification of the Borrower's payment, of:

- All property insurance premiums
- Mortgage insurance premiums
- Ground rents
- Taxes
- Homeowners association dues and assessments
- Local government and public utility assessments
- Charges, fines and impositions attributable to the property or to the Mortgage

The Servicer also agrees that it will represent and defend Freddie Mac's interest in the applicable Mortgage(s) or REO to the same extent it would represent and defend its own interest.

The Servicer warrants that it will maintain adequate facilities and experienced staff and will take all actions necessary to ensure that the Mortgages and REO in which Freddie Mac has an interest are serviced in accordance with the Purchase Documents including this Guide as amended or supplemented from time to time, any applicable law, any applicable FHA/VA/RHS/MI regulation or requirement and any instructions issued by Freddie Mac. The Servicer also warrants that it has a business continuity plan in place that meets the requirements of Section 1302.3, to ensure its ongoing ability to conduct business operations and maintain or restore Freddie Mac Mortgage files and records in the event of a disaster or other interruption to business operations and processes.

If a disaster has affected or interrupted the Servicer's operations, the Servicer must notify Freddie Mac within 24 hours of the disaster, by calling (800) FREDDIE. See Exhibit 52, Federal Disaster Assistance, for more information.

To assist with Servicing activities, a number of Servicing Tools are available through Freddie Mac's web site at <http://www.freddiemac.com/singlefamily/service>. These tools are accessible using a secure User ID and password that a Servicer may request on the web site. See Exhibit 88, Servicing Tools, for a list of available Servicing Tools.

## **8101.2: The Servicer to perform its obligations and duties at its own expense (07/23/18)**

The Servicer is responsible for performing the obligations and duties required under [the Servicing Contract](#) at its own expense and without cost or charge to Freddie Mac, unless expressly provided for otherwise in the [Servicing Contract](#). Any costs or expenses incurred by the Servicer may be charged or collected from the Borrower only to the extent allowed under the terms of the Security Instrument, [the Servicing Contract](#) and any applicable law.

## **8101.3: Servicer's limited power of attorney (11/14/18)**

The Servicer agrees to accept a limited power of attorney from Freddie Mac empowering the Servicer to perform all duties of the mortgagee in canceling the Note and Security Instrument upon satisfaction of the Borrower's debt. In its discretion, Freddie Mac may give and the Servicer agrees to accept a power of attorney that grants broader powers to the Servicer. The Servicer must comply with all local recording requirements and is solely responsible for any recording fee assessed by the applicable authority. Freddie Mac may require that the Servicer identify to Freddie Mac all jurisdictions where Freddie Mac's power of attorney has been recorded. [A sample limited power of attorney available from Freddie Mac, which outlines the types of documents a Servicer can execute, endorse, and acknowledge in Freddie Mac's name, is available in Exhibit 53, Limited Power of Attorney.](#)

## **8101.4: Servicer's execution of documents (11/14/18)**

All requests for Freddie Mac execution of documents must be submitted to Freddie Mac (see **Directory 9**). The documents that require Freddie Mac execution must be submitted with a Request for Assistance Form, which is available at: <http://www.freddiemac.com/cim/docex.html>.

Freddie Mac will return the executed documents after verifying that the requesting Servicer has met all conditions as necessitated by the type of action requested and applicable law.

Servicers [should not submit documents for Freddie Mac's signature that they are authorized to sign under the limited power of attorney from Freddie Mac.](#) They may execute the following documents in Freddie Mac's name when the Mortgage has been assigned to Freddie Mac:

- Release documents
- Assignments of the Security Instrument for initiating foreclosures
- **Certain other documents outlined in** Exhibit 53, Limited Power of Attorney

A Servicer may request a limited power of attorney in accordance with the requirements of Section 8101.3 by contacting Freddie Mac (**see Directory 9**). In addition, under certain circumstances, Freddie Mac may require that a Servicer obtain a limited power of attorney from Freddie Mac and use it to complete specific transactions according to the requirements of Section 8101.3.

## **8101.5: Borrower inquiries (03/02/16)**

Regardless of whether a Mortgage is securitized or held by Freddie Mac, Servicers receive Mortgage payments from Borrowers on behalf of, and remit such payments to, Freddie Mac. As such, a Seller/Servicer should respond promptly to a Borrower's inquiry and must provide the Borrower with accurate information about the Borrower's Mortgage.

If a Borrower inquires about the ownership or assignee of his or her Mortgage, the Seller/Servicer may inform the Borrower that Freddie Mac owns the Mortgage once the Borrower's identity is verified. If the Seller/Servicer is unable, in a telephone conversation, to verify that it is the Borrower who is requesting the information, the Borrower's request for information must be made in writing. If requested, the Seller/Servicer may also provide the Borrower with Freddie Mac's address, telephone number and the Freddie Mac loan number associated with the Borrower's Mortgage, and the Seller/Servicer must explain to the Borrower that it services the Mortgage for Freddie Mac.

If the Seller/Servicer provides the Borrower with the requested information in a telephone conversation, the Seller/Servicer must follow up by providing the same information to the Borrower in writing.

The Freddie Mac address and telephone number that the Seller/Servicer must provide to the Borrower are:

FREDDIE MAC  
8200 JONES BRANCH DR.  
MCLEAN, VA 22102  
(800) FREDDIE

See Sections 7101.11 through 7101.13, 8101.8 and 8104.1 for additional Servicing obligations relating to Borrower inquiries.

## 8101.6: Error resolution procedures related to the Servicing of a Mortgage (03/02/16)

Servicers must comply with the requirements set forth in this section in resolving errors asserted by a Borrower or Borrower's representative relating to the Servicing of a Mortgage.

Servicers must refer to Chapter 9101 for additional requirements pertaining to a Borrower's right to appeal a denial of a Trial Period Plan based on the Servicer's review of the First Complete Borrower Response Package.

The Servicer must have written policies and procedures to ensure that it reviews and responds to any written request received from a Borrower asserting an error relating to the Servicing of the Mortgage, provided the Borrower's written request includes:

- The Borrower's name
- Information that enables the Servicer to identify the Borrower's Mortgage file; and
- The error the Borrower believes has occurred

At a minimum, the Servicer must:

- Have a sufficient number of adequately trained staff to be able to track and respond to any written notice received from a Borrower asserting an error in accordance with the requirements of this section
- Maintain policies and procedures that are reasonably designed to ensure that the Servicer investigates, responds to and makes corrections in response to complaints asserted by Borrowers
- Conduct reasonable investigations and respond to a Borrower with either:
  - A written notification of the correction, the effective date of the correction and Servicer contact information, including a telephone number for further assistance; or
  - A statement that the Servicer has determined that no error occurred, the reasons for the Servicer's determination, a statement of the Borrower's right to request the documents the Servicer used to reach its decision, information on how the Borrower may request those documents, and contact information, including a telephone number
- Respond to the Borrower's notice of error within the time limits set forth under applicable law
- Regularly review and assess the adequacy of its internal controls and procedures used in connection with Servicing of Freddie Mac Mortgages to ensure compliance with the Guide and other Purchase Documents and applicable law

- Take remedial steps, as appropriate, if any deficiencies are identified as a result of its review of internal controls and processes, or if issues are identified from a review of a Borrower's notification asserting an error. The Servicer must formally document the results of such reviews and make the results available to Freddie Mac upon request.

The Servicer must maintain in the Mortgage file documentation of all communication regarding any case for which the Servicer has received written notification from a Borrower asserting an error, and provide such files or aggregated information to Freddie Mac for review upon request.

## **8101.7: Freddie Mac audits and access to Mortgage records (10/09/19)**

Freddie Mac may at any time conduct an audit of the Mortgages for purposes of verifying the Servicer's compliance with the terms and conditions of the Purchase Documents. Mortgages to be audited will be selected by Freddie Mac. The Servicer must submit to Freddie Mac all files relating to the Mortgages. The files must contain, at a minimum, all documents required by the Purchase Documents. The audit rights contained in this Section 8101.7 in no way limit Freddie Mac's rights or remedies as otherwise provided in the Purchase Documents.

In addition, the Servicer agrees that at any reasonable time, as requested by Freddie Mac, it will disclose to or permit Freddie Mac to have access to or to examine, or will deliver to Freddie Mac copies of, any and all records, documents, files, information and data, including any of the same maintained in the Mortgage file or in any database or in any data processing, storage, or retrieval system (all such records, documents, files, information and data hereinafter referred to as "Mortgage records"), pertaining to any Mortgage serviced by the Servicer for Freddie Mac. The Servicer also agrees to take any of the foregoing actions with respect to any and all other records, documents, files, information and data maintained or held by the Servicer which Freddie Mac considers necessary to determine or assess the correctness and completeness of the Mortgage records pertaining to any Mortgage serviced by the Servicer for Freddie Mac or to assure that the Servicer is complying with the requirements of the Purchase Documents. Freddie Mac's request may be made by either spoken or written communication.

If Freddie Mac requests Mortgage records from a Servicer in connection with an audit or for any other purpose, including a Servicer Success file review, the Servicer must deliver such Mortgage records within 30 days from the date of the request. Freddie Mac, in its sole discretion, may request the documentation in a shorter or longer period of time based upon the circumstances at the time. A Servicer's failure to submit the requested Mortgage records will be considered a violation of the Purchase Documents, and Freddie Mac will pursue all rights and remedies available under the Purchase Documents and applicable law.

The Servicer agrees that it shall cause each and every Servicing Agent, service bureau, or any other person which shall, at any time, process, maintain or store any Mortgage records for and on behalf of the Servicer, to consent in writing, to permit Freddie Mac, as requested by Freddie Mac, **without further notice to or action required by the Servicer**, to have access to, or to have

disclosed to it, or to have copies of, any and all of such Mortgage records, pertaining to any Mortgage serviced by the Servicer for Freddie Mac, and any and all other records, documents, files, information and data maintained or held by such other person which Freddie Mac considers necessary to determine or assess the correctness and completeness of the Mortgage records pertaining to any Mortgage serviced by the Servicers for Freddie Mac or to assure that the Servicer is complying with the requirements of the Purchase Documents.

This Guide section authorizes Freddie Mac to execute, acknowledge and deliver such instruments and documents on the Servicer's behalf and take all such other actions as may be reasonably required on behalf of the Servicer, in order to effectuate the purposes of this section.

The Seller/Servicer also agrees to allow Freddie Mac to conduct monitoring from time to time in order to confirm that the Seller/Servicer is satisfying its obligations under the Guide to safeguard Borrower nonpublic personal information pertaining to Mortgages purchased by Freddie Mac.

## **8101.8: Treatment of personal and property information (11/06/19)**

Through its Servicing of Mortgages for Freddie Mac, the Servicer may obtain information concerning the Borrower or the Mortgaged Premises that either is not publicly available or that is required to be protected under applicable privacy, securities, information security, consumer protection or other laws (collectively, "Protected Information"). Servicer will not use Protected Information or any information derived from Protected Information ("derivative information") or permit it to be used in any way that violates applicable law or that represents or could be construed to represent a conflict of interest or breach of confidentiality. In addition, this information and any derivative information may only be used for purposes of Servicing Mortgages for Freddie Mac and only as permitted under applicable law. The Servicer must maintain all such Protected Information and derivative information in such a way as to ensure the security and confidentiality of the information; protect against anticipated threats or hazards to the security or integrity of the information; and protect against unauthorized access to or use of such information.

### **(a) Disclosure of payment history information**

The Servicer must disclose to the Borrower, or to any third party authorized in writing by the Borrower, information maintained by the Servicer concerning the Borrower's payment history if the Borrower (or any third party authorized by the Borrower) shall request such information in writing. Information so disclosed must be correct, complete and up-to-date and must accurately reflect the Borrower's performance in meeting payment obligations without the use of codes or abbreviations.



## **(b) Disclosure of material information**

Certain information about individual Mortgages or Mortgaged Premises obtained by the Servicer through its Servicing of Mortgages for Freddie Mac may be material to a purchaser or a seller of UMBS™, MBS or WAC ARM PCs representing interests in those Mortgages. This information is considered to be material if there is a substantial likelihood that a reasonable investor would consider the information to be important in determining whether to purchase or sell a UMBS, MBS or WAC ARM PC representing interests in the Mortgages. The Servicer may not purchase or sell such a UMBS, MBS or WAC ARM PC (or disclose material information relating to the UMBS, MBS or WAC ARM PC to a third party for its use) without disclosing such material information to the other party to the transaction. However, if disclosure of such information to other parties would contravene applicable law or regulations regarding disclosure of credit information, the Servicer must refrain from trading with respect to the UMBS, MBS or WAC ARM PC.

## **8101.9: Servicer agrees to indemnify (11/14/18)**

The Servicer must indemnify Freddie Mac for and hold it harmless from any loss, damage or expenses (including court costs and attorney fees) that Freddie Mac sustains as a direct or indirect result of any failure on the Servicer's part to perform its services, duties and obligations under the Purchase Documents.

## **8101.10: Servicer as independent contractor (03/02/16)**

Under the Purchase Documents, the Servicer contracts with Freddie Mac as an independent contractor to service Mortgages for Freddie Mac. The Servicer is not Freddie Mac's agent or assignee.

## **8101.11: Governing law (03/02/16)**

Each Purchase Contract or other contract for the Servicing of Mortgages must be construed, and the rights and obligations of the parties thereunder determined, according to the laws of the United States. The laws of the State of New York are deemed to reflect the laws of the United States when there is no applicable precedent and when to do so would not frustrate any provision of the Purchase Contract or other contracts for Servicing.

## **8101.12: MERS® (03/02/16)**

### **(a) Post-purchase MERS registration**

When registering a Mortgage on the MERS System after the Mortgage is sold to Freddie Mac, the Servicer must notify MERS that Freddie Mac is the investor and provide MERS with the Freddie Mac loan number for the Mortgage.

Mortgages secured by Manufactured Homes located in certificate of title States may not be registered with MERS. Refer to Section 5703.7.

### **(b) MERS System Rules of Membership – Rule 14 (“MERS Rule 14”)**

Servicers that are managing “Legal Filings” as described in MERS Rule 14 on behalf of Freddie Mac must provide, when applicable, the various notifications and information required by MERS Rule 14 to MERS on Freddie Mac’s behalf about such “Legal Filings.”

### **(c) MERS’ notices regarding liens or legal actions**

As the mortgagee of record, MERS, rather than a Servicer, may receive notices about liens or legal actions related to Mortgages being serviced for Freddie Mac. When these notices provide information that enables MERS to identify the applicable Servicer, MERS will forward the notice directly to such Servicer. However, MERS may receive some notices that will not include enough information to enable MERS to identify either the Mortgage in question or the applicable Servicer. In such cases, MERS will electronically notify all MERS members about any unidentified notice(s) it has received. Each Servicer that services MERS-registered mortgages for Freddie Mac must establish procedures to ensure that it checks (on a daily basis) all electronic messages it receives from MERS to determine if the unidentified notice relates to a Mortgage serviced for Freddie Mac. If the Servicer is unable to determine if the notice relates to a Mortgage serviced for Freddie Mac, the Servicer must request additional information from MERS to make such determination.

The Servicer must take appropriate and timely action based on the notice, and advise MERS that the Servicer is Servicing the Mortgage so that MERS can promptly update its records.

### **(d) System-to-system reconciliation with MERS**

Seller/Servicers must comply with all MERS-registered mortgage loan data reconciliation requirements set forth in the MERS Governing Documents.

### **(e) MERS signing officer**

A Seller/Servicer must ensure that only its duly authorized officers or employees, as appointed by MERS pursuant to a MERS corporate resolution, are permitted to act as MERS signing officers.

**(f) Deactivation of Mortgages from MERS**

A Servicer may, in its discretion, “deactivate” a Mortgage from the MERS System. Upon deactivation, the Servicer must prepare an assignment of the Mortgage from MERS to itself in recordable form and, where required by law, record the executed assignment in the applicable public land records. MERS will notify Freddie Mac of the deactivation of any Mortgage in which Freddie Mac has an interest.

# Chapter 8102: Servicers and Servicing Agents

## 8102.1: Managing Servicing Agents (06/12/19)

### (a) Servicer's and Servicing Agent's rights and responsibilities

The Servicer must service Mortgages purchased by Freddie Mac in accordance with the requirements of applicable law and the Purchase Documents. FHA, VA and Section 502 GRH Mortgages and Mortgages covered by mortgage insurance must be serviced in accordance with the Servicing requirements of the Purchase Documents and the applicable FHA, VA, RHS or MI requirements. To the extent that those requirements may conflict with the Purchase Documents, the FHA, VA, RHS or MI requirements, as applicable, will control.

A Seller that is not also a Servicer must transfer Servicing to a Servicer in accordance with the requirements of Chapter 7101. The Servicer may request approval to transfer Servicing to another Servicer or designate another Servicer as its Servicing Agent.

A Servicing Agent must be an approved Freddie Mac Servicer, and must comply with all Freddie Mac Servicing requirements set forth in the Guide and other applicable Purchase Documents containing Servicing requirements (e.g., Servicing provisions that amend the Guide). A fully executed Form 479A, Single-Family Servicing Agent Certification and Agreement, that has been approved and acknowledged by Freddie Mac is a Purchase Document. The Master Servicer and the Servicing Agent agree and acknowledge that the Servicing Agent is only authorized to review and use Mortgage data, including, but not limited to, review and use of data through access to the Freddie Mac Service Loans application, related to the Mortgages for which the Servicing Agent has been engaged to perform the Servicing obligations of the Master Servicer.

Notwithstanding Freddie Mac's written approval of a Servicing Agent, in accordance with the provisions of this Section 8102.1, and notwithstanding the actual performance by the Servicing Agent of all or a portion of the Master Servicer's Servicing responsibilities, Servicing Agent and Master Servicer agree (a) that they are jointly and severally liable to Freddie Mac and shall indemnify, defend and hold Freddie Mac harmless from and against any and all loss, damage or expense, including court costs and attorney fees arising out of or relating to the Master Servicer's failure to comply with any Servicing requirement in the Guide or other applicable Purchase Documents that is a result of, or caused by, the Servicing Agent's failure to comply with any Servicing requirements within the scope of its Subservicing Agreement or violation of its representations, warranties, covenants and agreements set forth in its executed Form 479A and (b) that Freddie Mac may exercise any and all rights and remedies available under the Guide, other applicable Purchase Documents and applicable law against either or both the Master Servicer and/or the Servicing Agent for any such Servicing violation(s), provided however that under no circumstances will Freddie Mac be entitled to any duplicative recovery. The Master Servicer shall continue to be

responsible and liable to Freddie Mac for all Servicing requirements and all representations and warranties, in accordance with the terms of the Purchase Documents.

Each Master Servicer and its Servicing Agent agree and fully understand that:

1. The Master Servicer must disclose all relevant Purchase Documents containing Servicing requirements to its Servicing Agent prior to execution of Form 479A
2. The Master Servicer must maintain systems and/or processes to effectively manage and oversee its Servicing Agent's performance under both the Subservicing Agreement and Form 479A executed by both the Master Servicer and Servicing Agent whereby the Servicing Agent, among other things, agreed to service the Mortgages in accordance with the Servicing requirements of the Purchase Documents
3. The Servicing Agent's rights under the Subservicing Agreement are subject and subordinate in all respects to all rights, powers and prerogatives of Freddie Mac under the Purchase Documents, at law and in equity. The Guide and any applicable Purchase Document containing Servicing requirements shall supersede any inconsistent requirement or provision set forth in the Subservicing Agreement between the Master Servicer and Subservicing Agent. The Servicing Agent's rights under the Subservicing Agreement are without recourse to Freddie Mac of any kind whatsoever, such that the Servicing Agent's rights to perform the subservicing functions and to be compensated for the same (but not the Servicing Agent's indemnification rights, if any, against the Master Servicer) all pursuant to the Subservicing Agreement, are subject to extinguishment at any time. Freddie Mac's rights, powers and prerogatives include, without limitation, Freddie Mac's right to:
  - Suspend or terminate the Servicing contract with the Master Servicer (in whole or in part, and with or without cause)
  - Suspend or terminate the Master Servicer and/or the Servicing Agent as an approved Freddie Mac Seller/Servicer (whether with cause or without cause); and/or
  - Terminate and/or transfer the right to service any Mortgage without regard to any provisions set forth in a Subservicing Agreement purporting to restrict Freddie Mac's rights including, without limitation, any purported rights of first offer, rights of first refusal, or other similar rights in favor of the Servicing Agent or any other third party with respect to, in whole or in part, the contractual rights to service Mortgages subject to a Subservicing Agreement for Freddie Mac
4. The Servicing Agent has no right to assume any part or the entirety of the Master Servicer's Servicing contract with Freddie Mac
5. The Servicing Agent has no right to suspend or terminate Freddie Mac's Servicing contract with the Master Servicer (whether in whole or in part, or with or without cause)

or the right to suspend or terminate the Master Servicer as an approved Freddie Mac Seller/Servicer or Servicer (whether with or without cause)

6. The Servicing Agent has no right to enter into a Transfer of Servicing or other agreement to transfer any rights or obligations under the Subservicing Agreement to a third party
7. The Servicing Agent is not a third-party beneficiary of any of the Purchase Documents between Freddie Mac and the Master Servicer
8. Freddie Mac is a third-party beneficiary of the Subservicing Agreement with respect to the rights of the Master Servicer and the duties and obligations owed by the Servicing Agent under the Subservicing Agreement with respect to the Mortgages serviced for Freddie Mac
9. The Servicing Agent has no interest in the Servicing contract between Freddie Mac and its Master Servicer
10. The Servicing Agent may only make any claims against Freddie Mac, arising out of or relating to its Subservicing Agreement or the Mortgages, through the Master Servicer
11. In any legal action or proceeding to defend or enforce Freddie Mac's rights with respect to Servicing the Mortgages under the applicable Purchase Documents or Freddie Mac's rights as a third-party beneficiary of the Subservicing Agreement, the prevailing party shall be entitled to recover attorney fees and expenses
12. The Master Servicer and Servicing Agent's execution of Form 479A and annual certification of Form 16SF constitutes both the Master Servicer's and its Servicing Agent's express written consent to permit Freddie Mac to have access to, or to have disclosed to Freddie Mac, or to receive copies of:
  - i. Any and all Mortgage records pertaining to any Mortgage serviced by the Master Servicer and subserviced by its Servicing Agent
  - ii. The Subservicing Agreement, and
  - iii. Any and all other records, document, files, information and data maintained or held by the Servicing Agent (or by others on the Servicing Agent's behalf), which Freddie Mac considers necessary or desirable to determine or assess the correctness and completeness of the Mortgage records pertaining to any Mortgage serviced by the Master Servicer and subserviced by the Servicing Agent. Freddie Mac examines the records, documents, files, information and data to ensure that the Master Servicer and Servicing Agent are complying with the requirements of the Purchase Documents and that nothing in this consent shall diminish in any way Freddie Mac's ownership interest in and right to the Mortgage file and all data pertaining to the Mortgage.

13. On or before the 20<sup>th</sup> day (or if such day is not a Business Day, then the next succeeding Business Day) of each calendar month, the Master Servicer must provide Freddie Mac (**see Directory 3**) with a written report containing:
- i. Any notice of default or event of default under the Subservicing Agreement received or sent by the Master Servicer
  - ii. Any notice of an act, event or circumstance indicating that, with the passage of time, without cure of such act, event or circumstance, there would be an event of default under the Subservicing Agreement received or sent by the Master Servicer, and
  - iii. Such other information or documents that Freddie Mac may request with respect to the Subservicing Agreement or the Mortgages, all in form and substance acceptable to Freddie Mac, to the extent that such other information or documents may be requested of other Servicers or Servicing Agents
14. If the Servicing Agent provides notice to the Master Servicer of (i) a default or event of default under the Subservicing Agreement, or (ii) an act, event or circumstance indicating that, with the passage of time without cure would become an event of default under the Subservicing Agreement, then the Servicing Agent will also provide a copy of such notice to Freddie Mac (**see Directory 3**). The Servicing Agent must also provide Freddie Mac (**see Directory 3**) with a written report from time to time upon request from Freddie Mac, containing such other information or documents as Freddie Mac may request with respect to the Subservicing Agreement or the Mortgages, all in form and substance acceptable to Freddie Mac, to the extent that such other information or documents may be requested of other Servicing Agents; and
15. Except as expressly required under the Guide or other applicable Purchase Document, Freddie Mac has no duty to provide notice to or otherwise deal with the Servicing Agent

**(i) Termination or expiration of Subservicing Agreement**

A Master Servicer must notify Freddie Mac (**see Directory 3**) in the event its Subservicing Agreement with an approved Servicing Agent expires or is terminated by either party within one Business Day of such an expiration or termination by submitting a new Form 479A. When the Form 479A is submitted, the Master Servicer must notify Freddie Mac as to whether the Master Servicer will service the designated Mortgages or the Master Servicer intends to engage a new Servicing Agent.

**(ii) Suspension or disqualification of the Master Servicer or termination of Servicing**

If Freddie Mac suspends or disqualifies the Master Servicer as an approved Freddie Mac Seller/Servicer or terminates Servicing with respect to the Master Servicer, then, notwithstanding any provision in the Subservicing Agreement entered into by and between the Master Servicer and an approved Servicing Agent with respect to the Servicing of Mortgages for Freddie Mac, Servicing Agent agrees that any such

Subservicing Agreement shall, without notice, demand or other action, immediately terminate and be of no further force and effect. For example, any purported rights of first offer, rights of first refusal, or other similar rights in favor of the Servicing Agent or any other third party with respect to, in whole or in part, the contractual rights to service for Freddie Mac the Mortgages shall also immediately terminate upon termination of the Subservicing Agreement and be of no further force and effect. Immediately following any such event, the Master Servicer and the Servicing Agent shall work with Freddie Mac to transfer all Mortgage file documents and Servicing records in accordance with Freddie Mac's instructions and do any and all other acts that Freddie Mac, in its sole discretion, deems necessary to facilitate the transfer of Servicing to another Servicer designated by Freddie Mac. In such event, Freddie Mac, at its sole discretion, may contract separately with the Servicing Agent for the Servicing of the Mortgages which the Master Servicer was previously responsible for Servicing, and the Servicing Agent agrees to assume primary responsibility for Servicing such Mortgages in accordance with the terms of the Purchase Documents.

Notwithstanding any provision to the contrary in any Subservicing Agreement, in the event of the suspension, disqualification or termination of the Servicing Agent as a Freddie Mac Servicer, then any such Subservicing Agreement shall, without notice, demand or other action, immediately terminate and be of no further force and effect with respect to Freddie Mac Mortgages. Immediately following any such suspension, disqualification or termination, the Master Servicer and the Servicing Agent (as may be appropriate) shall execute and transfer all such Mortgage file documents and Servicing records and do all such acts as the Master Servicer may deem necessary to facilitate a transfer back to the Master Servicer or to a new Servicing Agent selected by the Master Servicer, provided Freddie Mac's approval of the new Servicing Agent has been obtained in accordance with this Section 8102.1, of all of the Servicing Agent's Servicing obligations with respect to the Mortgages.

**(iii) Transfer of records, document custody requirements and transfers of funds**

Whenever the performance of a Master Servicer's Servicing obligations with respect to a Mortgage or group of Mortgages is to be undertaken by a new Servicing Agent or will be undertaken directly by a Master Servicer following the termination or expiration of a Subservicing Agreement with its former Servicing Agent, the Master Servicer and the Servicing Agent shall comply with the requirements of Section 8102.2.

**(iv) Master Servicer indemnification of Freddie Mac**

The Master Servicer shall, and hereby agrees to, indemnify Freddie Mac from and against any losses, damages, claims or expenses (including court costs and reasonable attorney fees) incurred by Freddie Mac as a direct or indirect consequence of the Servicing Agent's bankruptcy, insolvency, or failure to comply with any of the requirements of the Purchase Documents.



## **(b) Approval**

A Master Servicer may not engage more than one Servicing Agent for Freddie Mac Mortgages being serviced under a particular Freddie Mac Seller/Servicer number at any one time.

A Master Servicer must obtain Freddie Mac's written approval to use a Servicing Agent before the Servicing Agent may commence any Servicing activities on behalf of the Master Servicer. For example, a Seller/Servicer that intends to engage a Servicing Agent to perform all Servicing obligations on behalf of the Seller/Servicer must obtain Freddie Mac's written approval to use that Servicing Agent prior to delivery of a Mortgage to Freddie Mac that it intends to be serviced by the Servicing Agent. In addition, with respect to a Concurrent or Subsequent Transfer of Servicing, a Transferee Servicer that intends to use a Servicing Agent with respect to the transferred Mortgages must obtain Freddie Mac's written approval before the Servicing Agent commences any Servicing activities on behalf of the Transferee/Master Servicer with respect to the transferred Mortgages. To request approval, the Master Servicer must submit a Form 479A to Freddie Mac (**see Directory 3**) executed by both the Master Servicer and the Servicing Agent. Freddie Mac reserves the right to disallow use or rescind authorization of any Servicing Agent that it has determined does not service Mortgages according to Freddie Mac standards and the applicable Purchase Documents.

See Section 1402.9(b) for additional requirements applicable to the subservicing of eMortgages (as defined in Section 1402.2), including, but not limited to, a Servicing Agent's use of a Master Servicer's approved eNote Vault System (as defined in Section 1402.2). (Note: An eMortgage Servicing Agent may use its own eNote Vault System, provided that the eMortgage Servicing Agent is separately approved to service eMortgages for Freddie Mac.)

Freddie Mac will indicate approval, if appropriate, by executing and returning a copy of Form 479A to the Master Servicer and its Servicing Agent. Freddie Mac's approval is effective until a new Form 479A is received indicating a new Servicing Agent or the Master Servicer as responsible for Servicing the Mortgages. Relationships between a Master Servicer and Servicing Agent that are dormant for a year (e.g., no Servicing activity is performed by the Servicing Agent) will be terminated.

See Section 2404.7 regarding requirements relating to Servicing Agent access to the Service Loans application.

## **(c) Review of Servicing Agent**

Before submitting the executed Form 479A, the prospective Master Servicer must carefully review the proposed Servicing Agent's procedures, methods of operation and minimum security standards, as set forth in Sections 1401.5 and 1401.6, for compliance with Freddie Mac's requirements. By submitting a Form 479A and proposing to use a particular Servicing Agent, the prospective Master Servicer shall be deemed to represent and warrant to Freddie Mac that it has carefully reviewed the Servicing Agent's procedures, methods of operation

and minimum security standards for compliance with Freddie Mac's requirements and has determined that the Servicing Agent has demonstrated the ability to service Mortgages in accordance with such requirements by having satisfactorily serviced for a reasonable period of time an existing portfolio of Mortgages of the same types as the Mortgages to be serviced for Freddie Mac.

**(d) Oversight and surveillance**

The Master Servicer must establish an oversight and surveillance program to monitor its Servicing Agent's compliance with the Servicing requirements of the Guide and other Purchase Documents applicable to the Master Servicer. In establishing an oversight and surveillance program, a Master Servicer should consider adopting the best practices set forth in the *Servicing Agent Oversight and Surveillance Program Best Practices* document published on [http://www.freddiemac.com/singlefamily/pdf/master\\_surveillance.pdf](http://www.freddiemac.com/singlefamily/pdf/master_surveillance.pdf).

**(e) Management experience of the Master Servicer**

The Master Servicer must employ a seasoned Mortgage Servicing executive and experienced Mortgage Servicing staff to oversee the activities of the Servicing Agent, taking into consideration the volume of subserviced Mortgages and the complexity of the portfolio being serviced (e.g., non-performing high risk Mortgages). When determining the experience level, Master Servicers should consider the average years of experience, education, qualifications and demonstrated ability of the employee in relation to their respective levels of responsibility.

**(f) Outsourced Vendors**

Freddie Mac does not consider a Servicer's use of an Outsourced Vendor to constitute the use of a Servicing Agent. In addition, the use of an Outsourced Vendor does not require Freddie Mac's approval, unless otherwise provided in the Guide or the Servicer's other Purchase Documents. The Servicer must ensure that the Outsourced Vendor has:

- i. Systems and software applications that function accurately and in compliance with all applicable laws
- ii. Systems security that complies with Section 1302.2 industry standards and all applicable privacy and data breach laws
- iii. A business continuity plan in place to maintain and restore the information within a pre-determined time frame for all Mortgages serviced for Freddie Mac in the event of a disaster or other interruption of business operations and processes, and
- iv. Processes and procedures to ensure prompt and accurate responses to Borrowers. A Servicer that uses an Outsourced Vendor domiciled in, or who provides services to the Servicer from, an offshore location (i.e., not in any State) must apply the same requirements and ensure the same level of service and compliance that is applicable to an Outsourced Vendor domiciled in and providing services to the Servicer from a State.

Both the Master Servicer and its Servicing Agent must ensure that a Servicing Agent's Outsourced Vendor complies with the Servicing requirements in the Guide and other Purchase Documents.

The use of an Outsourced Vendor does not relieve the Servicer of any of Servicer's responsibilities to Freddie Mac under the Purchase Documents.

The Servicer shall continue to be responsible and liable to Freddie Mac for all the actions and omissions of any Outsourced Vendor used by the Servicer in accordance with the terms of the Purchase Documents.

## **8102.1: Managing Servicing Agents (Future effective date 12/09/19)**

### **(a) Servicer's and Servicing Agent's rights and responsibilities**

The Servicer must service Mortgages purchased by Freddie Mac in accordance with the requirements of applicable law and the Purchase Documents. FHA, VA and Section 502 GRH Mortgages and Mortgages covered by mortgage insurance must be serviced in accordance with the Servicing requirements of the Purchase Documents and the applicable FHA, VA, RHS or MI requirements. To the extent that those requirements may conflict with the Purchase Documents, the FHA, VA, RHS or MI requirements, as applicable, will control.

A Seller that is not also a Servicer must transfer Servicing to a Servicer in accordance with the requirements of Chapter 7101. The Servicer may request approval to transfer Servicing to another Servicer or designate another Servicer as its Servicing Agent.

A Servicing Agent must be an approved Freddie Mac Servicer, and must comply with all Freddie Mac Servicing requirements set forth in the Guide and other applicable Purchase Documents containing Servicing requirements (e.g., Servicing provisions that amend the Guide). A fully executed Form 479A, Single-Family Servicing Agent Certification and Agreement, that has been approved and acknowledged by Freddie Mac is a Purchase Document. The Master Servicer and the Servicing Agent agree and acknowledge that the Servicing Agent is only authorized to review and use Mortgage data, including, but not limited to, review and use of data through access to **any** Freddie Mac **Servicing Tool available through the Servicing Gateway**, related to the Mortgages for which the Servicing Agent has been engaged to perform the Servicing obligations of the Master Servicer.

Notwithstanding Freddie Mac's written approval of a Servicing Agent, in accordance with the provisions of this Section 8102.1, and notwithstanding the actual performance by the Servicing Agent of all or a portion of the Master Servicer's Servicing responsibilities, Servicing Agent and Master Servicer agree (a) that they are jointly and severally liable to Freddie Mac and shall indemnify, defend and hold Freddie Mac harmless from and against any and all loss, damage or expense, including court costs and attorney fees arising out of or

relating to the Master Servicer's failure to comply with any Servicing requirement in the Guide or other applicable Purchase Documents that is a result of, or caused by, the Servicing Agent's failure to comply with any Servicing requirements within the scope of its Subservicing Agreement or violation of its representations, warranties, covenants and agreements set forth in its executed Form 479A and (b) that Freddie Mac may exercise any and all rights and remedies available under the Guide, other applicable Purchase Documents and applicable law against either or both the Master Servicer and/or the Servicing Agent for any such Servicing violation(s), provided however that under no circumstances will Freddie Mac be entitled to any duplicative recovery. The Master Servicer shall continue to be responsible and liable to Freddie Mac for all Servicing requirements and all representations and warranties, in accordance with the terms of the Purchase Documents.

Each Master Servicer and its Servicing Agent agree and fully understand that:

1. The Master Servicer must disclose all relevant Purchase Documents containing Servicing requirements to its Servicing Agent prior to execution of Form 479A
2. The Master Servicer must maintain systems and/or processes to effectively manage and oversee its Servicing Agent's performance under both the Subservicing Agreement and Form 479A executed by both the Master Servicer and Servicing Agent whereby the Servicing Agent, among other things, agreed to service the Mortgages in accordance with the Servicing requirements of the Purchase Documents
3. The Servicing Agent's rights under the Subservicing Agreement are subject and subordinate in all respects to all rights, powers and prerogatives of Freddie Mac under the Purchase Documents, at law and in equity. The Guide and any applicable Purchase Document containing Servicing requirements shall supersede any inconsistent requirement or provision set forth in the Subservicing Agreement between the Master Servicer and Subservicing Agent. The Servicing Agent's rights under the Subservicing Agreement are without recourse to Freddie Mac of any kind whatsoever, such that the Servicing Agent's rights to perform the subservicing functions and to be compensated for the same (but not the Servicing Agent's indemnification rights, if any, against the Master Servicer) all pursuant to the Subservicing Agreement, are subject to extinguishment at any time. Freddie Mac's rights, powers and prerogatives include, without limitation, Freddie Mac's right to:
  - Suspend or terminate the Servicing contract with the Master Servicer (in whole or in part, and with or without cause)
  - Suspend or terminate the Master Servicer and/or the Servicing Agent as an approved Freddie Mac Seller/Servicer (whether with cause or without cause); and/or
  - Terminate and/or transfer the right to service any Mortgage without regard to any provisions set forth in a Subservicing Agreement purporting to restrict Freddie Mac's rights including, without limitation, any purported rights of first offer, rights of first refusal, or other similar rights in favor of the Servicing Agent or any other third party

with respect to, in whole or in part, the contractual rights to service Mortgages subject to a Subservicing Agreement for Freddie Mac

4. The Servicing Agent has no right to assume any part or the entirety of the Master Servicer's Servicing contract with Freddie Mac
5. The Servicing Agent has no right to suspend or terminate Freddie Mac's Servicing contract with the Master Servicer (whether in whole or in part, or with or without cause) or the right to suspend or terminate the Master Servicer as an approved Freddie Mac Seller/Servicer or Servicer (whether with or without cause)
6. The Servicing Agent has no right to enter into a Transfer of Servicing or other agreement to transfer any rights or obligations under the Subservicing Agreement to a third party
7. The Servicing Agent is not a third-party beneficiary of any of the Purchase Documents between Freddie Mac and the Master Servicer
8. Freddie Mac is a third-party beneficiary of the Subservicing Agreement with respect to the rights of the Master Servicer and the duties and obligations owed by the Servicing Agent under the Subservicing Agreement with respect to the Mortgages serviced for Freddie Mac
9. The Servicing Agent has no interest in the Servicing contract between Freddie Mac and its Master Servicer
10. The Servicing Agent may only make any claims against Freddie Mac, arising out of or relating to its Subservicing Agreement or the Mortgages, through the Master Servicer
11. In any legal action or proceeding to defend or enforce Freddie Mac's rights with respect to Servicing the Mortgages under the applicable Purchase Documents or Freddie Mac's rights as a third-party beneficiary of the Subservicing Agreement, the prevailing party shall be entitled to recover attorney fees and expenses
12. The Master Servicer and Servicing Agent's execution of Form 479A and annual certification of Form 16SF constitutes both the Master Servicer's and its Servicing Agent's express written consent to permit Freddie Mac to have access to, or to have disclosed to Freddie Mac, or to receive copies of:
  - i. Any and all Mortgage records pertaining to any Mortgage serviced by the Master Servicer and subserviced by its Servicing Agent
  - ii. The Subservicing Agreement, and
  - iii. Any and all other records, document, files, information and data maintained or held by the Servicing Agent (or by others on the Servicing Agent's behalf), which Freddie Mac considers necessary or desirable to determine or assess the correctness and

- completeness of the Mortgage records pertaining to any Mortgage serviced by the Master Servicer and subserviced by the Servicing Agent. Freddie Mac examines the records, documents, files, information and data to ensure that the Master Servicer and Servicing Agent are complying with the requirements of the Purchase Documents and that nothing in this consent shall diminish in any way Freddie Mac's ownership interest in and right to the Mortgage file and all data pertaining to the Mortgage.
13. On or before the 20<sup>th</sup> day (or if such day is not a Business Day, then the next succeeding Business Day) of each calendar month, the Master Servicer must provide Freddie Mac (**see Directory 3**) with a written report containing:
- i. Any notice of default or event of default under the Subservicing Agreement received or sent by the Master Servicer
  - ii. Any notice of an act, event or circumstance indicating that, with the passage of time, without cure of such act, event or circumstance, there would be an event of default under the Subservicing Agreement received or sent by the Master Servicer, and
  - iii. Such other information or documents that Freddie Mac may request with respect to the Subservicing Agreement or the Mortgages, all in form and substance acceptable to Freddie Mac, to the extent that such other information or documents may be requested of other Servicers or Servicing Agents
14. If the Servicing Agent provides notice to the Master Servicer of (i) a default or event of default under the Subservicing Agreement, or (ii) an act, event or circumstance indicating that, with the passage of time without cure would become an event of default under the Subservicing Agreement, then the Servicing Agent will also provide a copy of such notice to Freddie Mac (**see Directory 3**). The Servicing Agent must also provide Freddie Mac (**see Directory 3**) with a written report from time to time upon request from Freddie Mac, containing such other information or documents as Freddie Mac may request with respect to the Subservicing Agreement or the Mortgages, all in form and substance acceptable to Freddie Mac, to the extent that such other information or documents may be requested of other Servicing Agents; and
15. Except as expressly required under the Guide or other applicable Purchase Document, Freddie Mac has no duty to provide notice to or otherwise deal with the Servicing Agent

**(i) Termination or expiration of Subservicing Agreement**

A Master Servicer must notify Freddie Mac (**see Directory 3**) in the event its Subservicing Agreement with an approved Servicing Agent expires or is terminated by either party within one Business Day of such an expiration or termination by submitting a new Form 479A. When the Form 479A is submitted, the Master Servicer must notify Freddie Mac as to whether the Master Servicer will service the designated Mortgages or the Master Servicer intends to engage a new Servicing Agent.

## **(ii) Suspension or disqualification of the Master Servicer or termination of Servicing**

If Freddie Mac suspends or disqualifies the Master Servicer as an approved Freddie Mac Seller/Servicer or terminates Servicing with respect to the Master Servicer, then, notwithstanding any provision in the Subservicing Agreement entered into by and between the Master Servicer and an approved Servicing Agent with respect to the Servicing of Mortgages for Freddie Mac, Servicing Agent agrees that any such Subservicing Agreement shall, without notice, demand or other action, immediately terminate and be of no further force and effect. For example, any purported rights of first offer, rights of first refusal, or other similar rights in favor of the Servicing Agent or any other third party with respect to, in whole or in part, the contractual rights to service for Freddie Mac the Mortgages shall also immediately terminate upon termination of the Subservicing Agreement and be of no further force and effect. Immediately following any such event, the Master Servicer and the Servicing Agent shall work with Freddie Mac to transfer all Mortgage file documents and Servicing records in accordance with Freddie Mac's instructions and do any and all other acts that Freddie Mac, in its sole discretion, deems necessary to facilitate the transfer of Servicing to another Servicer designated by Freddie Mac. In such event, Freddie Mac, at its sole discretion, may contract separately with the Servicing Agent for the Servicing of the Mortgages which the Master Servicer was previously responsible for Servicing, and the Servicing Agent agrees to assume primary responsibility for Servicing such Mortgages in accordance with the terms of the Purchase Documents.

Notwithstanding any provision to the contrary in any Subservicing Agreement, in the event of the suspension, disqualification or termination of the Servicing Agent as a Freddie Mac Servicer, then any such Subservicing Agreement shall, without notice, demand or other action, immediately terminate and be of no further force and effect with respect to Freddie Mac Mortgages. Immediately following any such suspension, disqualification or termination, the Master Servicer and the Servicing Agent (as may be appropriate) shall execute and transfer all such Mortgage file documents and Servicing records and do all such acts as the Master Servicer may deem necessary to facilitate a transfer back to the Master Servicer or to a new Servicing Agent selected by the Master Servicer, provided Freddie Mac's approval of the new Servicing Agent has been obtained in accordance with this Section 8102.1, of all of the Servicing Agent's Servicing obligations with respect to the Mortgages.

## **(iii) Transfer of records, document custody requirements and transfers of funds**

Whenever the performance of a Master Servicer's Servicing obligations with respect to a Mortgage or group of Mortgages is to be undertaken by a new Servicing Agent or will be undertaken directly by a Master Servicer following the termination or expiration of a Subservicing Agreement with its former Servicing Agent, the Master Servicer and the Servicing Agent shall comply with the requirements of Section 8102.2.

## **(iv) Master Servicer indemnification of Freddie Mac**

The Master Servicer shall, and hereby agrees to, indemnify Freddie Mac from and against any losses, damages, claims or expenses (including court costs and reasonable attorney fees) incurred by Freddie Mac as a direct or indirect consequence of the Servicing Agent's bankruptcy, insolvency, or failure to comply with any of the requirements of the Purchase Documents.

## **(b) Approval**

A Master Servicer may not engage more than one Servicing Agent for Freddie Mac Mortgages being serviced under a particular Freddie Mac Seller/Servicer number at any one time.

A Master Servicer must obtain Freddie Mac's written approval to use a Servicing Agent before the Servicing Agent may commence any Servicing activities on behalf of the Master Servicer. For example, a Seller/Servicer that intends to engage a Servicing Agent to perform all Servicing obligations on behalf of the Seller/Servicer must obtain Freddie Mac's written approval to use that Servicing Agent prior to delivery of a Mortgage to Freddie Mac that it intends to be serviced by the Servicing Agent. In addition, with respect to a Concurrent or Subsequent Transfer of Servicing, a Transferee Servicer that intends to use a Servicing Agent with respect to the transferred Mortgages must obtain Freddie Mac's written approval before the Servicing Agent commences any Servicing activities on behalf of the Transferee/Master Servicer with respect to the transferred Mortgages. To request approval, the Master Servicer must submit a Form 479A to Freddie Mac (**see Directory 3**) executed by both the Master Servicer and the Servicing Agent. Freddie Mac reserves the right to disallow use or rescind authorization of any Servicing Agent that it has determined does not service Mortgages according to Freddie Mac standards and the applicable Purchase Documents.

See Section 1402.9(b) for additional requirements applicable to the subservicing of eMortgages (as defined in Section 1402.2), including, but not limited to, a Servicing Agent's use of a Master Servicer's approved eNote Vault System (as defined in Section 1402.2). (Note: An eMortgage Servicing Agent may use its own eNote Vault System, provided that the eMortgage Servicing Agent is separately approved to service eMortgages for Freddie Mac.)

Freddie Mac will indicate approval, if appropriate, by executing and returning a copy of Form 479A to the Master Servicer and its Servicing Agent. Freddie Mac's approval is effective until a new Form 479A is received indicating a new Servicing Agent or the Master Servicer as responsible for Servicing the Mortgages. Relationships between a Master Servicer and Servicing Agent that are dormant for a year (e.g., no Servicing activity is performed by the Servicing Agent) will be terminated.

See Section 2401.1(f) regarding requirements relating to Servicing Agent access to [Freddie Mac Servicing Tools](#).

## **(c) Review of Servicing Agent**



Before submitting the executed Form 479A, the prospective Master Servicer must carefully review the proposed Servicing Agent's procedures, methods of operation and minimum security standards, as set forth in Sections 1401.5 and 1401.6, for compliance with Freddie Mac's requirements. By submitting a Form 479A and proposing to use a particular Servicing Agent, the prospective Master Servicer shall be deemed to represent and warrant to Freddie Mac that it has carefully reviewed the Servicing Agent's procedures, methods of operation and minimum security standards for compliance with Freddie Mac's requirements and has determined that the Servicing Agent has demonstrated the ability to service Mortgages in accordance with such requirements by having satisfactorily serviced for a reasonable period of time an existing portfolio of Mortgages of the same types as the Mortgages to be serviced for Freddie Mac.

#### **(d) Oversight and surveillance**

The Master Servicer must establish an oversight and surveillance program to monitor its Servicing Agent's compliance with the Servicing requirements of the Guide and other Purchase Documents applicable to the Master Servicer. In establishing an oversight and surveillance program, a Master Servicer should consider adopting the best practices set forth in the *Servicing Agent Oversight and Surveillance Program Best Practices* document published on [http://www.freddiemac.com/singlefamily/pdf/master\\_surveillance.pdf](http://www.freddiemac.com/singlefamily/pdf/master_surveillance.pdf).

#### **(e) Management experience of the Master Servicer**

The Master Servicer must employ a seasoned Mortgage Servicing executive and experienced Mortgage Servicing staff to oversee the activities of the Servicing Agent, taking into consideration the volume of subserviced Mortgages and the complexity of the portfolio being serviced (e.g., non-performing high risk Mortgages). When determining the experience level, Master Servicers should consider the average years of experience, education, qualifications and demonstrated ability of the employee in relation to their respective levels of responsibility.

#### **(f) Outsourced Vendors**

Freddie Mac does not consider a Servicer's use of an Outsourced Vendor to constitute the use of a Servicing Agent. In addition, the use of an Outsourced Vendor does not require Freddie Mac's approval, unless otherwise provided in the Guide or the Servicer's other Purchase Documents. **Without limiting the Servicer's responsibilities under Section 2401.1(e) with respect to Related Third Parties**, the Servicer must ensure that the Outsourced Vendor has:

- i. Systems and software applications that function accurately and in compliance with all applicable laws
- ii. Systems security that complies with Chapter 1302, industry standards and all applicable privacy and data breach laws
- iii. A business continuity plan in place, **consistent with Section 1302.3**, to maintain and restore the information within a pre-determined time frame for all Mortgages serviced for

Freddie Mac in the event of a disaster or other interruption of business operations and processes, and

- iv. Processes and procedures to ensure prompt and accurate responses to Borrowers. A Servicer that uses an Outsourced Vendor domiciled in, or who provides services to the Servicer from, an offshore location (i.e., not in any State) must apply the same requirements and ensure the same level of service and compliance that is applicable to an Outsourced Vendor domiciled in and providing services to the Servicer from a State. Both the Master Servicer and its Servicing Agent must ensure that a Servicing Agent's Outsourced Vendor complies with the Servicing requirements in the Guide and other Purchase Documents.

The use of an Outsourced Vendor does not relieve the Servicer of any of Servicer's responsibilities to Freddie Mac under the Purchase Documents.

The Servicer shall continue to be responsible and liable to Freddie Mac for all the actions and omissions of any Outsourced Vendor used by the Servicer in accordance with the terms of the Purchase Documents.

## **8102.2: Obligations upon termination or expiration of Subservicing Agreement (09/18/18)**

### **(a) Servicing obligations undertaken by new Servicing Agent or by the Master Servicer**

Whenever the Master Servicer's Servicing obligations are undertaken by a new Servicing Agent (e.g., due to the termination or expiration of the Subservicing Agreement with a prior Servicing Agent) or performed directly by the Master Servicer itself, the Master Servicer and, if applicable, the new Servicing Agent must complete and submit (**see Directory 3**) the following information to Freddie Mac at least 30 days before the date the new Servicing Agent commences Servicing of the Mortgages:

- A fully executed Form 479A, Single-Family Servicing Agent Certification and Agreement, signed by both the Master Servicer and, if applicable, the new Servicing Agent, with a list of the specified Mortgage types and Mortgages with specified features included in the subservicing arrangement including, but not limited to, Mortgages in active alternatives to foreclosure and the terms of such alternatives, and
- A list of Mortgages that will be serviced by the new Servicing Agent or by the Master Servicer directly

### **(b) Mortgages modified electronically**

Home Affordable Modification Program<sup>SM</sup> (HAMP<sup>®</sup>) Mortgages are the only Mortgages that Servicers were permitted to modify using Electronic, as defined in Chapter 1401,

modification agreements. If the portfolio being transferred as part of the subservicing arrangement includes Mortgages that have been modified electronically, the Servicer that is transferring the Mortgage documents and Servicing records must indicate on Form 479A that:

- The modification agreement is Electronic
- Provide a list of such Mortgages, and
- Indicate the name of the repository holding the Electronic modification agreement

See Section 9205.20 for requirements governing the HAMP eModification Agreement.

Freddie Mac will indicate approval, if appropriate, by providing the signed Form 479A to the Master Servicer and, if applicable, the new Servicing Agent.

**(c) Denied Form 479A requests**

Freddie Mac reserves the right to deny a Master Servicer's request to use a new Servicing Agent or to undertake Servicing directly. Freddie Mac may provide the Master Servicer written notice of the denial, but is not obligated to provide a written notice explaining the reason for denial. In the event Freddie Mac denies a Master Servicer's request to use a new Servicing Agent or undertake Servicing directly, the Master Servicer agrees to work with Freddie Mac to identify a new Servicing Agent or engage in a Subsequent Transfer of Servicing of the Mortgages to a Transferee Servicer in accordance with the requirements of Chapter 7101.

**(d) Freddie Mac's rights**

Any unauthorized Servicing of Freddie Mac Mortgages by a new Servicing Agent or by the Master Servicer constitutes grounds for suspension or disqualification of both the Master Servicer and the purported Servicing Agent as Seller/Servicers. In addition, Freddie Mac may exercise any of its other rights under the Purchase Documents.

Freddie Mac may perform a post-transfer review following establishment of the subservicing arrangement, which may include onsite visits, to determine whether the Master Servicer and Servicing Agent, as applicable, complied with the requirements of the Guide and applicable Purchase Documents.

**(e) Master Servicer and Servicing Agent reviews**

The Master Servicer, the former Servicing Agent and, if applicable, the new Servicing Agent must participate with each other to conduct a due diligence review on the transferred Mortgages, Mortgage files, Servicing data and records, Custodial Accounts, if applicable, obligations under the Purchase Documents and any alternative to foreclosure and provide to the Servicer that will perform the Servicing obligations with any missing data, documents or other information necessary for that Servicer to perform its obligations in accordance with

the Guide, applicable Purchase Documents, terms of the Mortgage and applicable alternatives to foreclosure.

**(f) Servicer to perform the Servicing obligations**

The Servicer that will perform the Servicing obligations must perform a due diligence review on the transferred Mortgages and on any Custodial Accounts, and be aware of any obligations under the Purchase Documents and any alternative to foreclosure, whether offered and outstanding or currently in place with a Borrower. The Servicer that will be performing the Servicing obligations must ensure that its due diligence efforts include, but are not limited to, a review of the following information:

1. Reports and data that confirm and support information provided to the Servicer
2. Pertinent reports prepared by internal or external auditors, including any recently completed Freddie Mac audit

Upon request, the Master Servicer and any Servicing Agent must provide to Freddie Mac the post-transfer review results.

**(g) Servicing reporting**

Beginning with reports due for the reporting cycle immediately following the day the new Servicing Agent or Master Servicer undertakes the performance of the Servicing obligations, all Servicing reports, whether required to be submitted electronically or by paper copy, must be submitted in the name and Seller/Servicer number of the Master Servicer.

**(h) Transfer of Mortgage and REO files**

No later than 30 days after the new Servicing Agent or Master Servicer undertakes the performance of the Servicing obligations, the Servicer that was performing the Servicing obligations must deliver to the new Master Servicer, or, if applicable, the new Servicing Agent, the following records for each Mortgage and REO for which Servicing is transferred:

1. **Mortgage file:** The Mortgage file that the Servicer is required to maintain in accordance with Chapter 3302
  - If the Servicer that was performing the Servicing obligations does not have the same form of document and records maintenance (photographic, photostatic, microfilm, microfiche, electronic imaging, optical disk or laser disk storage) as the new Servicer Agent or Master Servicer, then the former Servicer must either convert the documents and records to the form of storage utilized by the new Servicer Agent or Master Servicer or generate paper copies of all documents and records for the new Servicer Agent or Master Servicer

- Effective for Mortgages with Note Dates on or after July 1, 2013, Servicers may no longer make copies of original paper Mortgage file documents for any Mortgage file documents (excluding the paper original Mortgage file documents specified in Section 3302.2, which must always be maintained and stored as paper originals) using microfilm or microfiche. Servicers may copy original paper Mortgage file documents using scanning systems commonly used in the regular course of business at this time, and maintain copies of such documents as Portable Document Format (PDF), Tagged Image File (TIF) format, Joint Photographic Experts Group (JPEG) format or other electronic document formats commonly used in the regular course of business at this time.
- 2. **Payment history:** The complete history of Mortgage payments and, if applicable, Escrow disbursements (including the most recent Escrow analysis), with supporting documentation, from the Origination Date of the Mortgage
- 3. **Correspondence and reports:** Copies of all correspondence with, and reports to, the Borrowers and, as applicable, FHA, VA, RHS, MIs, Freddie Mac and any government authority
- 4. **Notice of transfer:** A copy of the notice to the Borrowers regarding the change in entity performing the Servicing obligations (e.g., change of payment address)
- 5. **REO history:** If REO is being serviced, the complete history of receipts, expenditures and management and marketing activities (including copies of any filed MI claims) with supporting documentation from the date the REO was acquired

**(i) Transfer of portfolio records**

No later than the date the new Servicing Agent or Master Servicer undertakes the performance of the Servicing obligations, the Servicer must deliver to the new Servicing Agent or Master Servicer that will perform the Servicing obligations the following records for the Mortgages and REO that will be serviced by such Servicing Agent or Master Servicer:

1. **Service contracts:** Copies of tax and flood hazard determination service contracts, if applicable
2. **Unpaid charges:** A list of Escrowed charges due and unpaid as of the date the new Servicing Agent or Master Servicer undertakes the performance of the Servicing obligations
3. **Trial balances:** Trial balances, as of the close of the last Business Day immediately preceding the date on which the performance of Servicing obligations will transition to the new Servicing Agent or back to the Master Servicer, showing:
  - Transfers of Ownership, payoffs and other Servicing exceptions in process

- Escrows, Escrow advances and prepayments
  - Where applicable, buydown accounts and balances
  - Delinquencies, foreclosures, bankruptcies and REO
4. **Automatic payments:** A list of Mortgages subject to automatic drafting of monthly payments along with Borrower authorization and all necessary information to continue without interruption, electronic payments on the Borrower's Mortgage, to the extent permitted by applicable law
  5. **Insurance policies:** A list of Mortgages showing expiration dates of the insurance policies on the Mortgaged Premises, whether or not premiums for these policies were Escrowed
  6. **Other documents:** Ledger records and definitions of codes used in ledger records, trial balances or any other documents required by Freddie Mac to be transferred to the Servicing Agent or Master Servicer that is undertaking the performance of the Servicing obligations
    - **Custodial Accounts (if applicable):** A copy of the depository institution's reconciliation, as of the close of the bank's last business day immediately preceding the date on which the performance of Servicing obligations will transition to the new Servicing Agent or back to the Master Servicer, for each Custodial Account maintained in accordance with Chapter 8304
    - **Freddie Mac reports:** Copies of all Servicing and accounting reports filed with Freddie Mac for the three months immediately preceding the date on which the performance of Servicing obligations will transition to the new Servicing Agent or back to the Master Servicer

**(j) Notices to the Borrower**

The Servicer that is ceasing performance of the Servicing obligations must provide timely notice to the Borrowers to ensure a smooth transition, avoid disruption in Mortgage payments and otherwise comply with applicable laws and regulations. The Servicer must provide written notice to each Borrower at least 15 days before the first payment is due to be received by the Servicer Agent or Master Servicer that is undertaking the performance of the Servicing obligations.

**(k) Master Servicer's or new Servicing Agent's notice to the Borrower**

The Master Servicer or its new Servicing Agent, whichever is undertaking the performance of the Servicing obligations, must provide to each Borrower written confirmation of the information in the notice to the Borrowers provided by the Servicer that is ceasing performance of the Servicing obligations within 15 days before the date the first payment is due to be received by the Master Servicer or its Servicing Agent, as applicable.

## **(I) Notice requirements**

The notice must advise the Borrower of the following:

1. The date the new Servicing Agent or Master Servicer undertakes the performance of the Servicing obligations
2. The name and address of the Servicer undertaking the performance of the Servicing obligations
3. The names and telephone numbers of the contact persons or departments where the Borrowers' inquiries relating to the transfer should be directed. (If toll-free numbers are not available, the letter must indicate that collect calls will be accepted.) Such names and telephone numbers must be provided for the party previously performing the Servicing obligations as well as the new Servicing Agent or Master Servicer undertaking the performance of the Servicing obligations.
4. The date when the party previously performing the Servicing obligation will no longer collect the Borrowers' payments and when the new Servicing Agent or Master Servicer undertaking the performance of the Servicing obligations will begin to collect them
5. Procedures for maintenance of automatic draft payments, if applicable. Every effort must be made to continue, without interruption, electronic payments on the Borrower's Mortgage, to the extent permitted by applicable law.

The notice may not amend the terms of a Mortgage other than those relating to where to send payments.

The Master Servicer and any Servicing Agent must ensure that their staff and facilities are adequately prepared to process Servicing and accounting transactions and to respond to Borrower inquiries during the transfer transition period. The Servicing Agent or Master Servicer undertaking the performance of the Servicing obligations must assume responsibility for responding to Borrower inquiries received after the date of such undertaking. If any Servicing or accounting problem cannot be resolved without the involvement of the Servicer that was performing the Servicing obligations, the new Servicing Agent or Master Servicer undertaking the performance of the Servicing obligations, and not the Borrower, should initiate the contact with the prior Servicer.

During the transfer transition period, the Servicers involved must make reasonable efforts to resolve disputes to the Borrowers' satisfaction when such disputes arise from legitimate Borrower misunderstanding of instructions in the notices to the Borrower. Late charges must be waived and, if applicable, appropriate adjustments to payment and credit records made for misapplied or unapplied payments due to a payment received by the Servicer that was performing the Servicing obligation instead of the new Servicing Agent or Master Servicer undertaking the performance of the Servicing obligations.

Within one day of receipt, the Servicer that was performing the Servicing obligations must deliver to the Servicing Agent or Master Servicer undertaking the performance of the Servicing obligations any funds for, or correspondence regarding, any of the transferred Mortgages and REO received on or after the date the Servicing Agent or Master Servicer undertakes the performance of the Servicing obligations.



# Chapter 8103: Servicer Accounting and Application of Payments

## 8103.1 Servicer fiscal responsibilities (03/02/16)

The Servicer must prepare its balance sheet and other financial statements that clearly reflects the sale of Mortgages to Freddie Mac as a sale of assets. This is required in addition to the file identification and marking of accounting records required elsewhere in this Guide.

## 8103.2: Mortgage accounting records (06/12/19)

### (a) Permanent records

The Servicer must maintain permanent Mortgage accounting records for each Mortgage sold to Freddie Mac. The records must contain the complete Freddie Mac nine-digit loan number assigned to the Mortgage.

### (b) Accounting system

Freddie Mac requires that the Servicer's Mortgage accounting system be able to produce an account transcript for each Mortgage, itemizing the following in chronological order:

- The date, amount and breakdown of principal, interest and Negative Amortization of each payment
- The date to which interest is paid
- The date, amount and nature of each disbursement, advance, adjustment or other transaction affecting the amounts due from or to the Borrower

The system must also be capable of providing:

- The current outstanding principal balance and Negative Amortization of the Mortgage
- The current Escrow (impound) balance
- Disclosure of any insufficiency in Escrow balances for a Mortgage

### (c) Accounting principles

The Servicer must maintain the accounts and records for Freddie Mac-owned Mortgages according to sound and generally accepted accounting principles in a manner that permits

Freddie Mac's representatives or designees to examine and audit these accounts and records at any time.

## 8103.3: Accounting methods (03/02/16)

### (a) Amortization method

The Servicer must use the amortization method of individual loan accounting, with interest calculated in arrears, for each Mortgage it services for Freddie Mac. Under this method, an individual Mortgage payment is applied to interest and principal by first calculating the interest portion and then applying the balance of the payment as a principal reduction.

Unless otherwise specifically required by law, the interest portion of the payment must be determined by computing one full month's interest on the outstanding principal balance (Exhibit 62, Interest Calculation: Amortization Method) regardless of the day on which the payment is actually received. To determine the interest due for the month, multiply the outstanding principal balance by the interest rate of the Mortgage and divide by 12.

Factors used for interest calculations must be carried to at least six decimal places, then rounded to the nearest decimal place based on the third digit. After applying the interest portion of the payment, the remainder is applied to principal.

The Fannie Mae/Freddie Mac Uniform Instruments provide for this amortization method, unless the law of the State where the Mortgaged Premises are located specifically requires a different method. If applicable law specifically requires a different method, the Servicer must so notify Freddie Mac (see **Directory 7**) in writing before remitting payments to Freddie Mac. When computations involve multiple installments, such as several delinquent installments, the interest from each may be computed using the same principal balance (Exhibit 63, Interest Calculation: Amortization Method). The amount to be applied to interest from each installment also may be calculated in succession, using the principal balance remaining after the previous calculation and principal application (Exhibit 64, Interest Calculation: Amortization Method). Similarly, a method that strictly applies payments according to a predetermined amortization schedule is also acceptable.

For Initial Interest<sup>SM</sup> Mortgages, the monthly payment will be interest-only followed by fully amortizing principal and interest payments beginning on the First Amortizing Payment Date. For Initial Interest Mortgages, Servicers must have the ability to produce monthly payment statements for Borrowers.

In addition, for Initial Interest 3/1, 5/1 and 7/1 10-year Interest Only Period ARMs, Servicers must be able to track the first Interest Change Date and the First Amortizing Payment Date separately.

### **(b) Interest calculations involving a period of less than one month**

For interest calculations involving a period of less than one month (for example, Mortgages paid in full or third-party sales), the amount of interest must be based on actual days and a 365-day year.

### **(c) Interest-in-advance**

Freddie Mac does not permit the use of the prepaid interest or interest-in-advance methods on Mortgages purchased. Any Servicer using the interest-in-advance method must convert to the interest-in-arrears method for Mortgages purchased by Freddie Mac before delivering the Mortgages to Freddie Mac.

## **8103.4: Application of payments: general (03/02/16)**

Except as described in Sections 8103.5 through 8103.7 all payments of the monthly installment due shall be applied as specified in the Security Instrument.

## **8103.5: Application of payments: differences in collection (03/02/16)**

For each Mortgage, all payments received must equal or exceed the monthly principal, interest and Escrow, if applicable, unless a deficiency of \$50 or less occurs. The Servicer must not create a payment deficiency by deducting a late charge from the regular monthly payment. Refer to Section 9102.2 for further information on late charge collections.

A Mortgage payment, including Escrow amounts that is deficient by \$50 or less may be:

- Applied by reducing the amount credited to the Escrow balance
- Credited to an unapplied or suspense funds account until a full payment is received
- Returned to the Borrower for a complete payment

If the deficiency exceeds \$50, the partial payment must be either credited to unapplied or suspense funds until a full payment is received or returned to the Borrower.

Partial payments received from a Borrower during a repayment plan must be held in Freddie Mac's Escrow Custodial Account until a full payment is received.

Refer to Section 8302.4 for requirements regarding the deposit of partial payments to the Escrow Custodial Account.

Checks returned because of insufficient funds must be reflected as a complete reversal of the most recent Escrow, interest, Negative Amortization and principal application.

## **8103.6: Application of payments: Mortgage paid in full (06/12/19)**

### **(a) General Servicer responsibilities**

The Servicer must determine and accept the amount required to pay a Mortgage in full, including the interest to the payoff date and remit the total proceeds due Freddie Mac. The Servicer is responsible for providing payoff amounts to individual Borrowers or their agents and is liable to Freddie Mac for any errors in the amount of any payoff.

The Servicer must take all actions required by law, within statutory time limits, to release the lien and discharge the debt of a Mortgage that has been paid in full (paid off). The Servicer agrees to hold Freddie Mac, its successors and assigns, harmless from and against any and all losses, claims, demands, actions, suits, damages, costs and expenses (including reasonable attorney fees) of every nature and character that may arise or be asserted against or be incurred by Freddie Mac as a result of the Servicer's failure to comply with applicable law.

If the Mortgage is evidenced by a Security Instrument, or is insured or guaranteed under a federal program, that prohibits the charging of a release or reconveyance fee upon payoff, the Servicer may not charge such a fee even if permitted to do so under applicable law. This prohibition extends to trustees in deed of trust jurisdictions and applies to "release" fees, "processing" fees, "forwarding" fees, "document preparation" fees and similarly denominated charges. In deed of trust jurisdictions, a Servicer must not knowingly employ or retain a trustee who charges Borrowers for reconveyance services.

If permitted to do so under applicable law and the Security Instrument, the Servicer may charge the Borrower for the actual cost of recording the release or reconveyance.

The Servicer must request the release of the Note and other documents held by the Document Custodian in accordance with Section 8107.1 for a Mortgage that has been paid in full. The Servicer must comply with any and all statutory requirements and timeframes regarding disposition of the Note, which may require returning the Note to the Borrower following pay off. **For an eMortgage (as defined in Section 1402.2) that has been paid in full, the Servicer must also comply with the requirements in Section 1402.10(c).**

Payoff proceeds received by the Servicer must be remitted and reported to Freddie Mac in accordance with applicable provisions of Chapters 8303 and 8304.

## **(b) Prepayment Penalty Mortgages**

With respect to a Prepayment Penalty Mortgage, the Servicer must collect the amount of the prepayment penalty provided for in and under the conditions specified in the Mortgage loan instruments and:

1. For Prepayment Penalty Mortgages sold to Freddie Mac prior to October 14, 2005, the Servicer must not assess or collect a prepayment penalty if either:
  - The proceeds received for the payoff of the Mortgage are from the sale of the Mortgaged Premises, or
  - The payoff of the Mortgage is received from any source, including insurance proceeds, in connection with the workout of a delinquent Mortgage or due to a default under the terms of Security Instrument
2. For Prepayment Penalty Mortgages sold to Freddie Mac on and after October 14, 2005, the Servicer must not assess or collect a prepayment penalty if either:
  - The proceeds received for the payoff of the Mortgage are from the sale of the Mortgaged Premises and the prepayment period is more than three years or
  - The payoff of the Mortgage is received from any source, including insurance proceeds, in connection with the workout of a delinquent Mortgage or due to a default under the terms of the Security Instrument

## **(c) FHA/VA and Section 502 GRH Mortgages**

For FHA/VA and Section 502 GRH Mortgages, any notice of prepayment or entitlement to interest past the date of payment-in-full must be waived by the Servicer on behalf of Freddie Mac. Escrow balances may be either credited to the mortgagor or returned separately.

When an FHA Mortgage is paid in full, the Servicer must collect the amounts due FHA for the adjusted prepayment premium and for pro rata earned mortgage insurance premiums. The Servicer must then complete any required notice and submit it directly to FHA with the required remittances.

## **(d) Buydown accounts**

Any funds remaining in the buydown account of a Mortgage prepaid in full must be released according to the terms of the buydown agreement.

For further explanation of procedures to be followed in regard to conventional, FHA/VA and Section 502 GRH Mortgage payments-in-full, see Section 8303.9.

## 8103.7: Application of payments: partial prepayments (curtailments) (10/09/19)

Refer to Bulletins 2019-18, 2019-19 and 2019-21, which announced the availability of Freddie Mac Servicing Data Corrections. Servicers may use the application prior to the implementation of the December 9, 2019 version of this section.

The Servicer may accept partial prepayments of principal in any amount according to the terms of the Note. Upon request by the Borrower, the monthly principal and interest installments may be recalculated, provided that:

- The monthly payments are current
- There is no extension of the Note maturity date or the maturity date calculated in accordance with any modification agreement in force at the time of Freddie Mac's purchase of the Mortgage
- FHA, VA, RHS or MI approval is obtained, if applicable
- The rate of interest stated in the Note remains unchanged

The Servicer may determine, in its discretion and in compliance with applicable law, whether to require:

- A modification agreement executed by both the Borrower and the Servicer, or
- A Servicer-executed modification agreement

The Servicer must report Loan Level Reporting exception code 91(Recast) in the Accounting Cycle containing the Due Date of the new Mortgage principal and interest (P&I) monthly payment. For Mortgages with a step rate, Servicers must submit Form 1102, Modified Principal and Interest Payment, (see **Directory 3**) and report Loan Level Reporting exception code 91. If a prepayment(s), with the modified P&I constant, is received prior to the date the Mortgage P&I monthly payment changes, the Servicer must apply the payment in accordance with the Security Instrument, but not report the payment to Freddie Mac prior to the date the Mortgage P&I monthly payment changes. However, if all contractual payments with the pre-modified P&I constant have previously been reported, then the recast exception code, the modified P&I constant and the modified Mortgage P&I payment may be reported in the Accounting Cycle prior to the Due Date of the modified Mortgage P&I payment.

If the original Security Instrument was registered with MERS<sup>®</sup>, the Servicer must execute the modification agreement on behalf of MERS. Freddie Mac does not need to approve any modification meeting the requirements in this Section 8103.7.

Freddie Mac will update its systems with the newly modified principal and interest payment as set forth in the modification agreement. The Servicer must also report and remit the new payment in accordance with the requirements in Chapter 8303.

The Servicer warrants that with respect to any modification agreement completed under this section, that the modified Mortgage retains its First Lien position and is fully enforceable at the time of modification, throughout its modified term and during any bankruptcy or foreclosure proceeding involving the Mortgage.

Freddie Mac's execution of any document submitted by the Servicer does not imply that it has reviewed the document for legal adequacy. This is the Servicer's responsibility. When required by local law or practice, the Servicer must obtain the consent of any statutory or contractual lienholder and binding confirmation by the title insurer that no loss in priority of the lien is incurred. The Servicer must make any necessary recordation. To the extent of local law and practice, the Servicer may require the Borrower to reimburse the Servicer's costs and pay expenses incurred in preparing or recording the modification agreement.

The Servicer must send one original modification agreement to the Document Custodian in accordance with the timing and other requirements of Section 9206.17; except for any Mortgage that is modified using a Servicer-executed modification agreement, the Servicer must send such agreement to the Document Custodian within 25 days of the Modification Effective Date. The Servicer must refer to Section 8103.7 for Freddie Mac's accounting requirements regarding this subject.

Principal curtailments can be made any Business Day of the month and must be applied no later than the day on which the curtailment is received. To determine the interest due for the next monthly payment, multiply the UPB by the interest rate of the Mortgage and divide by 12.

Funds received in consideration of a partial release of the Mortgaged Premises or the taking of the Mortgaged Premises in whole or in part by eminent domain will be applied as instructed by Freddie Mac in accordance with Sections 8401.1 and 8401.2.

**(a) ARMs**

For ARMs, curtailments must first be applied as a reduction of Negative Amortization and then as a reduction to principal. Both applications must be reported as principal due Freddie Mac in the loan-level transaction.

**(b) Computing interest**

For computing forecasted scheduled interest due in the next Accounting Cycle, the interest must be calculated on the current Accounting Cycle interest-bearing Ending UPB, after applying all principal payments (i.e., current monthly principal payment, curtailment and prepayments) received and reported in the current Accounting Cycle.

### **(c) Modifications**

Modifications on Home Mortgages that result in reduced monthly payments due to curtailments may be approved by the Servicer without Freddie Mac's approval, provided that:

- The monthly payments are current
- There is no extension of the Note maturity date or the maturity date calculated in accordance with any modification agreement in force at the time of Freddie Mac's purchase of the Mortgage
- MI, VA, RHS or FHA approval is obtained, if applicable
- The Note Rate remains unchanged; and
- The modification is reflected in a written agreement and processed in accordance with the requirements in Section 8103.7. (Note: Per Section 1402.10(a), the Servicer must update the MERS<sup>®</sup> eRegistry (as defined in Section 1402.2) to provide notice of the modification agreement upon a recast modification of an eMortgage (as defined in Section 1402.2)).

Except as otherwise stated in the Guide or applicable Purchase Documents, the Servicer must obtain Freddie Mac's prior written approval before entering into a modification with a Borrower.

### **(d) Initial Interest<sup>SM</sup> Mortgages**

For Initial Interest<sup>SM</sup> Mortgages, if the Borrower makes a principal curtailment during the Interest Only Period, then the next interest-only payment must be recalculated based on the new UPB. For an Initial Interest 3/1, 5/1 and 7/1 10-year Interest Only Period ARM, if there is a principal curtailment during the period when the interest rate has begun adjusting annually but the monthly payments are still interest-only, the Servicer must continue to recalculate the next interest-only payment based on the new UPB until the end of the Interest Only Period; after the Interest Only Period, the monthly payment should be recalculated in accordance with the Servicer's standard processes for ARMs.

If the Borrower makes a principal curtailment during the Interest Only Period, then the next interest only payment must be recalculated based on the new UPB. The Servicer must remit interest based on the new UPB to Freddie Mac in the Accounting Cycle immediately following the date the Borrower made the principal curtailment.

Servicers must be able to comply with the terms of the Initial Interest Note and calculate (or recalculate) the first fully amortizing principal and interest payment based on the UPB after application of any partial prepayment received on or before the last interest only payment due date.



Before the effective date of any change in the Borrower's monthly payment, the Servicer must deliver or mail the Borrower a notice of such change. The notice must include the information required in the loan instruments or by applicable law, and must also include the following:

1. Name and address of Borrower
2. Address of property
3. Loan number
4. Change in monthly payment
5. New monthly payment amount
6. Reason for change (i.e., reduction in UPB; loan becomes fully amortizing; change in interest rate, if an ARM)
7. Title and telephone number of a person who will answer any questions

## **8103.7: Application of payments: partial prepayments (curtailments) (Future effective date 12/09/19)**

The Servicer may accept partial prepayments of principal in any amount according to the terms of the Note. Upon request by the Borrower, the monthly principal and interest installments may be recalculated, provided that:

- The monthly payments are current
- There is no extension of the Note maturity date or the maturity date calculated in accordance with any modification agreement in force at the time of Freddie Mac's purchase of the Mortgage
- FHA, VA, RHS or MI approval is obtained, if applicable
- The rate of interest stated in the Note remains unchanged

The Servicer may determine, in its discretion and in compliance with applicable law, whether to require:

- A modification agreement executed by both the Borrower and the Servicer, or
- A Servicer-executed modification agreement

The Servicer must report Loan Level Reporting exception code 91(Recast) in the Accounting Cycle containing the Due Date of the new Mortgage principal and interest (P&I) monthly

payment. **Servicers must report** Mortgages with a step rate via **the Freddie Mac Servicing Data Corrections tool (see Exhibit 88, Servicing Tools)** and report Loan Level Reporting exception code 91. If a prepayment(s), with the modified P&I constant, is received prior to the date the Mortgage P&I monthly payment changes, the Servicer must apply the payment in accordance with the Security Instrument, but not report the payment to Freddie Mac prior to the date the Mortgage P&I monthly payment changes. However, if all contractual payments with the pre-modified P&I constant have previously been reported, then the recast exception code, the modified P&I constant and the modified Mortgage P&I payment may be reported in the Accounting Cycle prior to the Due Date of the modified Mortgage P&I payment.

If the original Security Instrument was registered with MERS<sup>®</sup>, the Servicer must execute the modification agreement on behalf of MERS. Freddie Mac does not need to approve any modification meeting the requirements in this Section 8103.7.

Freddie Mac will update its systems with the newly modified principal and interest payment as set forth in the modification agreement. The Servicer must also report and remit the new payment in accordance with the requirements in Chapter 8303.

The Servicer warrants that with respect to any modification agreement completed under this section, that the modified Mortgage retains its First Lien position and is fully enforceable at the time of modification, throughout its modified term and during any bankruptcy or foreclosure proceeding involving the Mortgage.

Freddie Mac's execution of any document submitted by the Servicer does not imply that it has reviewed the document for legal adequacy. This is the Servicer's responsibility. When required by local law or practice, the Servicer must obtain the consent of any statutory or contractual lienholder and binding confirmation by the title insurer that no loss in priority of the lien is incurred. The Servicer must make any necessary recordation. To the extent of local law and practice, the Servicer may require the Borrower to reimburse the Servicer's costs and pay expenses incurred in preparing or recording the modification agreement.

The Servicer must send one original modification agreement to the Document Custodian in accordance with the timing and other requirements of Section 9206.17; except for any Mortgage that is modified using a Servicer-executed modification agreement, the Servicer must send such agreement to the Document Custodian within 25 days of the Modification Effective Date. The Servicer must refer to Section 8103.7 for Freddie Mac's accounting requirements regarding this subject.

Principal curtailments can be made any Business Day of the month and must be applied no later than the day on which the curtailment is received. To determine the interest due for the next monthly payment, multiply the UPB by the interest rate of the Mortgage and divide by 12.

Funds received in consideration of a partial release of the Mortgaged Premises or the taking of the Mortgaged Premises in whole or in part by eminent domain will be applied as instructed by Freddie Mac in accordance with Sections 8401.1 and 8401.2.

**(a) ARMs**

For ARMs, curtailments must first be applied as a reduction of Negative Amortization and then as a reduction to principal. Both applications must be reported as principal due Freddie Mac in the loan-level transaction.

**(b) Computing interest**

For computing forecasted scheduled interest due in the next Accounting Cycle, the interest must be calculated on the current Accounting Cycle interest-bearing Ending UPB, after applying all principal payments (i.e., current monthly principal payment, curtailment and prepayments) received and reported in the current Accounting Cycle.

**(c) Modifications**

Modifications on Home Mortgages that result in reduced monthly payments due to curtailments may be approved by the Servicer without Freddie Mac's approval, provided that:

- The monthly payments are current
- There is no extension of the Note maturity date or the maturity date calculated in accordance with any modification agreement in force at the time of Freddie Mac's purchase of the Mortgage
- MI, VA, RHS or FHA approval is obtained, if applicable
- The Note Rate remains unchanged; and
- The modification is reflected in a written agreement and processed in accordance with the requirements in Section 8103.7. (Note: Per Section 1402.10(a), the Servicer must update the MERS<sup>®</sup> eRegistry (as defined in Section 1402.2) to provide notice of the modification agreement upon a recast modification of an eMortgage (as defined in Section 1402.2)).

Except as otherwise stated in the Guide or applicable Purchase Documents, the Servicer must obtain Freddie Mac's prior written approval before entering into a modification with a Borrower.

**(d) Initial Interest<sup>SM</sup> Mortgages**

For Initial Interest<sup>SM</sup> Mortgages, if the Borrower makes a principal curtailment during the Interest Only Period, then the next interest-only payment must be recalculated based on the new UPB. For an Initial Interest 3/1, 5/1 and 7/1 10-year Interest Only Period ARM, if there is a principal curtailment during the period when the interest rate has begun adjusting annually but the monthly payments are still interest-only, the Servicer must continue to recalculate the next interest-only payment based on the new UPB until the end of the Interest

Only Period; after the Interest Only Period, the monthly payment should be recalculated in accordance with the Servicer's standard processes for ARMs.

If the Borrower makes a principal curtailment during the Interest Only Period, then the next interest only payment must be recalculated based on the new UPB. The Servicer must remit interest based on the new UPB to Freddie Mac in the Accounting Cycle immediately following the date the Borrower made the principal curtailment.

Servicers must be able to comply with the terms of the Initial Interest Note and calculate (or recalculate) the first fully amortizing principal and interest payment based on the UPB after application of any partial prepayment received on or before the last interest only payment due date.

Before the effective date of any change in the Borrower's monthly payment, the Servicer must deliver or mail the Borrower a notice of such change. The notice must include the information required in the loan instruments or by applicable law, and must also include the following:

1. Name and address of Borrower
2. Address of property
3. Loan number
4. Change in monthly payment
5. New monthly payment amount
6. Reason for change (i.e., reduction in UPB; loan becomes fully amortizing; change in interest rate, if an ARM)
7. Title and telephone number of a person who will answer any questions

## **8103.8: Reapplication of prior repayments (03/02/16)**

The Servicer may not automatically reapply prior prepayments or accumulated prepayments for payment of subsequent installments. Payments advanced to satisfy future installments must be accounted for as advanced (prepaid) installments of principal and interest. The Servicer should contact the Borrower if there is a question about the Borrower's intent.

## **8103.9: Accounting with respect to delinquency relief (03/02/16)**

Freddie Mac's Servicing requirements regarding delinquency relief are described in Chapter 9203. These sections should be read in conjunction with the accounting requirements in this section.

When delinquency relief has been granted, the Servicer must apply funds collected from the Borrower according to the governing Note or repayment agreement. Regardless of cash collected from the Borrower, the Servicer must report to Freddie Mac in accordance with the net yield reporting concept. Freddie Mac will receive its proportionate share of principal collections and the Accounting Net Yield interest for the monthly reporting period.

Section 8303.16 sets forth the monthly reporting requirements.

# Chapter 8104: Special Servicing

## 8104.1: Servicing Texas Equity Section 50(a)(6) Mortgages (02/15/17)

The Servicer must have in place adequate procedures to receive and timely respond to Borrower inquiries, claims of defects, and other complaints (whether or not the Borrower specifically references Article XVI Section 50(a)(6) of the Texas Constitution) received in connection with a Texas Equity Section 50(a)(6) Mortgage. In addition, if the Servicer receives a Borrower notification of the lender's failure to comply, or otherwise discovers that the lender or Servicer has failed to comply, with the provisions of Article XVI of the Texas Constitution with respect to a Texas Equity Section 50(a)(6) Mortgage, it must notify Freddie Mac within seven Business Days of receipt (**see Directory 5**) of the notification or discovery and provide Freddie Mac with a copy of the notification and/or related information. The Servicer must cure all curable defects related to the origination of the Mortgage, **or for Borrowers in a Trial Period Plan, the terms of the Trial Period Plan**, in accordance with the provisions of Section 50(a)(6) of Article XVI of the Texas Constitution within the time period specified in Section 50(a)(6). Refer to Section 9206.13 for additional notification and other requirements with respect to a complaint or objection to a mortgage modification.

## 8104.2: Biweekly payment plans (03/02/16)

A Borrower may choose to enter into a biweekly payment plan to accelerate the reduction in principal on a Mortgage by applying the equivalent of one or more extra monthly payments each year, thereby reducing total interest costs.

Biweekly payment plans do not change the conditions and terms of the Note regarding the amount of monthly payments, when monthly payments are due, the application of payments, the assessment of late charges and the calculation of Delinquencies, nor do they change the way payments are reported or remitted to Freddie Mac, or the way Delinquencies are reported to Freddie Mac.

If the Borrower asks about using a third party's biweekly payment plan and this third party is not a vendor who administers the plan for the Servicer, then the Servicer should advise the Borrower that the:

- Conditions and terms of the Mortgage still apply and will be enforced
- Borrower can make the extra payments directly to the Servicer without a formal plan and without the cost and potential risks of using a third party to administer such a plan (or the Servicer may offer such a plan to the Borrower if the Servicer has such a plan available)

- Borrower will be responsible for any late charges or payment shortages if the third party fails to make timely and sufficient payments to the Servicer
- Borrower should check the type of safeguards that will be in place to protect the Borrower's money from misuse by a third party before it is transferred to the Servicer
- Mortgage could be subject to foreclosure action if the third party fails to remit the Borrower's payment to the Servicer and the Mortgage becomes delinquent, even if the Borrower has taken legal action to recover any payments made to the third party that were not remitted to the Servicer

If the Servicer chooses to enter into a biweekly payment plan with a Borrower after the Mortgage has been sold to Freddie Mac, the Servicer must ensure that the following requirements for the administration of the plan are met:

1. A Servicer may offer or advertise the availability of a biweekly payment plan for Mortgages in the Servicer's portfolio, so long as the Servicer does not specifically target the offer or advertisement to Mortgages that are serviced to Freddie Mac
2. The Servicer must establish the biweekly payment plan pursuant to a separate agreement between the Borrower and the Servicer. The agreement must allow for cancellation by either the Borrower or the Servicer at any time, at which point the monthly payment schedule would be reinstated. The Borrower cannot be charged a fee for canceling the agreement.
3. Any fee that is charged to the Borrower for this service must be allowable under applicable law and be reasonable compared to other providers' fees in the market
4. The Servicer may administer the plan or contract with a third-party vendor to administer the plan
5. The plan must provide that two biweekly payments equate to one monthly payment due under the terms of the Note and that payments collected in a given month are applied as a monthly payment on the first day of the month following the month in which the payments were received. In any month in which a third payment is received, that payment is applied as a principal curtailment in the month following the month in which the payment was received.
6. All biweekly principal and interest payments received from the Borrower must be placed in an Escrow Custodial Account that meets the requirements of Chapter 8302. If the Servicer administers the plan, then the payments must be placed into the Escrow Custodial Account no later than the first Business Day after their receipt by the Servicer. If the Servicer administers the plan through a third party, then the payments must be placed into the Escrow Custodial Account no later than the second Business Day after the date on which the third party deposits the payments into the Servicer's payment clearing account. On the payment due date, sufficient funds to equate to one monthly payment must be posted to the Mortgage record and the funds transferred into the Principal and Interest Custodial Account. The Servicer may use the Escrow Custodial Account that is established for Escrow items such as real estate taxes and insurance so long as the biweekly payment funds can be identified and accounted for

separately for each Borrower using the plan, or the Servicer may set up a separate Escrow Custodial Account that meets the requirements of Chapter 8302.

7. If the Borrower does not pay the third biweekly payment in a month when a third payment is due under the plan, the Borrower may not be charged a late charge, nor may the Borrower be reported as delinquent.
8. The Servicer must be able to identify which Mortgages have biweekly payment plans and provide this information to Freddie Mac if asked to do so.

### **8104.3: FHA, VA, RHS and MI Servicing requirements (03/02/16)**

The Servicer must comply with and use its best efforts to obtain compliance by the original Borrower and any transferee of the Borrower with all requirements of the FHA, VA, RHS or MI for Mortgages serviced for Freddie Mac. References to FHA, VA, RHS and MI requirements are made elsewhere in this Guide, and some guidance is given as to the nature of these requirements. The Servicer must ensure that all applicable FHA, VA, RHS and MI requirements are satisfied, so that Freddie Mac receives full benefit of the FHA insurance or RHS guaranty, VA guaranty or Mortgage insurance.

### **8104.4: Servicing ARMs (03/02/16)**

Refer to Chapter 8502 for special Servicing and reporting requirements for ARMs.

### **8104.5: Home Mortgages purchased in part (06/12/19)**

Effective June 12, 2019, Section 8104.5 is deleted.

### **8104.6: Incomplete improvements (06/19/19)**

In addition to all other Servicing requirements of the Servicing Contract, Servicers that service any Mortgage that was permitted to be delivered to Freddie Mac prior to completion of **repairs and/or improvements** (e.g., pursuant to Chapter 4606, or **Sections 4607.1(b) or 5601.2(b)**) must comply with the Servicing requirements related to completion of such **repairs and/or improvements**. **This includes, but is not limited to:**

- **Processing, management and performance of draw inspections and/or maintenance and management of disbursements** of the completion escrow account (and application of any remaining funds)



- Retention of certain documentation in the Mortgage file, such as the costs of the repairs and/or improvements, appraisal(s) and a certification of completion
- Receipt of a completion report including photographs of the completed items and, as applicable, evidence that the Mortgage remains a valid First Lien on the Mortgaged Premises in accordance with Section 4201.2, and
- For CHOICERenovation<sup>SM</sup> Mortgages, maintaining the Renovation Funds in their respective Custodial Account for Renovation Funds (as described in Section 4607.13), managing the contingency reserve requirements described in Section 4607.12(b) and requesting removal of recourse pursuant to Section 4607.15

For specific Servicing requirements related to post-delivery completion of repairs and/or improvements, see Chapter 4607 and Sections 4606.4, 4606.5 and 5601.2(b), as applicable.

(Note: These Servicing requirements, which may be fulfilled by the Seller in its capacity as Seller/Servicer, are considered Selling obligations.)

## **8104.7: Servicing eMortgages (Future effective date 06/12/19)**

Refer to Chapter 1402, as applicable, for special Servicing requirements for eMortgages (as defined in Section 1402.2).

## **8104.8: Servicing Community Land Trust Mortgages (06/12/19)**

Refer to Chapter 8701 for special Servicing requirements for Community Land Trust Mortgages.

## **8104.9: Servicing Mortgages secured by properties subject to resale restrictions (03/01/20)**

Freddie Mac purchases Mortgages secured by properties subject to resale restrictions including, but not limited to, income-based restrictions. Such resale restrictions either:

- Survive conveyance of the subject property following foreclosure or recordation of a deed-in-lieu of foreclosure; or
- Terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure

Refer to Section 8701.1(g) regarding resale restrictions included in the Community Land Trust Ground Lease (as described in Chapter 4502).

Refer to Sections 9202.16 and 9202.17 regarding property values and Mortgages secured by properties subject to resale restrictions.

Refer to Sections 9208.2(c) and 9208.5 for the Freddie Mac Standard Short Sale (“short sale”) evaluation requirements for Mortgages secured by properties subject to resale restrictions.

Refer to Sections 9301.31, 9301.32 and 9301.34 for foreclosure sale bidding requirements on properties subject to resale restrictions.

#### **(a) Income-based resale restrictions**

Pursuant to Sections 4406.1(c) and 4406.2(h), for Mortgages secured by properties subject to income-based resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure, if Freddie Mac recovers from the sale or transfer of the REO property an amount satisfying the total indebtedness previously secured by the Mortgaged Premises, as well as any amount incurred during the REO holding period attributable to the REO, then the subsidy provider may be entitled to obtain any “excess proceeds” (not to exceed an amount equal to the subsidy provided to the previous property owner by the subsidy provider and secured by a subordinate lien) from Freddie Mac’s sale or transfer.

Note: Servicers will not be responsible for these REO activities.

## **8104.10: Right of first refusal (03/01/20)**

In certain circumstances, the Servicer may be required to provide notice to the required parties allowing the timely exercise of certain rights available to a holder (or its designee) and its successors or assigns (the “option holder”) of any right of first refusal (e.g., right to provide a substitute purchaser, right to have the first option to purchase a property, or the right to approve a purchaser) if the right of first refusal has been retained by the option holder.

Please note that, pursuant to Section 4702.4(d) regarding acceptable exceptions to the title insurance policy or to the attorney's opinion of title covering each Mortgage purchased by Freddie Mac, exceptions for restrictive agreements or restrictive covenants of record related to a right of first refusal are acceptable, provided that certain conditions are met. This includes that such restrictive agreements or restrictive covenants do not create or provide for any lien that would be prior to the lien of the Home Mortgage nor provide for the elimination of the lien of the Home Mortgage.

Refer to Section 4406.1(e) regarding any right of first refusal for Mortgages secured by properties subject to resale restrictions.

Refer to Section 4502.10 regarding “the right of first refusal” included in the Community Land Trust Ground Lease (as described in Chapter 4502).

Refer to Section 5701.6(g) regarding any right of first refusal for Mortgages secured by Condominium Units in New Condominium Projects.

# **Chapter 8105: Servicing Compensation**

## **8105.1: Compensation for Servicing Mortgages (06/12/19)**

The compensation for the performance of the Servicer's duties for each Mortgage purchased by Freddie Mac is the amount by which the Note Rate exceeds the Accounting Net Yield, with a Minimum Servicing Spread to provide adequate compensation.

The Minimum Servicing Spread is 0.250% (25 basis points) for all Home Mortgages unless the Purchase Documents provide otherwise. (Note: For fixed-rate Home Mortgages with Settlement Dates on and after June 3, 2019, the maximum Servicing Spread is 0.500%.)

For Mortgages with single-premium lender-paid mortgage insurance, the Minimum Contract Servicing Spread must be no less than the Minimum Servicing Spread. For Mortgages with annual- or monthly-premium lender-paid mortgage insurance, the Minimum Contract Servicing Spread must meet the requirements of Section 4701.2(b)(i).

Refer to Sections 6101.6(c), 6102.8(b), and 6201.3(a), (b) and (c) for Servicing Spread requirements.

## **8105.2: Servicing compensation for a new Servicer pursuant to Transfer of Servicing initiated by Freddie Mac (03/02/16)**

If Freddie Mac transfers Servicing with or without cause pursuant to the terms and conditions of the Purchase Documents, Freddie Mac reserves the right, at Freddie Mac's discretion, to negotiate a Servicing fee with the subsequent Servicer.

For any Mortgages purchased by Freddie Mac, the Servicing compensation will be calculated on the entire UPB of the Mortgage (not just on Freddie Mac's interest in the Mortgage). If the Note Rate minus the Accounting Net Yield (ANY) is not sufficient to pay the required Servicing compensation plus any applicable mortgage insurance premium to the new Servicer, the Servicer agrees to pay the balance of the required Servicing compensation to the new Servicer. The Servicer acknowledges that its payment of Servicing compensation to the new Servicer is necessary for adequate Servicing of the Mortgage according to this Guide. The Servicer also agrees that the new Servicer and Freddie Mac have a right of offset against principal repayments payable to the Servicer in order to pay the required Servicing compensation if not otherwise done.

## **8105.3: Servicing obligations to be performed for the Servicing compensation (03/02/16)**

In consideration for the Servicing Spread, a Servicer is responsible for the performance of all of its Servicing obligations described in the Guide and other Purchase Documents for each of the Mortgages purchased by Freddie Mac. The Servicer's Servicing obligations compensated by the Servicing Spread include, among other things, undertaking all activities required to protect Freddie Mac's interest in the Mortgage in the event of a foreclosure of the property or a bankruptcy of the Borrower, such as:

- Preparing and delivering foreclosure and bankruptcy referrals to attorneys
- Providing all documents and information necessary for the attorneys to prosecute foreclosure or bankruptcy cases (including, but not limited to, missing documents such as Notes, title insurance policies, and Intervening Assignments)
- When necessary, paying for the preparation and recordation of missing documents, such as Intervening Assignments, necessary for the prosecution of foreclosure or bankruptcy cases
- Resolving any title issues that are the result of the Seller's or Servicer's action or inaction
- Managing attorneys, including but not limited to:
  - Collecting, receiving, processing, reviewing and paying attorneys' invoices
  - Supervising and providing necessary assistance to attorneys in the foreclosure and bankruptcy proceedings
  - Making available any monitoring, management, reporting, information and document delivery processes or systems, and paying the fees and costs for such processes or systems (refer to Section 9501.9 for information on connectivity and invoice processing systems)
- Continuing to work with the Borrower to resolve the delinquency through loss mitigation activities
- Handling the bankruptcy management activities specified in Chapter 9401

Nothing in the Guide is intended to prohibit a foreclosure or bankruptcy attorney from assisting a Servicer by working with a Borrower to facilitate a reinstatement of the Mortgage or loss mitigation activity.

# Chapter 8106: Servicing Reports to Freddie Mac, Other Third Parties and the Borrower

## 8106.1. General requirements for Servicing-related reports to Freddie Mac, third parties and the Borrower (03/02/16)

A Servicer must report regularly to Freddie Mac on Servicing activities for Freddie Mac-owned Mortgages. Servicers are also required to report certain information to third parties as well as the Borrower.

Each report and all correspondence to Freddie Mac for a particular Mortgage must reference the Freddie Mac Seller/Servicer number and the Freddie Mac loan number.

### (a) Computer facsimiles

Freddie Mac will accept computer-generated facsimiles for:

- Form 1013, 1-4 Unit Property Inspection Report
- Form 105, Multipurpose Loan Servicing Transmittal

Any computer-generated facsimiles of these forms must:

- Reflect the most current comparable Freddie Mac form available
- Be in the same format as the comparable Freddie Mac form with no alterations to the placement of the data fields and no deletions of data fields
- Provide at least two lines of space between detail lines

### (b) Additional reports

The Servicer must submit such other reports as Freddie Mac may require from time to time.

### (c) Noncompliance fees

Failure to provide timely, complete and accurate reports (regardless of the mode of submission or transmission) subjects the Servicer to the Servicing reporting noncompliance compensatory fees.

Investor Accounting reporting and Servicing reporting noncompliance compensatory fees are monitored and assessed separately.

Freddie Mac reserves the right to change all fees and other remedies at any time and at its sole discretion.

## **8106.2: IRS Form 1098, Mortgage Interest Statement (03/02/16)**

The Servicer must provide IRS Form 1098, Mortgage Interest Statement, to the IRS and the Borrower as required under Section 6050H of the Internal Revenue Code. This reporting must be done for each Mortgage owned in whole or in part by Freddie Mac. The Servicer's name, address and federal identification number must be reported for "Recipient." The Borrower's name, address and Social Security number must be reported for "Payer."

The Servicer must maintain copies of all statements and reports that Freddie Mac requires the Servicer to provide directly to the Borrowers and the IRS in compliance with the above section of the Internal Revenue Code and make such copies available for examination by Freddie Mac upon request. The Servicer is responsible for any penalty levied by the IRS for nonreporting or reporting of inaccurate information, as applicable, with respect to those statements and reports which Freddie Mac requires the Servicer to provide directly to the Borrowers and the IRS.

## **8106.3: IRS Form 1099-A, Acquisition or Abandonment of Secured Property (11/30/16)**

The Servicer must provide Internal Revenue Service (IRS) Form 1099-A, Acquisition or Abandonment of Secured Property, to the IRS and the Borrower as required under Section 6050J of the Internal Revenue Code. This reporting must be done whenever Freddie Mac or a third party acquires an interest in a property in full or partial satisfaction of Freddie Mac's secured debt or when Freddie Mac or the Servicer knows or has reason to know that a property has been abandoned. For the purposes of filing these reports, the following definitions apply:

- Freddie Mac acquires an interest in Mortgaged Premises either:
  - On the date of the foreclosure sale or the date the Borrower's right of redemption, if any, expires, whichever occurs later, or
  - At the time a deed-in-lieu of foreclosure is recorded
- A third party acquires an interest at the time of the foreclosure sale
- Abandonment has occurred when Freddie Mac or the Servicer has reason to know from all the facts and circumstances concerning the status of the Mortgaged Premises that the Borrower intended to and has permanently discarded the property from use. If a Servicer determines that an abandonment has occurred and expects to commence foreclosure proceedings within three months, the reporting obligation generally arises at the end of the three-month period.

The following events trigger the reporting requirement:

- Freddie Mac acquisition. (Freddie Mac acquires the Mortgaged Premises at a foreclosure sale or by deed-in-lieu of foreclosure.)
- Third-party sale. (A third-party acquires the Mortgaged Premises at a foreclosure sale.)
- HUD, RHS or VA acquisition. (The Mortgaged Premises were acquired by HUD, RHS or the VA.)
- Abandonment. (The Mortgaged Premises have been abandoned, three months have passed and foreclosure proceedings have not begun.)

A completed IRS Form 1099-A must be filed electronically with the IRS on or before March 31 of the year following the calendar year in which the reportable event occurred. The Servicer must also furnish the Borrower with an information statement on or before January 31 of that year. The requirement for furnishing such statement to the Borrower can be satisfied by sending a completed IRS Form 1099-A to the Borrower's last known address. The form must show Freddie Mac's name and address and include a statement that the information is being reported to the IRS. On the form, the "account number" should include the nine-digit Freddie Mac loan number, followed by one space and the six-digit Seller/Servicer number.

See Section 8106.4 in the event that both IRS Forms 1099-A and 1099-C, Cancellation of Debt, may be filed as the result of a cancellation of debt in connection with a foreclosure or similar action in the same year for the same Borrower.

Instructions for completing IRS Form 1099-A are set forth in Freddie Mac Form 1065, Report of IRS Form 1099-A and Form 1099-C Filing. Servicers must comply with the IRS's and the various States' requirements, as amended from time to time, for filing IRS Form 1099-A. Servicers should consult with either their tax advisors or the IRS concerning questions on such requirements.

The Servicer must file all IRS Forms 1099-A with the IRS electronically.

#### **(a) Electronic reporting**

Servicers must file their reports with the IRS no later than March 31 of the year following the calendar year in which the reportable event occurred. Even though a Servicer reports to the IRS electronically, the Servicer is still responsible for providing a copy of the IRS Form 1099-A to the Borrower (copy B) and to those States that require it (copy C). Copy B must be furnished to the Borrower on or before January 31 of the year following the reportable event.

IRS requirements for filing electronically are set forth in IRS Publication 1220, *Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498 and W2-G*. A Servicer may obtain this publication by downloading it from the IRS website at [www.irs.gov](http://www.irs.gov) or by calling the IRS at 1-800-TAX-FORM (1-800-829-3676).

When filing electronically, the Servicer must:

- Insert appropriate header information on the electronic report it files with the IRS in accordance with the following record description:

Field Name	Data Description
<b>“A” Record</b>	
<b>Payer’s TIN</b>	520904874
<b>First payer name line</b>	Federal Home Loan Mortgage Corporation
<b>Payer shipping address</b>	8200 Jones Branch Drive
<b>Payer city, State and zip</b>	McLean, VA 22102-3100
<b>“B” Record</b>	
<b>Payer’s account number</b>	The nine-digit Freddie Mac loan number and the six-digit Seller/Servicer number, separating these two numbers by one space

- Notify Freddie Mac that the Servicer reported to the IRS electronically:
  - When the report is sent to the IRS, the Servicer must submit Form 1065 to Freddie Mac (**see Directory 3**)
  - A Servicer should not send Freddie Mac copies of the report that it filed with the IRS

**(b) Correcting or voiding previously submitted IRS Forms 1099-A**

To correct or void a previously submitted IRS Form 1099-A, the Servicer must refer to IRS requirements to determine how to report either for electronic corrections, or voids. To avoid or minimize penalties that may be imposed by the IRS, the Servicer must report corrections or voids to the IRS when an error is discovered. When corrections or voids are submitted to the IRS, a copy of Form 1065 must be submitted to Freddie Mac (**see Directory 3**). Form 1065 should indicate the number of corrected or voided IRS Forms 1099-A submitted to the IRS.



### **(c) Filing accuracy and documentation**

Servicers are responsible for completing the IRS Form 1099-A and for providing the information to the IRS and to the Borrower in a timely and accurate manner. The Servicer must maintain copies of all statements and reports that Freddie Mac requires the Servicer to provide directly to the Borrowers and the IRS in compliance with Section 6050J of the Internal Revenue Code. The Servicer must make such copies available for examination by Freddie Mac upon request until Freddie Mac agrees, in writing, that such records may be destroyed.

If the IRS penalizes Freddie Mac or assesses any fee for failure to produce such information or because a Servicer failed to file a return or statement or filed an untimely, incorrect or incomplete return or statement, the Servicer will be required to reimburse Freddie Mac for all costs incurred by Freddie Mac as a result of such penalty or assessment and an amount representing Freddie Mac's total tax liability resulting from such reimbursement. Such reimbursement will not be required if the Servicer can show that it met the filing requirements.

## **8106.4: IRS Form 1099-C, Cancellation of Debt (12/13/17)**

The Servicer must report cancellations of Borrowers' mortgage debt on Internal Revenue Service (IRS) Form 1099-C, Cancellation of Debt, as required under Section 6050P of the Internal Revenue Code for all cancellations of mortgage debt of \$600 or more occurring on or after January 1, 2005, with respect to Mortgages owned or guaranteed in whole or in part by Freddie Mac. IRS Form 1099-C must be filed regardless of whether the Borrower must report the cancellation of debt as income.

Freddie Mac Form 1065, Report of IRS Form 1099-A and Form 1099-C Filing, includes instructions for completing IRS Form 1099-C.

### **(a) Coordination with IRS Form 1099-A, Acquisition or Abandonment of Secured Property**

If, in the same calendar year, the Servicer cancels a debt in connection with a foreclosure or abandonment of the Mortgaged Premises, it is not necessary to file both IRS Form 1099-A, Acquisition or Abandonment of Secured Property (see Section 8106.3), and IRS Form 1099-C for the same Borrower. The Servicer will meet the filing requirement for IRS Form 1099-A by completing boxes 4, 5 and 7 on IRS Form 1099-C. However, the Servicer may complete both IRS Forms 1099-A and 1099-C separately; in that case do not complete boxes 4, 5 and 7 on IRS Form 1099-C. (See Form 1065 for filing instructions for IRS Forms 1099-A and 1099-C.)

## **(b) Requesting taxpayer identification numbers (TINs)**

A Servicer must make a reasonable effort to obtain the correct name and TIN of the Borrower whose debt was cancelled. If the Servicer does not obtain the TIN before the debt is cancelled, it must request the Borrower's TIN. Such request must clearly notify the Borrower that the IRS requires the Borrower to furnish the TIN and that failure to furnish such TIN subjects the Borrower to a \$50 penalty imposed by the IRS. Use IRS Form W-9, Request for Taxpayer Identification Number and Certification, to request the TIN. However, a Borrower is not required to certify the TIN under penalties of perjury.

## **(c) Exceptions**

Servicers are not required to report the following on IRS Form 1099-C:

### **(i) Certain bankruptcies**

Debt cancelled in bankruptcy is not reported unless the debt was incurred for business or investment purposes. Single-family Mortgages may be incurred either for personal purposes or for business or investment purposes. Thus, Servicers should only file IRS Form 1099-C for discharges of debt in bankruptcy if they are aware that the Borrower is holding the property for investment and not as a Primary Residence or second home, such as in the case of an Investment Property Mortgage, determined at origination. In that case, report debt cancelled for the later of:

- The year in which the amount of cancelled debt first can be determined or
- The year in which the debt is cancelled in bankruptcy

### **(ii) Interest**

Servicers do not need to include interest as part of the cancelled debt in box 2. However, if interest is reported as part of the cancelled debt in box 2, show the interest separately in box 3.

### **(iii) Nonprincipal amounts**

Nonprincipal amounts include penalties, fines, fees and administrative costs. These do not need to be reported.

### **(iv) Release of a Borrower**

IRS Form 1099-C need not be filed if one of the Borrowers on a Mortgage is released as long as the remaining Borrowers remain liable for the full amount of the unpaid Mortgage.

**(v) Guarantor or surety**

IRS Form 1099-C need not be filed for a guarantor or surety. A guarantor is not a debtor for purposes of IRS Form 1099-C, even if demand for payment is made to the guarantor.

**(vi) Multiple Borrowers**

For Mortgages originated after 1994 that involve Borrowers who are jointly and severally liable for the Mortgage, report the entire amount of the cancelled debt on each Borrower's IRS Form 1099-C. Multiple Borrowers are jointly and severally liable for a debt if there is no clear and convincing evidence to the contrary. If it can be shown that joint and several liability does not exist, an IRS Form 1099-C is required for each Borrower for whom you cancelled a debt of \$600 or more.

**(vii) Mortgages originated before 1995**

For Mortgages originated before 1995, the Servicer must file IRS Form 1099-C only for the primary (or first-named) Borrower.

**(viii) Multiple Borrowers who were husband and wife**

If the Servicer knows or has reason to know that the multiple Borrowers were husband and wife who were living at the same address when the debt was incurred, and the Servicer has no information that these circumstances have changed, the Servicer may file only one IRS Form 1099-C.

**(ix) Entity borrowers**

See the instructions to Form 1065 for the application of these rules to entity borrowers (i.e., estates or trusts).

**(d) Definitions**

For purposes of these reports, the following definitions apply:

- A debt may include all amounts owed, including stated principal, stated interest, fees, penalties, administrative costs, and fines. However, only stated principal is required to be reported. If accrued interest is included in the amount of the stated debt (in box 2), then it must be reported in box 3
- A debt is cancelled on the date an identifiable event occurs. An identifiable event is:
  1. A discharge in bankruptcy under Title 11 of the U.S. Code (but see exceptions in Section 8106.4(c) above)
  2. A cancellation or extinguishment making the debt unenforceable in a receivership, foreclosure or similar proceeding

3. A cancellation or extinguishment when the statute of limitations for collecting the debt expires, or when the statutory period for filing a claim or beginning a deficiency judgment proceeding expires. Expiration of the statute of limitations is an identifiable event only when the Borrower's affirmative statute of limitations defense is upheld in a final judgment or decision of a court and the appeal period has expired.
4. A cancellation or extinguishment when deficiency rights were not preserved during the foreclosure process
5. A cancellation or extinguishment when Freddie Mac (or its vendor per Section 9601.1) makes the determination not to pursue a deficiency action post-foreclosure and notifies the Servicer of such determination
6. A cancellation or extinguishment when a creditor elects foreclosure remedies that by law end or bar the creditor's right to collect the debt. This event applies if collection is barred by local law after a "power of sale" in the Mortgage or deed of trust is exercised.
7. A cancellation or extinguishment due to a probate or similar proceeding
8. A discharge of indebtedness under an agreement with the debtor to cancel the debt at less than full consideration (e.g., a short sale). Freddie Mac will advise the Servicer if such an agreement is reached with a Borrower.
9. A discharge of indebtedness because of a decision or a defined policy of the creditor to discontinue collection activity and cancel the debt. A creditor's defined policy can be in writing or an established business practice. A practice to stop collection activity and abandon a debt when a particular nonpayment period expires is a defined policy.

Facts and circumstances indicating that a debt was not cancelled include the existence of a lien relating to the debt (up to the value of the security) or the sale or packaging for sale of the debt by the creditor.

In the event of a foreclosure sale where deficiency rights were preserved, the Servicer must not initially file an IRS Form 1099-C. Freddie Mac will determine whether to pursue collection of the deficiency of that Mortgage. If Freddie Mac makes a determination not to pursue collection of the deficiency, Freddie Mac will notify the Servicer in the report described below and the Servicer must then file the IRS Form 1099-C.

Servicers must review the *1099-C Loan Detail* report, accessible via the "Default Reporting" tile of the Servicer's Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools), by the end of January annually, and ensure that an IRS Form 1099-C is filed with the IRS as required in Section 8106.4(e) and is provided to the Borrower as required in Section 8106.4(f) for all Mortgages in which the debt has been discharged in the prior year. This report will list all Mortgages owned or guaranteed in whole or in part by Freddie Mac whereby Freddie Mac has determined not to pursue collection of the deficiency in the prior year.

To help facilitate this annual review, from February 1 to December 31 each year, Servicers can monitor the *1099-C Loan Detail* report in the SPP, which also provides a tentative aggregate list of Mortgages for which Freddie Mac has decided to not pursue collection of the deficiency for the current year.

Servicers may use this current year's list to prepare for the required annual review and reconcile any eventual IRS Form 1099-C filings; however, as the status of the Mortgage and/or the cancellation of debt may subsequently change, any Servicer that chooses to use this current year's list in such a manner must, as part of the required annual review, reconcile the final report against any IRS Form 1099-C filings already prepared.

**(e) Reporting IRS Form 1099-C to IRS**

The Servicer must file IRS Forms 1099-C on Freddie Mac's behalf. The Servicer must file all IRS Forms 1099-C with the IRS electronically.

IRS Publication 1220, *Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498 and W-2G*, sets forth the IRS requirements for filing electronic reports and corrections. The Servicer can obtain this publication by downloading it from the IRS web site at <http://www.irs.gov>, or by calling 1-800-TAX-FORM (1-800-829-3676).

When filing electronically through the IRS FIRE System, the Servicer must insert appropriate header information on the report it files with the IRS in accordance with the following record descriptions:

Field Name	Data Description
<b>"A" Record</b>	
<b>Payer's TIN</b>	520904874
<b>First payer name line</b>	Federal Home Loan Mortgage Corporation
<b>Payer shipping address</b>	8200 Jones Branch Drive
<b>Payer city, State and zip</b>	McLean, VA 22102-3100
<b>"B" Record</b>	
<b>Payer's account number</b>	The 9-digit Freddie Mac loan number and the 6-digit Seller/Servicer number, separating these two numbers by one space

Each Servicer must file its reports with the IRS not later than March 31 of the year following the calendar year in which the cancellation of debt occurs.

**(f) Reporting to the Borrower**

Even though a Servicer reports to the IRS electronically, the Servicer is still responsible for providing a paper copy of the IRS Form 1099-C to the Borrower (copy B) by January 31 of the year following the calendar year in which the cancellation of debt occurred. The Servicer can satisfy the requirement for furnishing such statement to the Borrower by sending a completed IRS Form 1099-C to the Borrower's last known address. The form must show Freddie Mac's name and address and include a statement that the information is being reported to the IRS.

The Servicer is also required to file IRS Form 1099-C with any State that requires this filing in accordance with the State's filing deadlines.

**(g) Notification to Freddie Mac of electronic reporting**

The Servicer must notify Freddie Mac that the Servicer reported IRS Form 1099-C to the IRS. When the electronic report is sent to the IRS, the Servicer must submit Form 1065 to Freddie Mac (**see Directory 3**).

**(h) Correcting or voiding previously submitted IRS Form 1099-C**

To correct or void a previously submitted IRS Form 1099-C, the Servicer must refer to IRS requirements to determine how to report either electronic corrections or voids. To avoid or minimize penalties that may be imposed by the IRS, the Servicer must promptly report corrections or voids to the IRS when an error is discovered. When the Servicer submits corrections or voids to the IRS, the Servicer must also submit a copy of Form 1065 to Freddie Mac (**see Directory 3**). The Servicer must indicate on Form 1065 the number of corrected or voided IRS Forms 1099-C submitted to the IRS.

**(i) Filing accuracy and documentation**

Servicers are responsible for completing the IRS Form 1099-C and for providing the information to the IRS and to the Borrower in a timely and accurate manner. The Servicer must maintain copies of all statements and reports that Freddie Mac requires the Servicer to provide directly to the Borrowers and the IRS in compliance with Section 6050P of the Internal Revenue Code. The Servicer must make such copies available for examination by Freddie Mac upon request until Freddie Mac agrees, in writing, that such records may be destroyed (which will be a minimum of four (4) years).

If the IRS penalizes Freddie Mac or assesses any fees for failure to produce such information, or because the Servicer failed to file a return or statement, or filed an untimely, incorrect, or incomplete return or statement, the Servicer will be required to reimburse Freddie Mac for all costs incurred by Freddie Mac as a result of such penalty or assessment and for the amount representing Freddie Mac's total tax liability resulting from such reimbursement. Freddie

Mac will not require such reimbursement if the Servicer can show that it met the filing requirements.

## **8106.5: IRS Form 1099-MISC, Miscellaneous Income (03/02/16)**

Servicers should not prepare or file IRS Form 1099-MISC (“Miscellaneous Income”) using Freddie Mac’s name or Taxpayer Identification Number. The Servicer should consult with its tax advisor to review its reporting obligations with regard to the filing of Form 1099-MISC.

## **8106.6: Reports to credit repositories (03/02/16)**

For each Mortgage serviced for Freddie Mac under the Home Mortgage program, a Servicer must report on a monthly basis the payment status of the Mortgage to the credit repositories listed in Exhibit 51, Credit Repositories and Information to Report.

Freddie Mac does not specify a particular day of the month by which the Servicer must perform the full-file reporting. Freddie Mac requires only that the reporting be performed on a monthly basis for all Mortgages regardless of the Mortgage status. The Servicer may report after each month end to allow time for payment corrections, returned checks and other adjustments to be processed. Freddie Mac will audit Servicers for compliance with the full-file credit reporting requirements.

### **Note:**

Full-file reporting includes Mortgages recently originated, current and delinquent Mortgages, Mortgages liquidated through workout options or foreclosure and charge-offs. Each credit repository will provide the Servicer with the applicable codes to use to report each Mortgage status type.

Freddie Mac will not require reporting to a repository that does not serve the jurisdiction for which a report must be filed. Written advice from a repository that it cannot accept a Servicer’s report for a given jurisdiction because it does not serve that jurisdiction will be sufficient evidence to Freddie Mac that the Servicer is in compliance with Freddie Mac’s requirements for that jurisdiction.

Borrowers, or their representatives, are permitted under the Federal Fair Credit Reporting Act (FCRA) to inquire about or dispute the accuracy of information in their credit repository files. This right to inquire about or dispute the accuracy of information applies to any Mortgage that the Servicer services for Freddie Mac, just as it does to any other indebtedness of a Borrower. A Borrower may send an inquiry or a notice of dispute concerning the accuracy of reported information about the Borrower’s Mortgage directly to the Servicer, or to any of the credit repositories listed in Exhibit 51. Whenever the Servicer receives such an inquiry or notice of dispute from a Borrower, or receives a letter from a credit repository requesting verification or correction of Mortgage-related information, the Servicer must respond in accordance with the requirements of the FCRA.

# Chapter 8107: Document Custody

## 8107.1: Servicer responsibilities related to document custody (10/09/19)

Refer to Bulletin 2019-21, which announced revisions to Document Custodian notification requirements when in constructive possession of documents. The revisions may be implemented prior to the mandatory implementation of the January 2, 2020 version of this section.

### (a) Delivery of modifications to a Document Custodian

If a Note is modified after purchase by Freddie Mac, the original modifying instrument must be delivered to the Document Custodian holding the related Note.

### (b) Release and return of documents

Servicers may require possession of a Note or other documents to take action in conjunction with the payoff, foreclosure, repurchase, substitution, conversion, modification or assumption of a Mortgage or to take legal action, such as responding to the bankruptcy of a Borrower, bringing or defending a lawsuit or other litigation relating to the maturity, prepayment, repurchase, substitution, conversion, modification, or assumption of a Mortgage, or a Freddie Mac Default Legal Matter (each such bankruptcy, suit, or litigation, a “Legal Action”).

In many circumstances, Servicers require physical possession of a Note for Legal Actions. In others, constructive possession, which can be obtained quickly, is legally sufficient to establish the Servicer as a “holder” of or person entitled to enforce the Note in a Legal Action involving the related Mortgage. “Constructive possession” describes the situation in which someone controls an object without physically possessing it: in this context, a Servicer can control and direct a Note that is in the Document Custodian’s vault. If constructive possession is appropriate for a Legal Action, the Servicer will automatically, immediately, and conclusively be deemed to be in constructive possession of the Note from the earlier of the date that (i) the Legal Action commences or (ii) the Document Custodian receives the Servicer’s request to release constructive possession of the Note until the Legal Action is concluded.

For physical possession, the Document Custodian will deliver the Note as directed by the Servicer. Upon receipt of the Note, the Servicer shall automatically, immediately and conclusively be deemed to be: (i) in physical possession of the Note, (ii) the holder of the Note, (iii) entitled to enforce the Note, and (iv) duly authorized by Freddie Mac to take Legal Action in connection with Servicing the related Mortgage.

Servicers request and return physical and constructive possession of a Note and related documents from Document Custodians (including eMortgages (as defined in Section 1402.2), as applicable) using Form 1036, Request for Physical or Constructive Possession of



Documents, or its equivalent (“Form 1036,” regardless of its format). A single form may be used to request multiple Notes if each Note is separately listed and identified.

An Electronic, as defined in Section 1401.2, or alternative version of Form 1036 must contain all information required by the Form 1036, regardless of format. To use an Electronic Form 1036, the Servicer must enter into an agreement with the Document Custodian as described in Section 8107.2(b).

The procedures for requesting, processing and returning Notes are described below:

**(i) All Document Custodians other than The Bank of New York Mellon Trust Company, N.A.**

To obtain physical or constructive possession of a Note and/or other documents from a Document Custodian other than The Bank of New York Mellon Trust Company, N.A. (“BNYM”) as Designated Custodian, a Seller/Servicer must complete Form 1036 and deliver it to the Document Custodian.

When the Servicer no longer requires possession of the Note, it must promptly:

- For physical possession, return the Note and any other documents to the Document Custodian unless the related Mortgage was repurchased or paid in full, or
- For constructive possession, send notice (copy of the original Form 1036 with a request for termination of constructive possession) to the Document Custodian, which will then update its tracking system

**(ii) The Bank of New York Mellon Trust Company, N.A. as Designated Custodian**

To obtain physical or constructive possession of a Note and/or other documents from BNYM as Designated Custodian, a Seller/Servicer may complete and send the Form 1036 or make an electronic request (“Web Release Request”) using the specified Internet web site. Contact BNYM for further information (see **Directory 4**).

When the Servicer no longer requires possession of the Note, it must promptly:

- For physical possession, return the Note and any other documents to BNYM unless the related Mortgage was repurchased or paid in full; Servicers using BNYM’s website Asset Repository and Collateral System (ARK) to request Notes and other documents must include a copy of the 1036 Release Receipt Report, generated electronically from ARK, when returning items to BNYM, or
- For constructive possession, notify BNYM by sending a copy of the original Form 1036 with a notice of termination of constructive possession or otherwise as instructed by BNYM; BNYM will then update its tracking system.

**(iii) eMortgage designated custodian**

In States in which the Servicer must be the holder of an eNote (as defined in Section 1402.2) prior to commencing foreclosure or other Freddie Mac Default Legal Matters with respect to an eMortgage, the Servicer must follow the requirements of Section 1402.11(e) and, if required to produce a copy of the eNote for a Legal Matter with respect to an eMortgage, the requirements of Section 1402.11(f).

Servicers must follow prudent business practices to protect and safeguard all Notes and documents while in their possession, in transit and in the possession of foreclosure counsel or another agent. These practices include protection from external elements, such as fire, identification as a Freddie Mac asset, secure storage and tracking and segregation from unrelated documents.

When a Note or other document is no longer needed for the reason cited on the request, or when the Legal Action is concluded, the Servicer must promptly, and in all events within 90 days, return the Note and related documents and a copy of Form 1036 to the Document Custodian. Notes and related documents may be transported only by nationally recognized commercial or bonded carrier or courier services and must be covered by in transit insurance. See Section 2202.5.

## **8107.1: Servicer responsibilities related to document custody (Future effective date 01/02/20)**

### **(a) Delivery of modifications to a Document Custodian**

If a Note is modified after purchase by Freddie Mac, the original modifying instrument must be delivered to the Document Custodian holding the related Note.

### **(b) Release and return of documents**

Servicers may require possession of a Note or other documents to take action in conjunction with the payoff, foreclosure, repurchase, substitution, conversion, modification or assumption of a Mortgage or to take legal action, such as responding to the bankruptcy of a Borrower, bringing or defending a lawsuit or other litigation relating to the maturity, prepayment, repurchase, substitution, conversion, modification, or assumption of a Mortgage, or a Freddie Mac Default Legal Matter (each such bankruptcy, suit, or litigation, a “Legal Action”).

In many circumstances, Servicers require physical possession of a Note for Legal Actions. In others, constructive possession, which can be obtained quickly, is legally sufficient to establish the Servicer as a “holder” of or person entitled to enforce the Note in a Legal Action involving the related Mortgage. “Constructive possession” describes the situation in which someone controls an object without physically possessing it: in this context, a Servicer can control and direct a Note that is in the Document Custodian’s vault. If constructive possession is appropriate for a Legal Action, the Servicer will automatically, immediately, and conclusively be deemed to be in constructive possession of the Note from the earlier of the date that (i) the Legal Action commences or (ii) the Document Custodian receives the

Servicer's request to release constructive possession of the Note until the Legal Action is concluded.

For physical possession, the Document Custodian will deliver the Note as directed by the Servicer. **For constructive possession, the Document Custodian will promptly contact the Servicer by e-mail or otherwise when Document Custodian's tracking system has been updated to indicate the Servicer (rather than Freddie Mac) as the "owner" or "investor" of the related Mortgage.** Upon receipt of the Note, the Servicer shall automatically, immediately and conclusively be deemed to be: (i) in physical possession of the Note, (ii) the holder of the Note, (iii) entitled to enforce the Note, and (iv) duly authorized by Freddie Mac to take Legal Action in connection with Servicing the related Mortgage.

Servicers request and return physical and constructive possession of a Note and related documents from Document Custodians (including eMortgages (as defined in Section 1402.2), as applicable) using Form 1036, Request for Physical or Constructive Possession of Documents, or its equivalent ("Form 1036," regardless of its format). A single form may be used to request multiple Notes if each Note is separately listed and identified.

An Electronic, as defined in Section 1401.2, or alternative version of Form 1036 must contain all information required by the Form 1036, regardless of format. To use an Electronic Form 1036, the Servicer must enter into an agreement with the Document Custodian as described in Section 8107.2(b).

The procedures for requesting, processing and returning Notes are described below:

**(i) All Document Custodians other than The Bank of New York Mellon Trust Company, N.A.**

To obtain physical or constructive possession of a Note and/or other documents from a Document Custodian other than The Bank of New York Mellon Trust Company, N.A. ("BNYM") as Designated Custodian, a Seller/Servicer must complete Form 1036 and deliver it to the Document Custodian.

When the Servicer no longer requires possession of the Note, it must promptly:

- For physical possession, return the Note and any other documents to the Document Custodian unless the related Mortgage was repurchased or paid in full, or
- For constructive possession, send notice (copy of the original Form 1036 with a request for termination of constructive possession) to the Document Custodian, which will then update its tracking system

**(ii) The Bank of New York Mellon Trust Company, N.A. as Designated Custodian**

To obtain physical or constructive possession of a Note and/or other documents from BNYM as Designated Custodian, a Seller/Servicer may complete and send the Form 1036 or make an electronic request ("Web Release Request") using the specified Internet web site. Contact BNYM for further information (**see Directory 4**).

When the Servicer no longer requires possession of the Note, it must promptly:

- ❑ For physical possession, return the Note and any other documents to BNYM unless the related Mortgage was repurchased or paid in full; Servicers using BNYM's website Asset Repository and Collateral System (ARK) to request Notes and other documents must include a copy of the 1036 Release Receipt Report, generated electronically from ARK, when returning items to BNYM, or
- ❑ For constructive possession, notify BNYM by sending a copy of the original Form 1036 with a notice of termination of constructive possession or otherwise as instructed by BNYM; BNYM will then update its tracking system.

### **(iii) eMortgage designated custodian**

In States in which the Servicer must be the holder of an eNote (as defined in Section 1402.2) prior to commencing foreclosure or other Freddie Mac Default Legal Matters with respect to an eMortgage, the Servicer must follow the requirements of Section 1402.11(e) and, if required to produce a copy of the eNote for a Legal Matter with respect to an eMortgage, the requirements of Section 1402.11(f).

Servicers must follow prudent business practices to protect and safeguard all Notes and documents while in their possession, in transit and in the possession of foreclosure counsel or another agent. These practices include protection from external elements, such as fire, identification as a Freddie Mac asset, secure storage and tracking and segregation from unrelated documents.

When a Note or other document is no longer needed for the reason cited on the request, or when the Legal Action is concluded, the Servicer must promptly, and in all events within 90 days, return the Note and related documents and a copy of Form 1036 to the Document Custodian. Notes and related documents may be transported only by nationally recognized commercial or bonded carrier or courier services and must be covered by in transit insurance. See Section 2202.5.

## **8107.2: Document Custodian's custodial functions (10/09/19)**

### **(a) General duties**

Each Document Custodian is responsible for maintaining custody of the original Notes and assignments, in trust, for the benefit of Freddie Mac by:

- Storing the Notes and assignments in secure, fire-resistant facilities as required by Section 2202.2(b). If the Servicer delivers supplemental or trailing documents, such as original modifying instruments, the Document Custodian must place them with the related Note.

- Affixing the Freddie Mac loan number to the Note, if advised that Freddie Mac requires it **and**, if the Note contains the Freddie Mac loan number, changing the Freddie Mac loan number on a Note if advised in writing by the Servicer that Freddie Mac has changed the Freddie Mac loan number for **that** Mortgage.
- Releasing the Notes and assignments only as set forth in Section 8107.2(b) below.

### **(b) Requests for Release of Notes and assignments to Servicers**

Servicers may require physical or constructive possession of Notes and other documents in conjunction with a Legal Action or for the payoff, foreclosure, repurchase, substitution, conversion, modification, or assumption of a Mortgage. Servicers must complete, sign, and submit a Form 1036, Request for Physical or Constructive Possession of Documents, or its equivalent, such as the Web Release Request described in Section 8107.1(b), (“Form 1036,” regardless of its format) to the Document Custodian. Absent manifest error, Document Custodians may rely on information received from Servicers on Form 1036.

An Electronic, as defined in Section 1401.2, or alternative version of Form 1036 must contain all information required by the Form 1036, regardless of format. A single form may be used to request multiple Notes if each Note is separately listed and identified.

To use an Electronic Form 1036, the Servicer must enter into an agreement with the Document Custodian that:

- Defines Electronic Signature and the type(s) of electronic transmission(s) permitted
- States the Document Custodian’s requirements for accepting an Electronic Signature
- States the Servicer’s requirements for maintaining and controlling access to Electronic Signature information
- Clearly assigns liability when the terms of the agreement are violated

In addition, the Servicer must provide, and the Document Custodian must retain, a list of individuals authorized to request the release of documents electronically. The list must be signed by an officer of the Servicer and contain sample signatures of the authorized individuals.

When a Note or other document is no longer needed for the reason cited on the request, or when the Legal Action is concluded, the Servicer must promptly return the Note and related documents and a copy of Form 1036 to the Document Custodian. Upon receipt of the returned Note, the Document Custodian shall immediately resume maintaining physical custody of the Note, in trust, for the benefit of Freddie Mac, as set forth in the Tri-Party Agreement, and update its tracking system to reflect their receipt.

Notes and related documents may be transported only by a nationally recognized commercial or bonded carrier or courier service.

### **(c) Document delivery requirements**

**(i) Delivery of physical possession**

Servicers may require physical possession of Notes and other documents for Servicing Mortgages in conjunction with a Legal Action or otherwise. Servicers must complete, sign and submit Form 1036 to the Document Custodian. Upon receipt of Servicer's signed Form 1036, the Document Custodian shall transfer and deliver physical possession of the Note to the Servicer. Notes and related documents may be transported only by a nationally recognized commercial or bonded carrier or courier service and must be covered by in transit insurance. See Sections 2202.2 and 2202.5.

When a Note or other document is no longer needed for the reason cited on Form 1036 or when the Legal Action is concluded, the Servicer must promptly (and in any event within 90 days) return the Note and related documents and a copy of Form 1036 to the Document Custodian. Upon receiving the document, the Document Custodian shall immediately resume its physical custody, in trust, for the benefit of Freddie Mac, as set forth in the Tri-Party Agreement, verify that all documents, including all original documents, that were released were returned and update its tracking system to reflect their receipt.

**(ii) Delivery of constructive possession**

The Servicer must complete, sign, and submit Form 1036 to request constructive possession from the Document Custodian. The constructive possession will commence on the earlier of the date on which: (i) the Document Custodian receives the Servicer's request for constructive possession, or (ii) the Seller/Servicer commences the Legal Action.

The Document Custodian maintains physical custody of the Note for the benefit of the Servicer while the Servicer has constructive possession. For the duration of the Legal Action, the Servicer shall be: (i) in constructive possession of the Note, (ii) the holder of the Note, (iii) entitled to enforce the Note, and (iv) authorized by Freddie Mac to take Legal Action to service the related Mortgage. When the Legal Action is concluded, the Document Custodian shall automatically and immediately cease maintaining physical custody of the Note, in trust, for the benefit of the Servicer and resume maintaining physical custody of the Note, in trust, for the benefit of Freddie Mac.

**(d) Form imaging and retention requirements**

The Document Custodian must retain Form 1036 for three months after the date the Mortgage is paid off, but they need not retain Form 1034E, Note Delivery Cover Sheet Certification Schedules, after the related Mortgages have been certified. Documents and forms may be retained as Electronic Records on the terms and conditions for maintaining such Records set forth in Chapter 1401.

In disposing of documents, the Document Custodian must have in place and follow procedures and use destruction methods that ensure the confidentiality of Borrowers' private personal information.



# Chapter 8201: Escrow

## 8201.1: Escrow for taxes, ground rents, assessments and other charges (08/14/19)

The Fannie Mae/Freddie Mac Uniform Instruments provide for the collection of Escrow, subject to applicable law, unless waived in writing by the lender. If Escrow has been collected since the time Freddie Mac purchased the Mortgage, the Servicer must continue to collect one-twelfth of the yearly charge for Escrow, plus any “cushion” permitted by applicable law, with each monthly installment of principal and interest. The Servicer may, if requested by the Borrower, also collect and administer funds to pay expenses not provided for in the Mortgage, such as life insurance on the Borrower. The Escrow must be held in an account insured by an agency of the United States.

The Servicer must obtain bills for and pay all Escrow items before the applicable penalty or termination date. The Servicer must maintain adequate records to prove payment of all taxes, ground rents, assessments and other charges that are or may become First Liens on the Mortgaged Premises.

Servicers must discontinue collecting Escrow if required by applicable law. If the terms of the Security Instrument or applicable law do not provide for collection of Escrow, or if the lender elected not to collect Escrow, or if the Servicer has waived Escrow, the Servicer must, at the time taxes, ground rents, assessments and other charges are due in each jurisdiction, proceed as follows:

- The Servicer must require that the Borrower furnish proof of payment of all taxes, ground rents, assessments and other charges; or
- The Servicer may use other means (such as tax services) commonly employed by private institutional mortgage investors to satisfy itself that these items have been paid.

If the Mortgaged Premises is a Manufactured Home taxed as personal property, the Servicer must notify the taxing authority that the Servicer must be notified if the Borrower is delinquent in the payment of taxes if provisions for such notification are available under the personal property tax collection procedures of the jurisdiction.

### (a) Annual Escrow analysis

At least annually, the Servicer must compute the required Escrow payment based on reasonable estimates of assessments and bills to determine that sufficient funds are being collected to meet all Escrow payments. If the amount held in Escrow by the Servicer, together with the future monthly installments of Escrow, exceeds the amount required to pay charges as they fall due, plus any “cushion” permitted by applicable law, the Servicer must either repay the excess promptly to the Borrower (if there is no default under the terms of the Security Instrument) or credit the excess to the Borrower by a reduction in monthly Escrow

installments. Any interest payable to the Borrower for Escrow, when required by applicable law, or any other funds held by the Servicer, whether due to contractual agreement or operation of law, must be paid by the Servicer at its own expense.

If the amount held in Escrow by the Servicer is deemed insufficient to pay charges when due, the Servicer should obtain the necessary additional funds from the Borrower before the latest date on which the charges may be paid prior to penalty, lapse of insurance policies, adverse impact to Freddie Mac's interest in the Mortgage, etc. If the Borrower fails to remit the deficient amount or if there is insufficient time to obtain the amount, the Servicer must pay any charges due and reflect a shortage in the Borrower's Escrow account. The Servicer may either increase the Borrower's next payment to cover the entire advance or schedule the repayment of such advance over several months. The Servicer may not collect the advance by deducting from one or more regular monthly Mortgage payments.

For delinquent Mortgages, the Servicer must continue to pay Escrow items for the following expenses:

- Taxes, property insurance and other charges as described in the Security Instrument
- Mortgage insurance premiums

Servicers must contact Freddie Mac (**see Directory 5**) and obtain Freddie Mac's written approval before paying the taxing authority when federal, State or local income tax liens would take priority over Freddie Mac's First Lien position.

The Servicer may, by written notification to the Borrower, and without Freddie Mac's approval, start collecting Escrow previously waived.

However, if the Mortgage is secured by a Manufactured Home and the Borrower becomes 60 days or more delinquent, a Servicer must start collecting Escrow that was previously waived as a part of any repayment arrangement.

## **(b) Waiver of Escrow accounts**

### **(i) Circumstances in which Escrow may be discontinued**

Other than as stated in Section 8201.1(b)(ii) below, if requested by the Borrower, Servicers may discontinue collecting Escrow if:

- The Mortgage has not been delinquent for 30 days or more at any time during the previous six months
- The Servicer's waiver is in writing and grants the Servicer the right to resume collection of Escrow if there is any nonpayment of the items for which Escrow had previously been collected and



- Applicable law allows or does not prohibit the Servicer to discontinue collecting Escrow

**(ii) Circumstances in which Escrow may not be discontinued**

Servicers may not discontinue or waive collecting Escrow on the following Mortgages if they had an Escrow account when sold to Freddie Mac:

- A Mortgage secured by a Manufactured Home or a 2- to 4-unit property
- An Affordable Gold<sup>®</sup> 97 Mortgage
- A Texas Equity Section 50(a)(6) Mortgage
- An A-minus Mortgage
- A Freddie Mac 100 Mortgage
- A Home Possible<sup>®</sup> Mortgage
- A HomeOne<sup>SM</sup> Mortgage

Additionally, **except Mortgages modified under the terms in Sections 9206.5(e) or 9206.4(d)**, a Servicer may not discontinue or waive collecting Escrow on Mortgages that have been modified under a Freddie Mac mortgage modification program.

Servicers must follow FHA, VA, RHS or MI **Escrow waiver and reinstatement requirements**.

**(c) Non-payment of Escrow charges**

If Escrow is not collected and the Servicer discovers nonpayment of any charge otherwise payable from Escrow, the Servicer must contact the Borrower and allow the Borrower 30 days to provide proof of payment. The Servicer must advance funds for the unpaid charge and any applicable penalty if the Borrower indicates inability to make the payment or does not provide proof of payment within the required 30 days. The Servicer must attempt to work out an arrangement with the Borrower for repayment of any advance and, if allowed by law, must begin to collect Escrow for future bills.

If:

- The Borrower fails to pay any charge otherwise payable from Escrow; and
- The Servicer has advanced funds for the unpaid charge and any applicable penalty; and

Either:

- A mutually satisfactory arrangement cannot be made for the Borrower's repayment of the advance or the Borrower fails to comply with the terms of any such arrangement, or
- The Borrower fails to pay Escrow to the Servicer after the Servicer starts collecting Escrow that was previously waived

then the Servicer must comply with the collection, loss mitigation, and if necessary, foreclosure referral requirements set forth in Chapters 9101 or 9102, as applicable.

## **8201.2: Interest on Escrow accounts (03/02/16)**

If the Servicer either has entered into an agreement or is required by law to pay interest on Escrow, the Servicer is solely and fully responsible for this payment. The accounting related to the payment of interest on Escrow may not be included with the regular Mortgage accounting for principal and interest.

# Chapter 8202: Property Insurance

## 8202.1: General property insurance requirements (03/06/19)

**Refer to Bulletin 2019-5, which announced revisions related to rating requirements for property insurers. The revisions may be implemented prior to the mandatory implementation of the March 13, 2020 version of this section.**

For as long as Freddie Mac owns an interest in a Mortgage, the Seller/Servicer must ensure that the Mortgaged Premises are covered by insurance meeting the requirements in this and subsequent sections.

### (a) Licensing of insurer

All insurance companies (insurers) and insurance companies which guarantee coverages provided by other insurance companies (reinsurers) must be licensed, or otherwise authorized by law, to conduct business in the jurisdictions where the Mortgaged Premises are located.

### (b) Assessments

Insurance contracts must provide that no assessment may be made against the Seller/Servicer or Freddie Mac and that any assessment made against others may not become a lien on the Mortgaged Premises superior to the lien of the Freddie Mac Mortgage.

### (c) Rating of insurer

The required insurance must be provided by one of the following insurers:

1. An insurer whose current rating meets the requirements below:
  - For an insurer rated by A. M. Best Company (A.M. Best), a minimum Financial Strength Rating of B/III, or for a non-U.S. insurer, A/VIII, as reported online at <http://www.ambest.com>
  - For an insurer rated by Demotech, Inc., a minimum Financial Strength Rating of A as reported online at <http://www.demotech.com>
  - For an insurer rated by Standard & Poor's, a division of The McGraw-Hill Companies ("Standard & Poor's"), a minimum Financial Strength Rating of BBB as reported online at <http://www.standardandpoors.com>
2. An insurer whose coverage is guaranteed by a reinsurer under all of the following conditions:

- The reinsurer's current rating meets the requirements below:
    - For a reinsurer rated by A.M. Best, a minimum Financial Strength Rating of B/III, or for a non-U.S. reinsurer, A/VIII; or
    - For a reinsurer rated by Standard & Poor's, a minimum Financial Strength Rating of BBB
  - The reinsurer assumes by endorsement 100% of the insurer's liability for any covered loss payable but unpaid by the insurer for reason of insolvency
  - The reinsurer assumes by endorsement to give the policyholder, the Seller/Service and insurer 90-day written notice before canceling or otherwise terminating the guarantee
  - The above endorsements are attached to each property insurance policy accepted by the Seller/Service on account of the endorsements
3. A state insurance pool created by statutory authority to provide insurance for geographic areas or insurance lines which suffer from lack of voluntary market availability (such pool may be designated as a property insurance plan, a Fair Access to Insurance Requirements (FAIR) plan, an underwriting association, a joint underwriting association or an insurance authority)
  4. A nonadmitted insurer whose current rating meets the requirements below:
    - For an insurer rated by A. M. Best, a minimum Financial Strength Rating of A, or
    - For an insurer rated by Standard & Poor's, a minimum Financial Strength Rating of AA-
  5. An insurer whose coverage is guaranteed by the National Flood Insurance Program (NFIP) under a Standard Flood Insurance Policy issued pursuant to the National Flood Insurance Act of 1968, as amended

Insurers rated by more than one rating company need only meet one of the rating requirements.

## **8202.1: General property insurance requirements (Future effective date 03/13/20)**

For as long as Freddie Mac owns an interest in a Mortgage, the Seller/Service must ensure that the Mortgaged Premises are covered by insurance meeting the requirements in this and subsequent sections.

**(a) Licensing of insurer**

All insurance companies (insurers) and insurance companies which guarantee coverages provided by other insurance companies (reinsurers) must be licensed, or otherwise authorized by law, to conduct business in the jurisdictions where the Mortgaged Premises are located.

**(b) Assessments**

Insurance contracts must provide that no assessment may be made against the Seller/Servicer or Freddie Mac and that any assessment made against others may not become a lien on the Mortgaged Premises superior to the lien of the Freddie Mac Mortgage.

**(c) Rating of insurer**

The required insurance must be provided by one of the following insurers:

1. An insurer whose current rating meets the requirements below:
  - For an insurer rated by A. M. Best Company (A.M. Best), a minimum Financial Strength Rating of B+/III, or for a non-U.S. insurer, A/VIII, as reported online at <http://www.ambest.com>
  - For an insurer rated by Demotech, Inc., a minimum Financial Strength Rating of A as reported online at <http://www.demotech.com>
  - For an insurer rated by Standard & Poor's, a division of The McGraw-Hill Companies ("Standard & Poor's"), a minimum Financial Strength Rating of BBB as reported online at <http://www.standardandpoors.com>
2. An insurer whose coverage is guaranteed by a reinsurer under all of the following conditions:
  - The reinsurer's current rating meets the requirements below:
    - For a reinsurer rated by A.M. Best, a minimum Financial Strength Rating of B+/III, or for a non-U.S. reinsurer, A/VIII; or
    - For a reinsurer rated by Standard & Poor's, a minimum Financial Strength Rating of BBB
  - The reinsurer assumes by endorsement 100% of the insurer's liability for any covered loss payable but unpaid by the insurer for reason of insolvency
  - The reinsurer assumes by endorsement to give the policyholder, the Seller/Servicer and insurer 90-day written notice before canceling or otherwise terminating the guarantee

- The above endorsements are attached to each property insurance policy accepted by the Seller/Service on account of the endorsements
3. A state insurance pool created by statutory authority to provide insurance for geographic areas or insurance lines which suffer from lack of voluntary market availability (such pool may be designated as a property insurance plan, a Fair Access to Insurance Requirements (FAIR) plan, an underwriting association, a joint underwriting association or an insurance authority)
  4. A nonadmitted insurer whose current rating meets the requirements below:
    - For an insurer rated by A. M. Best, a minimum Financial Strength Rating of A, or
    - For an insurer rated by Standard & Poor's, a minimum Financial Strength Rating of AA-
  5. An insurer whose coverage is guaranteed by the National Flood Insurance Program (NFIP) under a Standard Flood Insurance Policy issued pursuant to the National Flood Insurance Act of 1968, as amended

Insurers rated by more than one rating company need only meet one of the rating requirements.

## **8202.2: Minimum property insurance types and amounts (12/12/18)**

### **(a) 1- to 4-unit properties**

At a minimum, the insurable improvements on the Mortgaged Premises must be insured for loss or damage from fire, lightning and other perils (windstorm, hail, explosion, riot, civil commotion, damage by aircraft, damage by vehicles and damage by smoke) covered within the scope of standard extended coverage. If any of the preceding perils (e.g., windstorm) is excluded from the primary insurance policy, coverage of the excluded peril must be picked up through a secondary insurance policy such as may be written by a state insurance pool under Section 8202.1(c)(number 3). The insurance limits must at least equal the higher of:

- The UPB of the Mortgage
- 80% of the full replacement cost of the insurable improvements

The coverage required in accordance with the above formula must not exceed the replacement cost of the insurable improvements, even when the UPB of the Mortgage exceeds such replacement cost.

The Seller/Serviceicer must ensure that adequate insurance coverage is in force even when the improvements are vacant or unoccupied and must notify all insurers of any such change in occupancy in order to preserve its rights as mortgagee under the applicable insurance policy.

The deductible for fire, water (not caused by flooding) or wind damage to the insured improvements (generally designated as “dwelling” in the insurance policy) may not exceed 5 percent of the limit maintained for dwelling coverage.

## **(b) Planned Unit Developments (PUDs); ground lease communities**

Unit owners within a Planned Unit Development (PUD) and leasehold lessees within a ground lease community with residential properties similar to 1- to 4- unit properties can insure their units individually, provided that the requirements in Section 8202.2(a) are met.

If the individual units are covered by insurance purchased by their respective owners or leasehold lessees, the PUD homeowners association or the fee simple landowner/lessor of the ground lease community must also insure Common Elements for 100% of their replacement cost under a commercial package policy which covers, at a minimum, loss from causes identified in the Insurance Services Office’s (ISO’s) *Commercial Property Causes of Loss — Special Form* endorsement. The policy must provide for loss or damage settlement at replacement cost.

A policy with one of the following is also acceptable to reach full replacement cost:

- Extended replacement cost – provides an extension to the insurable replacement cost
- Guaranteed replacement cost – provides replacement for the property regardless of cost

If the insurable value of the Common Elements is minimal or does not exist, the homeowners association or the fee simple landowner/lessor is not required to insure the Common Elements. Examples of Common Elements with minimal insurable value may include items such as entrance signage and lamp posts. Common Elements with an insurable value that is not de minimis are required to be insured (e.g., a PUD’s clubhouse or pool house).

Freddie Mac will also accept a master or blanket insurance policy covering all units in the PUD or ground lease community as well as insurable common areas and property, if called for in the PUD’s governing documents or in the lease. Such coverage must meet the requirements applicable to each PUD or ground lease community unit and those applicable to insurable common areas and property. **Deductibles are allowed under this blanket coverage under the terms and conditions stipulated below.**

Mortgages secured by units in a PUD with a master or blanket insurance policy that combines insurance coverage for multiple unaffiliated PUDs **are eligible for sale to Freddie Mac provided that each covered PUD has a dedicated policy limit and a specific dedicated deductible that does not exceed the requirements below. Also, the policy must clearly state that each association is a named insured. The policy limit needs to cover the full replacement cost required for the common areas, and to the extent required, the units. The Seller/Serviceicer must obtain the insurance policy and endorsements to adequately evaluate the insurance**

coverage. Additionally, the insurance policy must meet all requirements of the Guide and other Purchase Documents applicable to master or blanket insurance policies covering affiliated PUDs such as:

- The insurance company underwriting the master or blanket policy must meet Freddie Mac insurance ratings requirements
- The protected perils must include those normally covered in policies for similar types of PUDs; and
- If applicable, the building ordinance or law endorsement and/or equipment breakdown endorsement

Projects that are under the same master association and/or share the use of common facilities, whether those facilities are individually owned or owned as part of a master association or development, are considered to be affiliated projects. Multiple projects that do not meet one of these criteria, even if they are under the management of the same management company, are not considered to be affiliated projects.

A policy with a coinsurance clause, and inclusion of an agreed amount endorsement or selection of the agreed value option (which waives the requirement for coinsurance) is considered acceptable evidence that the 100% replacement cost requirement has been met. If an agreed amount/agreed value provision is used, the agreed amount must be no less than the estimated replacement cost. If a coinsurance clause is included in the PUD homeowners association's policy or the fee simple landowner/lessor's policy, the policy is still eligible if the amount of coverage is at least equal to 100% replacement cost.

The homeowners association or fee simple landowner/lessor must also obtain any additional coverage commonly required by private mortgage investors for developments similar in construction, location and use, including the following:

- Inflation guard endorsement – this endorsement is required when it is applicable to the coverage and available in the insurance market
- Building ordinance or law endorsement – this endorsement is not required if the building is legally conforming under current building, zoning or land use laws, or is not available; however, it is required if the enforcement of any law or ordinance results in increased costs such as demolition or loss to the undamaged portions of the building and the coverage is available in the insurance market
- Steam boiler and machinery or equipment breakdown endorsement – this endorsement is required if a building in the project has a central heating ventilation and cooling (HVAC) system and the coverage is available in the insurance market

The insurance limit per covered mechanical breakdown or equipment failure must equal the lesser of:

- 100% of the replacement cost of the building housing the equipment, or



- ❑ \$2 million

If a higher limit is required by private mortgage investors for PUDs similar in construction, location and use, the PUD homeowners association must maintain the higher insurance limit.

The deductible for fire, water (not caused by flooding) or wind damage to the insured improvements (generally designated as “building” in the insurance policy) may not exceed five percent of the limit maintained for building coverage.

The insurance policy of the PUD homeowners association or fee simple landowner/lessor of the ground lease community must name the insured in substantially the same language indicated below:

**For PUDs:** Association of Owners of the [Name of PUD] Planned Unit Development for the use and benefit of the individual owners (designated by name, if required by law or the governing documents).

**For ground lease communities:** [Name of the lessor] of the [Name of the ground lease community] for the use and benefit of the individual lessees (designated by name, if required by law or by the lease).

### (c) Condominiums

The condominium governing documents will define the insurance requirements for the association and the individual unit owner in a Condominium Project, including a Detached Project and a 2- to 4-unit Condominium Project. The insurance requirements will define the extent to which the association will insure the individual units and the unit owner responsibility for individual insurance.

There are two **acceptable** options for unit coverage depending on what the governing documents **indicate**:

- The condominium homeowners association must insure the building and structures in the project as well as fixtures, machinery, equipment and supplies maintained for the service of the project. To the extent required the association must also insure fixtures, improvements, alterations and equipment within the individual Condominium Units, regardless of ownership. To the extent the condominium homeowners association’s policy does not cover the interior of the unit or the improvements to the unit, the Borrower must maintain an HO-6 unit owner policy. Coverage for the HO-6 unit owner policy must be sufficient to repair the Condominium Unit to at least its condition prior to the claim.
- If **allowed** by the governing documents **for** unit owners **to** insure their units individually, in lieu of a master policy, the Mortgages secured by the Condominium Units are eligible for sale to Freddie Mac provided the requirements in Section 8202.2(a) are met. Common

Elements must be covered through the condominium homeowners association policy and the homeowners association must maintain all other applicable insurance coverages required in Sections 8202.2 through 8202.9.

The condominium homeowners association must insure common elements and property for 100% of their replacement cost under a *Condominium Association Coverage Form* of the ISO or equivalent commercial package policy which covers, at a minimum, loss from causes identified in the ISO's *Commercial Property Causes of Loss — Special Form* endorsement. The insurance coverage must provide for loss or damage settlement at replacement cost.

A policy with one of the following is also acceptable to reach full replacement cost:

- Extended replacement cost – provides an extension to the insurable replacement cost
- Guaranteed replacement cost – provides replacement for the property regardless of cost

Mortgages secured by a Condominium Unit in a Condominium Project with a master or blanket insurance policy that combines insurance coverage for multiple unaffiliated Condominium Projects are eligible for sale to Freddie Mac provided that each covered Condominium Project has a dedicated policy limit and a specific dedicated deductible that does not exceed the requirements below. Also, the policy must clearly state that each association is a named insured. The policy limit needs to cover the full replacement cost required for the Common Elements, and to the extent required, the units. The Seller/Serviceicer must obtain the insurance policy and endorsements to adequately evaluate the insurance coverage. Additionally, the insurance policy must meet all requirements of the Guide and other Purchase Documents applicable to master or blanket insurance policies covering affiliated Condominium Projects such as:

- The insurance company underwriting the master or blanket policy must meet Freddie Mac insurance ratings requirements;
- The protected perils must include those normally covered in policies for similar types of Condominium Projects; and
- If applicable, the building ordinance or law endorsement and/or equipment breakdown endorsement.

Projects that are under the same master association and/or share the use of common facilities, whether those facilities are individually owned or owned as part of a master association or development, are considered to be affiliated projects. Multiple Condominium Projects that do not meet one of these criteria, even if they are under the management of the same management company, are not considered to be affiliated projects.

A policy with a coinsurance clause, and inclusion of an agreed amount endorsement or selection of the agreed value option (which waives the requirement for coinsurance) is considered acceptable evidence that the 100% replacement cost requirement has been met. If an agreed amount/agreed value provision is used, the agreed amount must be no less than the

estimated replacement cost. Also, if a coinsurance clause is included in the Condominium Project's policy, the policy is still eligible if the amount of coverage is at least equal to 100% replacement cost.

The condominium homeowners association must also obtain any additional coverage commonly required by private mortgage investors for developments similar in construction, location and use, including the following:

- Inflation guard endorsement – this endorsement is required when it is applicable to the coverage and available in the insurance market
- Building ordinance or law endorsement – this endorsement is not required if the building is legally conforming under current building, zoning or land use laws, or is not available; however, it is required if the enforcement of any law or ordinance results in increased costs such as demolition or loss to the undamaged portions of the building and the coverage is available in the insurance market
- Steam boiler and machinery or equipment breakdown endorsement – this endorsement is required if a building in the project has an HVAC system and the coverage is available in the insurance market

The insurance limit per covered mechanical breakdown or equipment failure must equal the lesser of:

- 100% of the replacement cost of the building housing the equipment, or
- \$2 million

If a higher limit is required by private mortgage investors for Condominium Projects similar in construction, location and use, the condominium homeowners association must maintain the higher insurance limits.

The condominium homeowners association's policy deductible for fire, water (not caused by flooding) or wind damage to the insured improvements (generally designated as "building" in the insurance policy) may not exceed 5% of the limit maintained for building coverage.

If the deductible exceeds the 5% maximum due to a per unit deductible for named perils specific to a geographic area, the Mortgage is eligible for sale to Freddie Mac if the individual is covered by the unit owner HO-6 policy. The unit owner policy must include the same perils as the condominium associations homeowner's policy, cover master policy assessments levied on the unit owner and carry a sufficient coverage amount to cover the per unit amount over the permissible 5% limit.

For example:

- Condominium association policy limit: \$6,000,000

- Number of units: 20
- Condominium association policy deductible: \$80,000
- Condominium association separate per unit deductible for ice dam coverage: \$40,000

The master deductible of \$80,000 is 1.33% of the building coverage (\$80,000/\$6,000,000) and does not exceed the 5% deductible requirement. However, the per unit deductible is 13.3% ( $(\$40,000 \times 20 \text{ units})/\$6,000,000$ ) which is above the 5% maximum requirement and the policy is not acceptable.

The maximum per unit deductible needed to meet the 5% deductible requirement is \$15,000 ( $(\$6,000,000/20) \times .05$ ). To be eligible, the unit owner needs an HO-6 policy that would cover the \$25,000 per unit coverage ( $\$40,000 - \$15,000 = \$25,000$ ).

The insurance policy of the condominium homeowners association must name the insured in substantially the same language indicated below:

Association of Owners of the [Name of Condominium Project] Condominium for the use and benefit of the individual owners (designated by name, if required by law or the governing documents).

In the event the HO-6 unit owner policy is required, the policy must include the standard Mortgage clause required in Section 8202.7.

## **8202.3: Flood insurance (11/13/19)**

### **(a) Determining if a property requires flood insurance**

A flood zone determination (FZD) must be made for each property securing a Mortgage sold to Freddie Mac.

A FZD must be documented by a completed FEMA Standard Flood Hazard Determination Form, FEMA Form 086-0-032 (Exhibit 13, Standard Flood Hazard Determination Form [SFHDF]) in accordance with federal law. The SFHDF may be used in a printed, computerized or electronic manner and must be retained for the life of the Mortgage in either hard copy or electronic format. Any alternative electronic format must contain all mandatory fields indicated on the SFHDF.

The date in the “Date of Determination” field on the SFHDF must be a date that is no more than 120 days before the Note Date of the Mortgage, or, if applicable, the Note Date of the refinance Mortgage. However, the “Date of Determination” field on the SFHDF may be a date that is more than 120 days before the Note Date of the Mortgage or, if applicable, the Note Date of the refinance Mortgage, if the Seller uses a “life of loan” FZD where the third party providing the FZD provides a “life of loan” certificate assuring that the Mortgage is monitored for compliance.

The loan number or other identifying information in the "Loan Identifier" field on the SFHDF must be the loan number or other identifying information for the Mortgage or, if applicable, the refinance Mortgage.

The Seller/Servicer warrants that any FZD made by a party other than the Seller/Servicer is guaranteed by the FZD maker to be accurate, in accordance with federal law. The Seller/Servicer, however, remains responsible to Freddie Mac for the accuracy of any FZD made by the Seller/Servicer or any party other than the Seller/Servicer.

If the SFHDF identifies the insurable improvements on the Mortgaged Premises as located in an area that has been identified as a Special Flood Hazard Area (SFHA) containing the letter "A" or "V" within its designated zone on a flood map (Flood Hazard Boundary Map or Flood Insurance Rate Map) of FEMA, the Seller/Servicer must ensure that flood insurance is obtained and maintained on such improvements for the term of the Mortgage.

The Seller/Servicer may waive **or discontinue** the flood insurance requirement if:

- The Borrower and the Seller/Servicer have obtained, following a joint request to FEMA as provided under federal law, a Letter of Determination Review (LODR) concluding that the insurable improvements are not in the SFHA, or
- The Borrower has provided the Seller/Servicer with a Letter of Map Amendment (LOMA) from FEMA excluding the insurable improvements or the entire property from the SFHA, or
- The Borrower has provided the Seller/Servicer with a Letter of Map Revision (LOMR) from FEMA removing the community's SFHA designation

The Borrower must maintain flood insurance on the insurable improvements until FEMA issues a LOMA, LOMR or LODR. Upon issuance of a LOMA, LOMR or LODR, the Borrower may request from FEMA a refund of paid flood insurance premiums through the insurance agent servicing the flood insurance policy. A copy of the LOMA, LOMR or LODR, as applicable, must be maintained in the Mortgage file in accordance with Chapters 3401, 3301 and 3302.

If the insurable improvements on the Mortgaged Premises are located in an SFHA but the community does not participate in the National Flood Insurance Program (NFIP) ("nonparticipating community"), the Mortgage is not eligible for sale to Freddie Mac.

If the insurable improvements on the Mortgaged Premises are located in an area that has not been mapped by FEMA and the Seller/Servicer is not aware of any flood risks to which the improvements are exposed, the Mortgage is eligible for sale to Freddie Mac without the benefit of flood insurance. If the area has not been mapped by FEMA but the Seller/Servicer is aware that the insurable improvements are exposed to flood risks, the Mortgage is not eligible for sale to Freddie Mac without flood insurance on the improvements.

## **(b) Continuous monitoring**

The Servicer must have policies, procedures and controls in place to ensure the property is adequately protected by flood insurance when required, with no lapses in coverage, and the flood insurance premiums are paid. If at any time during the term of the mortgage the Mortgaged Premises are not covered by flood insurance in the amount and with the deductible required, the Seller/Servicer must follow the Lender-Placed Insurance process under Section 8202.12.

The Servicer must have policies, procedures and controls in place to identify any map change that becomes effective on or after April 1, 1995 and determine which insurable improvements on Mortgaged Premises in the community affected by the map change become located in an SFHA and are required to have flood insurance. Flood insurance required under these provisions must be obtained within 120 days of the effective date of the map change.

If the area where the Mortgaged Premises is located is an SFHA but the community has become a nonparticipating community and flood insurance provided by the NFIP will not be renewed for that community, the Seller/Servicer must require the Borrower to obtain private flood insurance.

If the additional coverage cannot be obtained, the Servicer must immediately make appropriate recommendations to Freddie Mac (see **Directory 5**).

## **(c) Acceptable flood insurance policies**

The flood insurance policy may be one of the following:

- A standard policy issued by the NFIP, or
- A policy issued by a private insurer that is qualified under Section 8202.1, with at least equivalent terms and conditions to the standard NFIP policy for the types of improvements insured, including coverage, deductibles and exclusions and conditions offered

## **(d) Coverage required**

### **(i) 1- to 4-unit properties**

If the community where the Mortgaged Premises are located participates in the Emergency Program of the NFIP, the flood insurance coverage on the insurable improvements must at least equal the lowest of the following:

- The UPB of the Mortgage
- The maximum amount of coverage currently sold under the Emergency Program of the NFIP for the type of improvements insured

- The replacement cost of the insurable improvements

The Seller/Servicer must ensure that the Borrower increases flood insurance coverage on the insurable improvements when the community moves into the Regular Program of the NFIP as described below.

If the community where the Mortgaged Premises are located participates in the Regular Program of the NFIP, the flood insurance coverage on the insurable improvements must at least equal the lowest of the following:

- The UPB of the Mortgage
- The maximum amount of coverage currently sold under the Regular Program of the NFIP for the type of improvements insured
- The replacement cost of the insurable improvements

The deductible may not exceed the maximum deductible amount currently allowed under the NFIP for the type of improvements insured.

For 1- to 4-unit properties, the Seller/Servicer may waive the flood insurance requirements for structures on the Mortgaged Premises that are detached from the primary residential structure and do not serve as a residence.

#### **(ii) PUD or ground lease community units**

Flood insurance requirements for 1- to 4-unit properties apply to similar residential properties within a PUD or ground lease community.

#### **(iii) Condominium Units**

Flood insurance requirements for 1- to 4-unit properties apply to similar residential properties in a 2- to 4-Unit Condominium Project or Detached Condominium Project.

If the Condominium Unit securing a Mortgage sold to or serviced for Freddie Mac is in a building in a Condominium Project other than a 2- to 4-Unit Condominium Project or Detached Condominium Project and all or part of the building is in an SFHA, the following flood insurance coverage, as applicable, is required:

##### **A. Condominium owners association's coverage**

The condominium owners association must maintain building coverage on the building for the lower of (i) 80% of the building's replacement cost or (ii) \$250,000 multiplied by the number of residential units in the building.

The condominium owners association must maintain contents coverage on the building for the lower of (i) the actual cash value of the contents in the building that

are owned in common by the association members or (ii) the maximum amount of contents coverage sold by the NFIP for a condominium building.

The deductible of the condominium owners association's coverage may not exceed the maximum deductible amount currently allowed under the NFIP for condominium association building coverage. The deductible for association building contents may not exceed the maximum deductible amount currently allowed under the NFIP for association building contents.

#### **B. Unit owner's coverage**

To the extent the condominium owners association's building coverage meets the minimum requirements above, but the unit allocation does not meet the 1- to 4-unit coverage requirement, the Borrower must maintain supplemental coverage on the unit. The coverage must be at least equal to the difference between the condominium associations' building coverage allocated to that unit and the amount required on a 1- to 4-unit property.

The deductible may not exceed the maximum deductible allowed for a 1- to 4-unit property.

## **8202.4: Rent loss insurance (04/11/18)**

Effective April 11, 2018, this section is deleted.

## **8202.5: Liability insurance for condominiums (10/02/19)**

Liability insurance is required for all Condominium Projects, except the following:

- Condominium Projects reviewed under the streamlined project review type in Section 5701.4
- Mortgages secured by a Detached Condominium Unit that are delivered as the review type Exempt From Review as set forth in Section 5701.7
- Freddie Mac-owned "no cash-out" refinance Condominium Unit Mortgages that meet the requirements in Section 5701.7
- 2- to 4-Unit Condominium Projects
- Freddie Mac Enhanced Relief Refinance<sup>®</sup> Mortgages



The condominium homeowners association must maintain commercial general liability (CGL) insurance covering all common areas, common elements, commercial spaces and public ways in the Condominium Project.

If not already included in the terms of the CGL coverage, there must be a “severability of interest” endorsement precluding the insurer’s denial of a unit owner’s claim because of negligent acts by the association or other unit owners.

The insurer’s limit of liability per occurrence for personal injury, bodily injury or property damage under the terms of the above coverages must be at least \$1 million and the coverage must provide for claim settlements on an occurrence basis.

## **8202.6: Fidelity or employee dishonesty insurance for condominiums (10/02/19)**

Fidelity or employee dishonesty insurance is required for Condominium Projects, except the following:

- Condominium Projects reviewed under the streamlined project review type in Section 5701.4
- Mortgages secured by a Detached Condominium Unit that are delivered as the review type Exempt From Review as set forth in Section 5701.7
- Freddie Mac-owned “no cash out” refinance Condominium Unit Mortgages that meet the requirements in Section 5701.2.7
- Freddie Mac Enhanced Relief Refinance<sup>®</sup> Mortgages

Freddie Mac requires all condominium homeowners associations in Condominium Projects that consist of more than 20 units to obtain and maintain fidelity or employee dishonesty insurance that meets the terms and conditions of coverage detailed in this section. If a Condominium Project is located in a State that requires condominium homeowners associations to obtain and maintain fidelity or employee dishonesty insurance on terms or conditions different from Freddie Mac’s, Freddie Mac will deem compliance with the State’s requirements to be in compliance with Freddie Mac’s requirements.

The condominium homeowners association must maintain fidelity or employee dishonesty insurance covering losses resulting from dishonest or fraudulent acts committed by the association’s directors, managers, trustees, employees or volunteers who manage the funds collected and held for the benefit of the Condominium Unit owners. A professional management firm must be insured to the same extent as an association that manages its own operation. The management firm must submit evidence of such coverage to the association or must be insured under the condominium homeowners association’s policy.

Fidelity or employee dishonesty insurance coverage must have all of the following characteristics:

- The policy must name the condominium homeowners association as the insured, and premiums must be paid as a common expense by the association.
- The coverage must equal no less than the maximum amount of funds in the custody of the condominium homeowners association or its management firm at any one time, unless the amount of the funds is less than or equal to \$5,000, in which case fidelity or employee dishonesty insurance is not required. A lower coverage limit is acceptable if the condominium's Project Documents require the homeowners association and any management firm to adhere to certain financial controls. However, in such case, the coverage limit must at least equal the sum of three months of assessments on all units in the Condominium Project.

Freddie Mac will accept reduced fidelity or employee dishonesty insurance coverage based on greater financial controls if such controls include at least one of the following provisions:

- The condominium homeowners association or its management firm maintains separate accounts for the operating budget and the reserve fund. The depository institution in which funds are deposited sends copies of the monthly account statements directly to the association.
- Separate records and accounts are maintained for each condominium homeowners association or other community association using the management firm's services. The management firm does not have the authority to draw checks on or to transfer funds from the reserve fund of the condominium homeowners association.
- Two or more members of the board of directors must sign any checks drawn on the reserve fund

## **8202.7: Mortgage clause (03/02/16)**

All policies documenting insurance coverage(s) obtained in accordance with Freddie Mac's requirements for 1- to 4-unit properties must have the insurance industry's standard mortgage clause. Such clause must provide that the insurer will notify the named mortgagee at least 10 days before cancellation of the policy.

If the Mortgage is owned in whole by Freddie Mac, "(name of Seller/Service), its successors and assigns" should be named as mortgagee instead of Federal Home Loan Mortgage Corporation. In deed-of-trust jurisdictions, the mortgagee should be designated as "(name of Seller/Service), its successors and assigns, beneficiary."

If the Federal Home Loan Mortgage Corporation must be named as mortgagee, the endorsement must show the Seller/Servicer's address in lieu of Freddie Mac's, as shown in the example below:

FEDERAL HOME LOAN MORTGAGE CORPORATION  
C/O ABC SAVINGS AND LOAN ASSOCIATION  
100 MAIN STREET  
HOMETOWN USA 12345

If the Mortgage is registered with MERS<sup>®</sup> and is originated naming MERS as the original mortgagee of record, under no circumstances may MERS be named as loss payee on any property insurance policy.

Regardless of how the mortgage clause is endorsed, or if the Mortgage is registered with MERS, the Seller/Servicer must arrange for all insurance drafts, notices, policies, invoices, etc. to be delivered directly to the Seller/Servicer. Although the MERS address appears in county land records, the address for MERS must not be given to organizations that normally direct mail to the Seller/Servicer or subservicer.

When a mortgage clause is not applicable (e.g., in a separate policy of commercial general liability), a certificate of insurance must be provided to the Seller/Servicer. This certificate must contain the information required for certificates or other evidence of insurance in Section 8202.8, with the Seller/Servicer named as certificate holder instead of mortgagee.

## **8202.8: Evidence of insurance (03/06/19)**

For each property securing a Mortgage owned by Freddie Mac, the Servicer must maintain evidence of all required insurance coverages in one of the following forms:

- An original policy (including the Planned Unit Development (PUD) or condominium owners association, Cooperative Project or fee simple landowner/lessor's policy under which the required coverages may be provided in whole or in part) and applicable endorsements
- A copy of the original policy and applicable endorsements if the copy meets the requirements of Chapter 3302
- A certificate, evidence or declarations of insurance showing at least the following information:
  1. Name insured and mortgagee (where applicable, PUD or condominium owners association, Cooperative Project, fee simple landowner/lessor and PUD, or condominium unit, Cooperative Unit or ground lease community mortgagee for all units in which the mortgagee has an insurable interest)
  2. Property address

3. Type, amount and effective dates of coverage
4. Deductible amount and coverage to which each such deductible applies
5. Any endorsement or optional coverage obtained and made part of the original policy
6. Insurer's agreement to provide at least 10 days' notice to the mortgagee (including any applicable PUD or condominium unit or ground lease community leasehold mortgagee) before cancellation of the policy; or for Cooperative Projects, 30 days' notice to the mortgagee before cancellation
7. Signature of an authorized representative of the insurer, if required by law

The Servicer must maintain a specimen of each policy and endorsement for which a certificate, evidence or declarations of insurance is maintained in lieu of the policy and endorsement.

If the Servicer documents and tracks the master or blanket condominium homeowners association or Cooperative Project insurance policy maintained by a condominium or Cooperative Project and can cross-reference to such policy each Condominium Unit Mortgage or Cooperative Share Loan the Servicer services for Freddie Mac in the condominium or Cooperative Project which is covered by such policy, the Servicer need not maintain and track a separate insurance certificate for each such Condominium Unit Mortgage or Cooperative Share Loan.

If the Servicer is unable to obtain evidence of insurance for a Borrower's unit in a condominium, Cooperative Project or a PUD insured under a master or blanket policy, one of the following insurance coverages obtained by the Servicer will meet the evidence of insurance requirements for the Borrower's unit:

- A blanket insurance policy carried by the Servicer which provides unit owner coverages as well as loss assessment coverage in the event of an uninsured loss for all Freddie Mac Condominium Unit Mortgages and Mortgages secured by units in a PUD and, if permitted by the Seller's Purchase Documents, Cooperative Share Loans serviced by the Servicer
- An agreement with an insurer to issue an insurance policy which provides unit owner coverage as well as loss assessment coverage in the event of an uninsured loss for all Freddie Mac Condominium Unit Mortgages, Mortgages secured by units in a PUD and, if permitted by the Seller's Purchase Documents, Cooperative Share Loans serviced by the Servicer

The blanket insurance policy or an agreement with an insurer to provide unit owner coverage as well as loss assessment coverage must meet the following requirements:

1. Be underwritten by an insurer with a current rating meeting the requirements under Section 8202.1
2. Provide coverage for the Servicer and/or Freddie Mac

3. Provide for at least 180-days' written notice to the Servicer and, if applicable, Freddie Mac before canceling or terminating the coverage
4. Be approved by any regulatory authority to which the Servicer is subject, if such approval is required

The Servicer must carry mortgage impairment or mortgagee interest insurance if it elects not to maintain the documentation described above. The mortgage impairment or mortgagee interest policy must meet the following requirements:

1. Be underwritten by an insurer **with a current rating meeting the requirements under Section 8202.1**
2. Provide coverage for the Servicer and/or Freddie Mac
3. Provide coverage in scope and amounts at least equal to those required under Sections 2101.5 through 2101.6
4. Provide for at least 180 days' written notice to the Servicer and, if applicable, Freddie Mac before canceling or terminating the coverage
5. Be approved by any regulatory authority to which the Servicer is subject, if such approval is required

Having a blanket insurance policy providing unit owners coverage, an agreement with an insurer to provide unit owners coverage, mortgage impairment or mortgagee interest policy does not relieve the Servicer of any of its Servicing obligations under the Purchase Documents, including the obligations to demonstrate to Freddie Mac that all the insurance coverages required in this Chapter 8202 and any other Purchase Document on a property securing a Mortgage serviced for Freddie Mac are indeed in force and to take all remedial actions required in this Chapter 8202 and any other Purchase Document when any such coverage is not in force.

In addition to all other remedies of Freddie Mac provided for in the Purchase Documents, the Servicer will indemnify Freddie Mac for any loss Freddie Mac sustains due to the Servicer's failure to verify that the required insurance is in force on the Mortgaged Premises. The Servicer's obligation shall in no way be limited to the amount of coverage in force under a mortgage impairment or mortgagee interest policy.

## **8202.9: Insurance charges (11/13/18)**

Premiums for insurance covering the Mortgaged Premises will be paid when due by Borrowers or the Servicer if the Servicer collects Escrows for such purposes.

Premiums for insurance obtained by a Planned Unit Development (PUD) or condominium owners association for the benefit of the PUD or Condominium Project will be paid by the association as a common expense assessable to all unit owners.

If the Condominium Project is located in Puerto Rico, premiums for insurance for a condominium owners' association policy for the benefit of the Condominium Project may be paid by the Servicer, if the Servicer collects Escrow for such purposes.

## **8202.10: Localized perils insurance (11/13/19)**

The Seller/Servicer must require the Borrower to obtain appropriate insurance coverage in accordance with the terms of the Security Instrument and applicable law for a property located in an area prone to localized perils such as a sinkhole, mine subsidence, volcanic eruption and avalanche that are not covered by standard property insurance.

## **8202.11: Insurance loss settlements (07/01/19)**

### **(a) Servicer responsibilities**

Upon notification of loss or damage to the Mortgaged Premises, the Servicer must monitor and coordinate the claim process with the Borrower and the insurer. The Servicer must take appropriate action to:

- Verify the extent of the loss or damage
- Ensure judicious disbursement of insurance proceeds for the necessary repairs
- Protect the priority of the Mortgage by obtaining, where necessary, waivers of materialman's or mechanic's liens
- Document details concerning the loss or damage, completion of the repairs and disposition of the insurance proceeds in the Mortgage file
- Prohibit payment of fees out of the insurance loss proceeds to any public adjuster or other third party retained by the Borrower to assist with the recovery of those proceeds unless agreed to by Freddie Mac in writing
- Refer to Chapter 8403 for additional requirements on abandoned properties, distressed properties or properties that pose a Risk of Property Ownership

### **(b) Reporting damage**

The Servicer does not need to submit a report and related recommendations to Freddie Mac unless:

- The Mortgage is in foreclosure
- The Mortgaged Premises is abandoned and/or has been acquired by the Servicer through foreclosure or deed-in-lieu of foreclosure. (See Section 9603.11(b) for remittance requirements for insurance loss settlements.)
- The insured improvements have suffered a total or near total loss
- The insured improvements cannot be rebuilt
- The Servicer wishes to apply insurance proceeds to the Mortgage debt instead of repairing the property, or
- Insurance proceeds exceed the amounts required to restore the property to its original condition

If any of the above conditions exist, the Servicer must submit the recommendation along with the appropriate documentation to Freddie Mac (see **Directory 5**), within five Business Days of learning of the situation.

**(c) Disbursing loss proceeds**

If a Servicer receives an insurance claim check for contents or living expenses, the Servicer must release the insurance funds to the Borrower without delay.

When the Mortgaged Premises has suffered a loss, the Servicer must follow the requirements in the below table for releasing proceeds:

<b>Insurance loss draft</b>	<b>Mortgage current or less than 31 days delinquent at the time of loss</b>	<b>Mortgage 31 or more days delinquent at the time of loss</b>
<b>Initial loss draft</b>		If the proceeds are less than or equal to \$5,000, the Servicer may disburse in one payment.

<b>Insurance loss draft</b>	<b>Mortgage current or less than 31 days delinquent at the time of loss</b>	<b>Mortgage 31 or more days delinquent at the time of loss</b>
	<p>The Servicer may release insurance proceeds up to the greater of:</p> <ul style="list-style-type: none"> <li>■ \$40,000</li> <li>■ 33% of insurance proceeds or</li> <li>■ The amount by which the release funds exceed the sum of the UPB, accrued interest and advances on the Mortgage</li> </ul>	<p>If the proceeds are greater than \$5,000, the Servicer may make an initial disbursement of 25% of the insurance proceeds but no more than the greater of:</p> <ul style="list-style-type: none"> <li>■ \$10,000 or</li> <li>■ The amount by which the release funds exceed the sum of the UPB, accrued interest and advances on the Mortgage</li> </ul>
<b>Additional loss drafts</b>	The Servicer may distribute remaining funds based on the repair plan reviewed and approved by the Servicer.	The Servicer may distribute remaining funds in increments not to exceed 25% of the insurance loss proceeds.
	The Servicer must inspect repairs prior to release of any remaining funds.	
<b>Funds payable</b>	If the proceeds are less than or equal to \$40,000, the Servicer may release such proceeds directly to the Borrower.	All checks must be made payable jointly to the Borrower and a licensed contractor.
	If the proceeds are greater than \$40,000, the Servicer must release such proceeds by check made payable jointly to the Borrower and contractor.	



<b>Insurance loss draft</b>	<b>Mortgage current or less than 31 days delinquent at the time of loss</b>	<b>Mortgage 31 or more days delinquent at the time of loss</b>
	If the Borrower advanced payments to the contractor, then the check may be made to the Borrower <b>for such payments advanced</b> provided the Servicer obtains documentation of the materials and services paid by the Borrower.	

A Servicer may unilaterally apply the insurance proceeds to the Mortgage's unpaid balance only to the extent allowed by applicable law and the Security Instrument. The Borrower, however, may unilaterally decide to have the proceeds applied to the Mortgage's unpaid balance.

If repair or reconstruction of the residence is expected to take more than three months, insurance funds retained by the Servicer pending disbursement for such repair or reconstruction must be maintained in a federally insured account that pays interest to the Borrower.

The Servicer may be named as loss payee on insurance drafts and must comply with any applicable law and, where applicable, any requirement of the FHA, VA, RHS or MI.

**(d) Repair or reconstruction of the Mortgaged Premises**

In overseeing the repair or reconstruction of damaged or destroyed residences, the Servicer should, to the extent applicable, practicable and required, ascertain that:

- The contractor chosen by the Borrower to repair or reconstruct the residence is:
  - Duly licensed under applicable laws and regulations
  - Qualified and experienced to perform the types of work contracted
  - Financially able to complete the repair or reconstruction within scheduled time frames
- The plans and specifications for the work contracted:
  - Describe repair or reconstruction that is generally consistent with the damage or destruction suffered by the residence, as reported in the proof of loss filed by the Borrower with the property insurer and as documented by the insurer's adjuster
  - Establish a reasonable schedule for completion of each phase of repair or reconstruction

- The Borrower and the contractor have executed a contract by which they agree to the following:

- The contractor will perform the work described in the plans and specifications
- The contractor will comply with applicable codes and regulations governing residential repair or reconstruction (including, but not limited to, building codes and zoning, permit and inspection regulations).

These codes and regulations may vary from State to State and, within the same State, from county to county. Therefore, Servicers should have adequate measures in place to verify contractors' and inspectors' compliance certifications to protect Freddie Mac's and the Servicer's respective investments.

If additional funds are needed to bring a damaged or destroyed residence into compliance with applicable codes and regulations, the Borrowers should determine whether their property insurer will waive any policy provision restricting payment for the increased cost of construction resulting from enforcement of codes and regulations.

- A specified dollar amount is the maximum amount that the contractor may charge for the work
  - The contractor will be paid a specified advance (if applicable, usually not exceeding 10% of the total contract amount) and, subsequently, on a specified draw schedule contingent on verification of satisfactory completion of specified work phases. If the mortgage status at time of notification is 31 or more days delinquent at time of loss, released funds must not exceed 25% increments of insurance loss proceeds.
  - The contractor, its subcontractors and its material suppliers will provide written acknowledgment of payment for work performed and materials supplied and the necessary lien waivers or releases so that the Mortgaged Premises may remain clear of all such liens and encumbrances.
- Each scheduled work phase has been satisfactorily completed in accordance with the plans and specifications in the contract.

The Servicer may choose to have the above described oversight functions performed by its staff or by a third party (such as a specialized firm or another Servicer). However, the Servicer is liable for the performance of any third party it retains. The third party may be compensated from insurance proceeds retained by the Servicer only to the extent agreed to by the Borrower and allowed under applicable law.

**(e) Licensed contractor**

The Servicer must follow the requirements below regarding the use of a licensed contractor.

<b>Loss proceeds</b>	<b>Mortgage current or less than 31 days delinquent at the time of loss</b>	<b>Mortgage 31 or more days delinquent at the time of loss</b>
<b>Less than or equal to \$40,000</b>	The Servicer must have policies and procedures to determine when a licensed contractor is required to repair or reconstruct the residence.	The Servicer must ensure that a licensed contractor is used to repair or reconstruct the residence.
<b>Greater than \$40,000</b>	The Servicer must ensure that a licensed contractor is used to repair or reconstruct the residence.  In the event that a State or jurisdiction does not require licensing of contractors, the Servicer may satisfy the requirement by ensuring the contractor is bonded and insured for an amount higher than the insurance proceeds.	

**(f) Final inspection**

The Servicer must follow the requirements below regarding the final inspection.

<b>Loss proceeds</b>	<b>Mortgage current or less than 31 days delinquent at the time of loss</b>	<b>Mortgage 31 or more days delinquent at the time of loss</b>
<b>Less than or equal to \$20,000</b>	A final inspection is not required.	A final inspection is always required to ensure all repairs are completed.
<b>Greater than \$20,000</b>	A final inspection is required to ensure all repairs are completed.  If cosmetic/non-structural work items totaling less than \$5,000 are outstanding at the time of final inspection, the inspection can be considered final and the inspector must note any unfinished items with estimated completion dates.	

## 8202.12: Lender-Placed Insurance (07/01/16)

The Seller/Servicer must require the Borrower to obtain appropriate insurance coverage in accordance with the terms of the Security Instrument, the Guide and applicable law.

The Servicer must continuously monitor the Borrower and Mortgage to ensure that adequate coverage has been obtained and remains in force. If the Borrower's coverage is cancelled or in jeopardy of cancellation due to non-payment of premium, the Servicer must attempt to continue coverage by paying the premium on behalf of the Borrower in accordance with applicable law. If the Borrower and the Servicer do not or cannot continue such coverage or if the coverage obtained is cancelled or lapses, the Servicer must obtain Lender-Placed Insurance (LPI). The Servicer must then adjust the Borrower's Escrow payments accordingly or bill the Borrower to recover the advance if the Servicer does not maintain an Escrow account for the Borrower. If the Borrower fails to reimburse the Servicer, the Servicer may recommend acceleration to Freddie Mac for the Borrower's default under the terms of the Security Instrument.

If the additional coverage cannot be obtained, the Servicer must immediately make appropriate recommendations to Freddie Mac (see **Directory 5**).

If the Servicer obtains LPI coverage for the Borrower from an LPI carrier in accordance with this section, the following apply:

- The Servicer or agents, brokers or other entities affiliated with the Servicer may not receive any compensation in the form of commissions or similar incentive-based compensation regardless of its designation as commission, bonus, fees or other type of payment from LPI carriers; and
- The Servicer may not use its own affiliated entities to insure or reinsure LPI

For purposes of this section an "entity" is "affiliated" with the Servicer when it is owned or controlled, in whole or in part, by the Servicer, including, but not limited to, a subsidiary of or in a joint venture or partnership with the Servicer. An affiliated entity shall also include any entity that owns or controls, in whole or in part, the Servicer (e.g., the parent company of the Servicer) and any entity that is under common ownership or control with the Servicer (e.g., two subsidiaries of the same parent company). An affiliated entity shall not include a publicly-traded company of whose stock the Servicer owns less than 5%.

Required deductibles for LPI policies effective on or after July 1, 2016 are provided in the table below. The required deductible is based on the dwelling coverage amount provided by the LPI policy. These deductibles are required for all perils except wind, hail and flood, to the extent permissible under applicable State law.

Dwelling coverage	Deductible
Less than \$100,000	\$1,000

\$100,000 up to and including \$250,000	\$2,000
Greater than \$250,000	\$2,500

The Servicer must comply with all applicable law pertaining to administration of LPI, including providing notices to the Borrower and refund of premium for duplicate coverage.

The Servicer must, upon request from Freddie Mac, provide a copy of the insurance policy and any and all agreements with any LPI carrier used by the Servicer on Mortgages demonstrating compliance with the above requirements.

A Servicer's failure to comply with the above requirements may result in any of the remedies available to Freddie Mac in Section 3601.1.

# Chapter 8203: Mortgage Insurance

## 8203.1: Mortgage insurance terms, warranties and other requirements (10/01/18)

### (a) Terms

The following terms apply for purposes of this chapter:

- **HPA** — The Homeowners Protection Act of 1998, as amended
- **HPA Effective Date** — July 29, 1999, the first date on which requirements of the HPA applied to any HPA Mortgage
- **HPA Mortgage** — A 1-unit Primary Residence Mortgage with mortgage insurance originated on or after the HPA Effective Date. For purposes of canceling mortgage insurance in accordance with the requirements of Sections 8203.2 and 8203.4, an “HPA Mortgage” also includes any second home Mortgage (as defined in Section 4201.15) with mortgage insurance and any Pre-HPA Mortgage secured by a 1-unit Primary Residence.
- **HPA Mortgage Annual Notice** — A written statement that, pursuant to the HPA, the Seller/Servicer must send annually to a Borrower concerning the Borrower’s HPA Mortgage. The statement informs the Borrower of mortgage insurance cancellation and termination rights pertaining to the Borrower’s HPA Mortgage. The HPA requires different notices, the contents of which depend on whether the HPA Mortgage is a fixed-rate or adjustable-rate Mortgage.
- **Non-HPA Mortgage** — Any Home Mortgage with mortgage insurance, originated on or after the HPA Effective Date, that is not an HPA Mortgage. For purposes of canceling mortgage insurance in accordance with the requirements of Section 8203.3, a “Non-HPA Mortgage” also includes any Pre-HPA Mortgage secured by a 2- to 4-unit Mortgaged Premises or 1- to 4-unit Investment Property.
- **Pre-HPA Mortgage** — Any Home Mortgage with mortgage insurance originated before the HPA Effective Date
- **Pre-HPA Mortgage Annual Notice** — A written statement that, pursuant to the HPA, the Seller/Servicer must send annually to a Borrower concerning the Borrower’s Pre-HPA Mortgage. The statement gives instructions to the Borrower on how to contact the Seller/Servicer to determine if and how mortgage insurance may be canceled.

### (b) General warranties and covenants and other requirements

The Seller/Servicer warrants that mortgage insurance has been obtained as required in Section 4701.1 and agrees and covenants that such mortgage insurance will be maintained unless canceled in accordance with the requirements of Section 4701.1 (for purposes of determining the “value” of Mortgaged Premises located in the State of New York), Sections 8203.2 through 8203.7 or pursuant to applicable law. Additionally, some of the requirements in Sections 8203.2 and 8203.4 are derived from, and are in addition to, requirements under the HPA.

The Seller/Servicer also warrants that the Borrower has been given, and agrees and covenants to provide, all disclosures required by applicable law including, but not limited to, the HPA, relating to the terms on which the Borrower-paid mortgage insurance may be canceled. Such disclosures may include an initial HPA-related notice given to a Borrower at the Mortgage closing and an HPA Mortgage Annual Notice or Pre-HPA Mortgage Annual Notice, as applicable.

**(c) Pre-HPA Mortgage that is modified**

The modification of a Pre-HPA Mortgage (a fixed-rate, adjustable-rate) does not cause the Pre-HPA Mortgage to become an HPA Mortgage or trigger any new obligation under this chapter relating to the Pre-HPA Mortgage.

**(a) Determination of property securing the Mortgage**

For mortgage insurance cancellation purposes, the occupancy of the Mortgaged Premises as stated in the Borrower’s Mortgage application must be used to determine whether the Mortgaged Premises is a Primary Residence, a second home (as defined in Section 4201.15) or an Investment Property.

**(b) Other conditions for Borrower-requested cancelation of Borrower-paid mortgage insurance**

When a Borrower requests cancelation of Borrower-paid mortgage insurance pursuant to Sections 8203.2 and 8203.3, except as may otherwise be provided in a Purchase Document, the Seller/Servicer must not request or require that a Borrower make a written certification or any other representation concerning the existence or nonexistence of a Second Mortgage or other subordinate lien on the Mortgaged Premises. If a Purchase Document contains a condition relating to such a written certification or representation by a Borrower, the Seller and the Servicer of the Borrower’s Mortgage must provide to the Borrower all disclosures required by applicable law with respect to the condition set forth in the Purchase Document.

**(c) Borrowers impacted by an Eligible Disaster**

When a Borrower impacted by an Eligible Disaster that resulted in the Mortgage being subject to a disaster-related forbearance plan pursuant to Chapter 8404 or other Purchase Documents requests to cancel Borrower-paid mortgage insurance post-forbearance and after the Mortgage has been restored to a current status, any Delinquency that was a direct result of

the Mortgage being subject to a disaster-related forbearance plan, and, following the disaster-related forbearance, transition to a relief or workout option to cure the Delinquency (e.g., repayment plan or Trial Period Plan) in accordance with Section 8404.6 or other Purchase Documents, must be considered an exception to the payment history requirements set forth in Sections 8203.2 and 8203.3.

## **8203.2: Borrower-requested cancellation of Borrower-paid mortgage insurance on an HPA Mortgage (10/01/18)**

For Borrower-requested cancellation of Borrower-paid mortgage insurance, unless otherwise canceled pursuant to applicable law, the Seller/Servicer must cancel such mortgage insurance when the Borrower and the HPA Mortgage meet the requirements of Section 8203.2(a) or Section 8203.2(b), respectively.

In addition to processing and/or responding to Borrowers' written or verbal requests to cancel mortgage insurance in accordance with this section, the Seller/Servicer also may:

- Systematically identify all Mortgages that the Seller/Servicer services for Freddie Mac that may be close to, or have reached, the applicable mortgage insurance cancellation point set forth below; and
- Notify the Borrowers of such Mortgages of next steps, if any, that must be taken to determine if mortgage insurance may be canceled

Upon obtaining an eligible Borrower's verbal and/or written request or affirmation, the Seller/Servicer must cancel the related mortgage insurance upon ascertaining that all applicable conditions have been met.

### **(a) Borrower-requested cancellation of Borrower-paid mortgage insurance based on the original value**

The table below lists the requirements for Borrower-requested cancellation of Borrower-paid mortgage insurance based on the **original value** (as "value" is defined in Section 4203.1):

<b>1. Cancellation point</b>	<p>Based on the original value, the loan-to-value (LTV) ratio must be 80% or less. (Note: As opposed to the conditions set forth in row 1, <i>Cancellation point</i>, of Section 8203.2(b), there is no required minimum period having elapsed since the Origination Date of a Mortgage when determining the cancellation point.)</p> <p>At the option of the Borrower, the numerator of the LTV ratio may be</p>
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	<p>based upon:</p> <ul style="list-style-type: none"> <li>■ The amortization schedule (irrespective of the Mortgage’s current UPB); or</li> <li>■ The Mortgage’s current UPB (based on actual payments collected)</li> </ul> <p>Note: Regarding the amortization schedule in the cancelation point requirements set forth above, this amortization schedule is the initial amortization schedule for a fixed-rate Mortgage or current amortization schedule following the most recent rate change for an ARM or Step-Rate Mortgage.</p>
<p><b>2. Evidence of value</b></p>	<p>The Seller/Servicer must warrant that the original value of the Mortgaged Premises, at a minimum, supports the LTV ratio required to cancel mortgage insurance.</p>
<p><b>3. Payment history</b></p>	<p>The Borrower’s payment history must show:</p> <ul style="list-style-type: none"> <li>■ The Mortgage is current</li> <li>■ There was no payment 30 days or more past due in the preceding 12 months (or since the Origination Date if the Mortgage was originated in the past 12 months); and</li> <li>■ There was no payment 60 days or more past due in the preceding 24 months (or since the Origination Date if the Mortgage was originated in the past 24 months)</li> </ul> <p>Pursuant to Section 8203.1(f) regarding Borrowers impacted by an Eligible Disaster, any Delinquency that is a direct result of the Mortgage being subject to a disaster-related forbearance plan and, following the disaster-related forbearance, transition to a relief or workout option to cure the Delinquency (e.g., repayment plan or Trial Period Plan) in accordance with Section 8404.6 or other Purchase Documents, must be considered an exception to the payment history requirements set forth above.</p> <p>Note: The reference to a “preceding” period in the payment history requirements set forth above means the specified time period that immediately preceded the later of: (i) the date on which the required LTV ratio was reached or (ii) the date on which the Borrower submits the request to cancel mortgage insurance.</p>

**(b) Borrower-requested cancelation of Borrower-paid mortgage insurance based on the current value**

The table below lists the requirements for Borrower-requested cancellation of Borrower-paid mortgage insurance based on the **current value**:

<p><b>1. Cancellation point</b></p>	<p>Based on the Mortgage’s current UPB and the current value, the LTV ratio must be:</p> <ul style="list-style-type: none"> <li>■ 75% or less, with at least two years, but less than five years, having elapsed since the Origination Date of the Mortgage; or</li> <li>■ 80% or less, with either: <ul style="list-style-type: none"> <li>□ At least five years having elapsed since the Origination Date of the Mortgage; or</li> <li>□ No required minimum period having elapsed since the Origination Date of the Mortgage, if substantial improvements to the Mortgaged Premises have increased the market value of the Mortgaged Premises since the Origination Date of the Mortgage</li> </ul> </li> </ul> <p>Regarding canceling mortgage insurance because of substantial improvements to the Mortgaged Premises, the following conditions must be met:</p> <ul style="list-style-type: none"> <li>■ The market value of the Mortgaged Premises must be calculated using the current market value estimate in a BPO or an appraisal that is ordered and obtained in accordance with row 2 of this table, <i>Evidence of value</i>, and prepared after the substantial improvements have been completed</li> <li>■ The substantial improvements must conform to local zoning and building codes; and</li> <li>■ The BPO or appraisal must state the specific nature, extent and cost of the improvements made and the effect of the improvements on the current estimated market value</li> </ul> <p>Note: The reference to “substantial improvements” in the cancellation point requirements set forth above means that the improvements, as opposed to repairs that may be necessary to keep the Mortgaged Premises maintained and fully functional, were any type of renovation or renovations that substantially extended the useful life of the Mortgaged Premises (e.g., replacement of a major component (such as cabinet(s), bathtub or bathroom tile), relocation of plumbing/gas fixtures/appliances or significant structural alterations (such as relocating walls and/or the addition of square footage)).</p>
<p><b>2. Evidence of</b></p>	<p>At the Borrower’s expense, and performed no later than 120 days after</p>

<p><b>value</b></p>	<p>the date on which the Borrower submits a request to cancel mortgage insurance, the Seller/Servicer must verify the current value by:</p> <ul style="list-style-type: none"> <li>■ A new BPO ordered and obtained through BPOdirect<sup>®</sup>, unless applicable law requires that an appraisal be used or the Seller/Servicer determines that an appraisal is in the Borrower's best interest (e.g., at the option of the Borrower). The BPO must be an interior and exterior BPO. (Refer to Sections 2406.4 and 9202.17 for details regarding Freddie Mac's process to obtain a property value.); or</li> <li>■ If applicable law requires that an appraisal be used or the Seller/Servicer determines that an appraisal is in the Borrower's best interest, a new appraisal with an interior and exterior inspection. The Seller/Servicer may order and obtain the appraisal either directly from Freddie Mac through BPOdirect or from an appraiser of its choice. If a Seller/Servicer does not obtain the appraisal directly from Freddie Mac, then the Seller/Servicer must ensure that the appraisal complies with the requirements of Chapter 5601.</li> </ul> <p>Note: When ordering a BPO or an appraisal in conjunction with a request to cancel mortgage insurance on the basis of substantial improvements to the Mortgaged Premises (see row 1 of this table, <i>Cancellation point</i>), the Seller/Servicer must ensure that the broker or appraiser states in the BPO or appraisal the specific nature, extent and cost of the improvements made and the effect of such improvements on the current estimated market value.</p>
<p><b>3. Payment history</b></p>	<p>The Borrower's payment history must show:</p> <ul style="list-style-type: none"> <li>■ The Mortgage is current</li> <li>■ There was no payment 30 days or more past due in the preceding 12 months (or since the Origination Date if the Mortgage was originated in the past 12 months); and</li> <li>■ There was no payment 60 days or more past due in the preceding 24 months (or since the Origination Date if the Mortgage was originated in the past 24 months)</li> </ul> <p>Pursuant to Section 8203.1(f) regarding Borrowers impacted by an Eligible Disaster, any Delinquency that is a direct result of the Mortgage being subject to a disaster-related forbearance plan and, following the disaster-related forbearance, transition to a relief or workout option to cure the Delinquency (e.g., repayment plan or Trial Period Plan) in accordance with Section 8404.6 or other Purchase Documents, must be considered an exception to the payment history requirements set forth above.</p>

	<p>Note: The reference to a “preceding” period in the payment history requirements set forth above means the specified time period that immediately preceded the later of: (i) the date on which the required LTV ratio was reached or (ii) the date on which the Borrower submits the request to cancel mortgage insurance.</p>
<p><b>4. Other conditions</b></p>	<p>In addition to the payment history requirements set forth in row 3 of this table, <i>Payment history</i>, as they relate to Delinquency, there must be no other default under the terms of the Security Instrument in the last 12 months. Other defaults under the terms of the Security Instrument may include, but are not limited to:</p> <ul style="list-style-type: none"> <li>■ An impermissible Transfer of Ownership that requires acceleration of the debt under the terms of Chapter 8406 and the Security Instrument</li> <li>■ The Borrower’s failure to pay taxes, ground rents, assessments and other charges requiring payment under the Security Instrument; or</li> <li>■ The Borrower’s failure to maintain the Mortgaged Premises in accordance with the Security Instrument</li> </ul>

### **8203.3: Borrower-requested cancellation of Borrower-paid mortgage insurance on a Non-HPA Mortgage (10/01/18)**

For Borrower-requested cancellation of Borrower-paid mortgage insurance, unless otherwise canceled pursuant to applicable law, the Seller/Servicer must cancel such mortgage insurance when the Borrower and the Non-HPA Mortgage meet the requirements of Section 8203.3(a) or Section 8203.3(b), respectively.

In addition to processing and/or responding to Borrowers’ written or verbal requests to cancel mortgage insurance in accordance with this section, the Seller/Servicer also may:

- Systematically identify all Mortgages that the Seller/Servicer services for Freddie Mac that may be close to, or have reached, the applicable mortgage insurance cancellation point set forth below; and
- Notify the Borrowers of such Mortgages of next steps, if any, that must be taken to determine if mortgage insurance may be canceled

Upon obtaining an eligible Borrower’s verbal and/or written request or affirmation, the Seller/Servicer must cancel the related mortgage insurance upon ascertaining that all applicable conditions have been met.

**(a) Borrower-requested cancelation of Borrower-paid mortgage insurance based on the original value**

The table below lists the requirements for Borrower-requested cancelation of Borrower-paid mortgage insurance based on the **original value** (as “value” is defined in Section 4203.1):

<p><b>1. Cancelation point</b></p>	<p>Based on the Mortgage’s current UPB and the original value, the loan-to-value (LTV) ratio must be 65% or less. (Note: As opposed to the conditions set forth in row 1, <i>Cancelation point</i>, of Section 8203.3(b), there is no required minimum period having elapsed since the Origination Date of a Mortgage when determining the cancelation point.)</p>
<p><b>2. Evidence of value</b></p>	<p>The Seller/Servicer must warrant that the original value of the Mortgaged Premises, at a minimum, supports the LTV ratio required to cancel mortgage insurance.</p>
<p><b>3. Payment history</b></p>	<p>The Borrower’s payment history must show:</p> <ul style="list-style-type: none"> <li>■ The Mortgage is current</li> <li>■ There was no payment 30 days or more past due in the preceding 12 months (or since the Origination Date if the Mortgage was originated in the past 12 months); and</li> <li>■ There was no payment 60 days or more past due in the preceding 24 months (or since the Origination Date if the Mortgage was originated in the past 24 months)</li> </ul> <p>Pursuant to Section 8203.1(f) regarding Borrowers impacted by an Eligible Disaster, any Delinquency that is a direct result of the Mortgage being subject to a disaster-related forbearance plan and, following the disaster-related forbearance, transition to a relief or workout option to cure the Delinquency (e.g., repayment plan or Trial Period Plan) in accordance with Section 8404.6 or other Purchase Documents, must be considered an exception to the payment history requirements set forth above.</p> <p>Note: The reference to a “preceding” period in the payment history requirements set forth above means the specified time period that immediately preceded the later of: (i) the date on which the required LTV ratio was reached or (ii) the date on which the Borrower submits the request to cancel mortgage insurance.</p>
<p><b>4. Other</b></p>	<p>In addition to the payment history requirements set forth in row 3 of</p>

<b>conditions</b>	<p>this table, <i>Payment history</i>, as they relate to Delinquency, there must be no other default under the terms of the Security Instrument in the last 12 months. Other defaults under the terms of the Security Instrument may include, but are not limited to:</p> <ul style="list-style-type: none"> <li>■ An impermissible Transfer of Ownership that requires acceleration of the debt under the terms of Chapter 8406 and the Security Instrument</li> <li>■ The Borrower’s failure to pay taxes, ground rents, assessments and other charges requiring payment under the Security Instrument; or</li> <li>■ The Borrower’s failure to maintain the Mortgaged Premises in accordance with the Security Instrument</li> </ul>
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**(b) Borrower-requested cancelation of Borrower-paid mortgage insurance based on the current value**

The table below lists the requirements for Borrower-requested cancelation of Borrower-paid mortgage insurance based on the **current value**:

<b>1. Cancellation point</b>	<p>Based on the Mortgage’s current UPB and the current value, the LTV ratio must be:</p> <ul style="list-style-type: none"> <li>■ 65% or less, with either: <ul style="list-style-type: none"> <li>☐ At least two years having elapsed since the Origination Date of the Mortgage; or</li> <li>☐ No required minimum period having elapsed since the Origination Date of the Mortgage, if substantial improvements to the Mortgaged Premises have increased the market value of the Mortgaged Premises since the Origination Date</li> </ul> </li> </ul> <p>Regarding canceling mortgage insurance because of substantial improvements to the Mortgaged Premises, the following conditions must be met:</p> <ul style="list-style-type: none"> <li>■ The market value of the Mortgaged Premises must be calculated using the current market value estimate in a BPO or an appraisal that is ordered and obtained in accordance with row 2 of this table, <i>Evidence of value</i>, and prepared after the substantial improvements have been completed</li> <li>■ The substantial improvements must conform to local zoning and building codes; and</li> <li>■ The BPO or appraisal must state the specific nature, extent and cost of the improvements made and the effect of the improvements on the current estimated market value</li> </ul>
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	<p>Note: The reference to “substantial improvements” in the cancellation point requirements set forth above means that the improvements, as opposed to repairs that may be necessary to keep the Mortgaged Premises maintained and fully functional, were any type of renovation or renovations that substantially extended the useful life of the Mortgaged Premises (e.g., replacement of a major component (such as cabinet(s), bathtub or bathroom tile), relocation of plumbing/gas fixtures/appliances or significant structural alterations (such as relocating walls and/or the addition of square footage)).</p>
<p><b>2. Evidence of value</b></p>	<p>At the Borrower’s expense, and performed no later than 120 days after the date on which the Borrower submits a request to cancel mortgage insurance, the Seller/Servicer must verify the current value by one of the following methods:</p> <ul style="list-style-type: none"> <li>■ A new BPO ordered and obtained through BPOdirect<sup>®</sup>, unless applicable law requires that an appraisal be used or the Seller/Servicer determines that an appraisal is in the Borrower’s best interest (e.g., at the option of the Borrower). The BPO must be an interior and exterior BPO. (Refer to Sections 2406.4 and 9202.17 for details regarding Freddie Mac’s process to obtain a property value.); or</li> <li>■ If applicable law requires that an appraisal be used or the Seller/Servicer determines that an appraisal is in the Borrower’s best interest, a new appraisal with an interior and exterior inspection. The Seller/Servicer may order and obtain the appraisal either directly from Freddie Mac through BPOdirect or from an appraiser of its choice. If a Seller/Servicer does not obtain the appraisal directly from Freddie Mac, then the Seller/Servicer must ensure that the appraisal complies with the requirements of Chapter 5601.</li> </ul> <p>Note: When ordering a BPO or an appraisal in conjunction with a request to cancel mortgage insurance on the basis of substantial improvements to the Mortgaged Premises (see row 1 of this table, <i>Cancellation point</i>), the Seller/Servicer must ensure that the broker or appraiser states in the BPO or appraisal the specific nature, extent and cost of the improvements made and the effect of such improvements on the current estimated market value.</p>
<p><b>3. Payment history</b></p>	<p>The Borrower’s payment history must show:</p> <ul style="list-style-type: none"> <li>■ The Mortgage is current</li> <li>■ There was no payment 30 days or more past due in the preceding 12 months (or since the Origination Date if the Mortgage was</li> </ul>

	<p>originated in the past 12 months); and</p> <ul style="list-style-type: none"> <li>■ There was no payment 60 days or more past due in the preceding 24 months (or since the Origination Date if the Mortgage was originated in the past 24 months)</li> </ul> <p>Pursuant to Section 8203.1(f) regarding Borrowers impacted by an Eligible Disaster, any Delinquency that is a direct result of the Mortgage being subject to a disaster-related forbearance plan and, following the disaster-related forbearance, transition to a relief or workout option to cure the Delinquency (e.g., repayment plan or Trial Period Plan) in accordance with Section 8404.6 or other Purchase Documents, must be considered an exception to the payment history requirements set forth above.</p> <p>Note: The reference to a “preceding” period in the payment history requirements set forth above means the specified time period that immediately preceded the later of: (i) the date on which the required LTV ratio was reached or (ii) the date on which the Borrower submits the request to cancel mortgage insurance.</p>
<p><b>4. Other conditions</b></p>	<p>In addition to the payment history requirements set forth in row 3 of this table, <i>Payment history</i>, as they relate to Delinquency, there must be no other default under the terms of the Security Instrument in the last 12 months. Other defaults under the terms of the Security Instrument may include, but are not limited to:</p> <ul style="list-style-type: none"> <li>■ An impermissible Transfer of Ownership that requires acceleration of the debt under the terms of Chapter 8406 and the Security Instrument</li> <li>■ The Borrower’s failure to pay taxes, ground rents, assessments and other charges requiring payment under the Security Instrument; or</li> <li>■ The Borrower’s failure to maintain the Mortgaged Premises in accordance with the Security Instrument</li> </ul>

## 8203.4: Automatic cancelation of Borrower-paid mortgage insurance on an HPA Mortgage (10/01/18)

For automatic cancelation of Borrower-paid mortgage insurance, unless otherwise canceled pursuant to applicable law, the Seller/Servicer must cancel such mortgage insurance when the HPA Mortgage meets the requirements of this section.



Note: Non-HPA Mortgages are not eligible for automatic cancelation of Borrower-paid mortgage insurance. (Refer to Section 8203.3 regarding Borrower-requested cancelation of Borrower-paid mortgage insurance for Non-HPA Mortgages and Seller/Servicer solicitations of such requests.)

The table below lists the requirements for automatic cancelation of Borrower-paid mortgage insurance:

<p><b>1. Cancellation point</b></p>	<p>Provided that the payment record requirements set forth in row 2 of this table, <i>Payment record</i>, are met, the earlier of:</p> <ul style="list-style-type: none"> <li>■ The date on which the loan-to-value (LTV) ratio is first scheduled to reach 78% based on the original value (as “value” is defined in Section 4203.1) and the amortization schedule (irrespective of the Mortgage’s current UPB); or</li> <li>■ The date on which the midpoint of the amortization period of the Mortgage is reached. The midpoint occurs halfway through a Mortgage’s amortization period based upon the amortization schedule.</li> </ul> <p>For example, in the case of a 360-month or 30-year Mortgage with a payment Due Date on the first of each month, the midpoint is deemed to be the first day of the 180th month. Assuming that the payment record requirements set forth in row 2 of this table, <i>Payment record</i>, are met, the Seller/Servicer must have mortgage insurance canceled effective for the 181st month’s payment.</p> <p>Note: Regarding the amortization schedule in the cancellation point requirements set forth above, this amortization schedule is the initial amortization schedule for a fixed-rate Mortgage or current amortization schedule following the most recent rate change for an ARM or Step-Rate Mortgage.</p>
<p><b>2. Payment record</b></p>	<p>All principal and interest and Escrow installments (or all Seller/Servicer advances for unpaid charges otherwise payable from Escrow, if applicable) with Due Dates prior to the cancellation point must be paid by the Borrower on or before the cancellation point. (In the example set forth in row 1 of this table, <i>Cancellation point</i>, all such installments with Due Dates before the 180th month, must have been paid by the Borrower by the first day of the 180th month in order for mortgage insurance to be canceled effective for the 181st month’s payment.)</p> <p>If any installment of principal and interest and Escrow (or any Seller/Servicer advance for unpaid charges otherwise payable from Escrow, if applicable) with a Due Date prior to the cancellation point has not been paid by the Borrower on or before the cancellation point, then the cancellation point must be deferred to the first day of the first month beginning after the date on which all such installments are paid by the</p>

## **8203.5: Cancellation of Borrower-paid mortgage insurance on modified Mortgages (10/01/18)**

For the purpose of canceling mortgage insurance in accordance with the requirements of this Chapter 8203 on a modified Mortgage (HPA Mortgage, Non-HPA Mortgage or Pre-HPA Mortgage), the required loan-to-value (LTV) ratio and the amortization schedule or period, as applicable, must be based upon the modified terms of the Mortgage (see Section 9206.1 for examples of modified terms of a Mortgage). Additionally, the Mortgage's UPB is the total UPB, including any deferred (non-interest bearing) UPB as a result of a prior modification.

## **8203.6: Cancellation of Borrower-paid mortgage insurance on reset Mortgages (10/01/18)**

Effective October 1, 2018, this section is deleted.

## **8203.7: Cancellation of Borrower-paid mortgage insurance on refinance Mortgages (10/01/18)**

For the purpose of canceling mortgage insurance in accordance with the requirements of this Chapter 8203 on a refinance Mortgage (HPA Mortgage, Non-HPA Mortgage or Pre-HPA Mortgage), the original value is the appraised value relied upon to approve the refinance transaction.

## **8203.8: Cancellation of lender-paid mortgage insurance (03/02/16)**

Lender-paid mortgage insurance is not cancelable. The Seller/Servicer must provide to the Borrower all related disclosures required by the HPA, if applicable.

## **8203.9: FHA insurance (03/02/16)**

FHA insurance must not be canceled while Freddie Mac has an ownership interest in the Mortgage. The Seller/Servicer must, however, discontinue the collection of FHA insurance

premiums from a Borrower automatically or pursuant to a Borrower's request in accordance with applicable law and FHA regulations.

## **8203.10: Transfers of mortgage insurance coverage (03/02/16)**

The Seller/Servicer must not transfer the mortgage insurance coverage in effect at the time the Seller/Servicer delivered a Mortgage to Freddie Mac, unless:

1. Coverage must be replaced in conjunction with a third party's assumption of the Borrower's Mortgage obligations
2. The existing MI does not renew the existing coverage
3. Freddie Mac has terminated the approval status of the existing MI; or
4. Freddie Mac has instructed the Seller/Servicer to transfer the coverage

## **8203.11: Reporting mortgage insurance cancelations (05/01/19)**

### **(a) Seller/Servicer reporting requirements**

The Seller/Servicer must report the following mortgage insurance cancellation data to Freddie Mac:

#### **1. Cancellation date**

The cancellation date is defined as the date the Seller/Servicer specifies to the MI that the Seller/Servicer canceled the mortgage insurance.

#### **2. Cancellation reason code**

The cancellation reason code is a two-place, numeric-alpha code as follows:

- 1M — Cancellation resulting from a Borrower request based on original value of property in accordance with Sections 8203.2 through 8203.3 or applicable law
- 1N — Cancellation resulting from a Borrower request based on current value of property in accordance with Sections 8203.2 through 8203.3 or applicable law
- 1O — Cancellation based on automatic cancellation provisions of Section 8203.4 or applicable law

## **(b) Seller/Servicer reporting timeline**

If there is no exception activity to report for a Mortgage whose mortgage insurance the Seller/Servicer has canceled, the Seller/Servicer must report the mortgage insurance cancellation data with its monthly loan-level accounting data within three Accounting Cycles after the calendar month of the cancellation date. For example, if the cancellation date is April 5th, the Seller/Servicer must report the mortgage insurance cancellation data with its monthly loan-level accounting data no later than the July Accounting Cycle.

If there is exception activity to report for the Mortgage, the Seller/Servicer must defer reporting the mortgage insurance cancellation data until the first available Accounting Cycle in which there is no exception activity to report for that Mortgage.

Refer to Section 8301.10 for requirements regarding Freddie Mac's reporting media.

## **8203.12: Directing MI disclosure of Mortgage information to Freddie Mac (03/02/16)**

The Seller/Servicer must instruct, in writing, any MI providing current or prospective coverage for Freddie Mac Mortgages in accordance with Section 4701.1, to disclose to Freddie Mac (upon Freddie Mac's request) any and all information, data, and materials pertaining to any Freddie Mac Mortgage sold to and/or serviced for Freddie Mac by the Seller/Servicer.

To comply with this requirement the Seller/Servicer must, for each MI currently providing coverage on Freddie Mac Mortgages sold and/or serviced by the Seller/Servicer, use Form 1207, Mortgage Insurance Information Disclosure Agreement, and return a copy, fully executed by both the MI and the Seller/Servicer, to Freddie Mac at [MI\\_Questions@FreddieMac.com](mailto:MI_Questions@FreddieMac.com).

For MIs that do not currently meet the above criteria, the Seller/Servicers must return a fully executed Form 1207 at the outset of the Seller/Servicer and MI business relationship or when the Seller/Servicer begins selling and/or Servicing Mortgages insured by an MI not included in the above, whichever comes later.

The Seller/Servicer must continue to meet its obligations under the Purchase Documents to provide Freddie Mac information regarding Freddie Mac Mortgages regardless of whether the MI has provided, or may provide, required information and/or materials to Freddie Mac.

# Chapter 8301: Basics of Investor Accounting

## 8301.1: Servicer's responsibilities in connection with Mortgage-Backed Securities and Participation Certificates (06/03/19)

The Servicer's responsibilities in connection with **Mortgage-Backed Securities and Participation Certificates** (i.e., **UMBS™, MBS and WAC ARM** PCs) backed by Freddie Mac-owned Mortgages include, among other things, collecting and accounting for payments received from Borrowers and passing through principal and interest to Freddie Mac from which Freddie Mac passes through the amount of principal and/or interest due to the **UMBS, MBS or WAC ARM** PC holders.

The accuracy and timeliness of the Servicer's performance of these responsibilities are vital and are part of the Servicer's warranties to Freddie Mac and Freddie Mac's **UMBS, MBS and WAC ARM** PC holders.

## 8301.2: Investor accounting responsibilities (05/01/19)

Once Freddie Mac purchases a Mortgage from a Seller that also services the Mortgage, or a Servicer acquires the Freddie Mac Servicing rights (as defined in Section 1101.2(c)), the Servicer must:

1. Maintain accurate Servicing records
2. Deposit all required funds into the appropriate Custodial Accounts
3. Report to Freddie Mac throughout the month and monthly as required
4. Resolve any discrepancies between the Servicer's and Freddie Mac's records

The Servicer must comply with the requirements in this chapter and Chapters 8302, 8303 and 8304. The Servicer's investor accounting responsibilities include the following:

### (a) Cash accounting

The Servicer's responsibilities in administering funds it receives for Freddie Mac-owned Mortgages include:

1. Collecting, processing and depositing Borrowers' payments to the correct Custodial Accounts

2. Administering the Escrow accounts

**(b) Investor reporting and drafting of funds**

The Servicer's responsibilities for reporting to Freddie Mac include:

1. Reporting all loan activity and events to Freddie Mac
2. Reporting current information for each Mortgage that accurately reflects the Borrower's loan activity and loan history
3. Ensuring accounts are adequately funded to allow Freddie Mac to draft principal, interest and compensatory fees due to Freddie Mac by no later than the applicable due dates
4. Reconciling the Servicer's cash accounting and investor reporting systems with Freddie Mac's loan-level accounting records

**(c) Custodial Accounts management**

The Servicer's responsibilities for managing the Custodial Accounts for Freddie Mac's funds include:

1. Ensuring that Custodial Accounts are safeguarded, properly segregated and maintained at an Eligible Depository, and that Freddie Mac is authorized to draft funds from the Custodial Accounts
2. Ensuring that the Custodial Accounts are fully funded and reconciled
3. Ensuring that the Form 59, Principal and Interest Custodial Account Reconciliation Worksheet, and Form 59E, Escrow Custodial Account Reconciliation Worksheet, are properly prepared by and approved by different individuals reflecting the required segregation of responsibilities

## **8301.3: Investor reporting performance standards (01/01/17)**

Freddie Mac will measure a Servicer's investor reporting performance against certain metrics, which may be amended by Freddie Mac from time to time.

Refer to the Servicer Success Scorecard for the specific metrics and to Section 3501.2 for additional information about the Servicer Success Scorecard.

## 8301.4: Accounting reporting methods (05/01/19)

The Servicer must account for all Mortgages it services for Freddie Mac. **Except in instances noted in subsection (b), Servicers must use the net yield** accounting reporting method to pass through principal and interest to Freddie Mac.

### (a) Net yield

Under this method, the Servicer must report **any principal payments collected in each Accounting Cycle and the forecasted scheduled interest for the next Accounting Cycle (forecasted scheduled interest and actual principal). Servicers must use the Accounting Net Yield (ANY) to determine the amount of interest due to Freddie Mac for each Mortgage it services for Freddie Mac.** The Servicer may have to advance its own funds to ensure that **Freddie Mac is able to draft** the correct amount of interest. Refer to Exhibit 60, Loan-Level Reporting Data Description, and Exhibit 61, Interest and Principal Due Freddie Mac, **for additional details** regarding the **net yield** accounting reporting method.

### (b) Alternate method

Freddie Mac allows the Servicer to use the alternate method of reporting only if one of the following conditions apply:

1. Applicable law prohibits the use of the net yield method
2. Freddie Mac has instructed the Servicer to use the alternate method of reporting Freddie Mac Mortgages

The principal and interest the Servicer reports depends on actual payments collected (actual interest and actual principal). If the Servicer does not collect interest, the Servicer does not report interest to Freddie Mac. If the Servicer collects payments for more than one Accounting Cycle, the Servicer reports all of the interest collected, and any applicable principal collected. Refer to Exhibit 61 for interest calculation formulas used in the alternate method of accounting reporting.

If the Servicer uses the alternate method of accounting reporting and Freddie Mac has not instructed the Servicer to do so, the Servicer must notify their Freddie Mac Investor Reporting Representative in writing or the Customer Support Contact Center at 800-FREDDIE in advance of the Accounting Cycle reporting for that period. Otherwise, Freddie Mac will assume that the Servicer is using the net yield interest method to report principal and interest to Freddie Mac.

## 8301.5: Calculating Mortgage interest due to Freddie Mac (05/01/19)

In the current Accounting Cycle, the Servicer must report the forecasted scheduled interest for the next Accounting Cycle due to Freddie Mac. The next cycle forecasted scheduled interest is calculated by multiplying Freddie Mac's share of the current Accounting Cycle interest-bearing Ending UPB, after applying all principal payments received from the Borrower, by the net yield divided by the applicable period of time. The Servicer must use the following principles when calculating Mortgage interest due Freddie Mac:

- Forecasted scheduled interest is reported in the Accounting Cycle prior to the Accounting Cycle it is due to Freddie Mac
- Interest is due in arrears
- Freddie Mac will draft the forecasted scheduled interest in the Accounting Cycle after it is reported
- Interest is due for full calendar months, based on a 12-month, 360-day year
- Interest is due for partial months based on the actual number of days, 365-day year
- To calculate forecasted scheduled monthly interest for:
  - Newly funded Mortgages, the Servicer must use the funded balance, which is the beginning gross UPB
  - For all other Mortgages, use either the current Accounting Cycle Ending UPB or, in the case of a modified loan, the interest-bearing UPB reported at the end of the current Accounting Cycle

For an adjustable-rate Mortgage that allows Negative Amortization, the amount by which the monthly interest calculated at the Note Rate exceeds the Borrower's scheduled monthly payment to the Servicer is a Negative Amortization increase and is accounted for in the calculation of principal due Freddie Mac.

## 8301.6: Freddie Mac's percentage of ownership (06/12/19)

Effective June 12, 2019, Section 8301.6 is deleted.



## **8301.7: Net yield interest (03/02/16)**

The Servicer must calculate the interest due to Freddie Mac by using the Accounting Net Yield stated on the Form 15, Loan Purchase Statement, and the Funding Detail Report or as stated in the Transfer of Servicing records referenced in Section 7101.8.

The yield is dependent upon the method of pricing chosen at the time the Mortgage was sold to Freddie Mac. Generally, the yield equals the Note Rate minus the Servicing Spread. Refer to Chapters 6101 and 6102 for pricing methods and product descriptions.

## **8301.8: Servicing fee (03/02/16)**

The Servicing fee, referred to as the Servicing Spread, is the compensation the Servicer earns for Servicing Freddie Mac-owned Mortgages.

Refer to Chapter 8105 for detailed information on Servicing fees and Section 8503.9 for SCRA-Capped Mortgages.

## **8301.9: Electronic reporting format (11/30/16)**

Freddie Mac uses a common, industry-wide electronic data interchange (EDI) for the investor reporting format. The American National Standards Institute (ANSI), Accredited Standards Committee (ASC) is the nationally recognized governing body for the development and maintenance of electronic data standards. Freddie Mac uses the standardized investor reporting format, known as the Investor Reporting (203) transaction set, developed by ASC.

The Servicer may or may not be required to use EDI depending on the Servicer's selection of a reporting medium as follows:

- If the Servicer reports via the Freddie Mac Service Loans application, it is not required to use the EDI format
- If the Servicer reports via another electronic communication path, as described in Section 8301.10(2), it must use the EDI format
- If a service bureau reports data to Freddie Mac on a Servicer's behalf, the service bureau must use the EDI format

Refer to the Investor Reporting EDI Implementation Guide or call (800) FREDDIE for further information.

## 8301.9: Electronic reporting format (Future effective date 12/09/19)

Freddie Mac uses a common, industry-wide electronic data interchange (EDI) for the investor reporting format. The American National Standards Institute (ANSI), Accredited Standards Committee (ASC) is the nationally recognized governing body for the development and maintenance of electronic data standards. Freddie Mac uses the standardized investor reporting format, known as the Investor Reporting (203) transaction set, developed by ASC.

The Servicer may or may not be required to use EDI depending on the Servicer's selection of a reporting medium as follows:

- If the Servicer reports via the Freddie Mac [Loan Level Reporting or Foreclosure Sale Reporting tools \(see Exhibit 88, Servicing Tools\)](#), it is not required to use the EDI format
- If the Servicer reports via another electronic communication path, as described in Section 8301.10(2), it must use the EDI format
- If a service bureau reports data to Freddie Mac on a Servicer's behalf, the service bureau must use the EDI format

Refer to the Investor Reporting EDI Implementation Guide or call (800) FREDDIE for further information.

## 8301.10: Reporting media (05/01/19)

Freddie Mac requires Servicers to use one of the following methods to report activity on the Mortgages serviced for Freddie Mac:

1. The Freddie Mac Service Loans application, an Internet-based application that provides Servicers with Servicing functionality to manage and report activity for Mortgages serviced for Freddie Mac for:
  - Performing loans
  - Default management
  - Transfer of Servicing
2. Internet-based communications method (referred to as Generic Connect Services (GCS)). GCS provides a variety of secure protocols that support a wide range of generic file transfer situations, such as bulk file transmissions transmitted by service bureaus or Servicers. [Servicers that elect to use a service bureau to report activity on Mortgages serviced for Freddie Mac acknowledge and agree that Freddie Mac will send reports, data and](#)

information on these Mortgages that will include, but not be limited to, the daily Business-to-Business Response File and the Business-to-Business Draft File to the Servicer's service bureau. In the event a Servicer changes its service bureau or begins to use a service bureau for data reporting, it must notify Freddie Mac of the change in accordance with Section 8301.15 at least 45 days prior to the effective date of the change.

Investor Accounting reports, such as the Servicer's daily Edit Reports, Monthly Account Statement, System Cleared Edits, and Loan Reconciliation Difference Report are available through the Service Loans application at <http://www.freddiemac.com/singlefamily/service>.

If the Servicer fails to comply with Freddie Mac's reporting requirements, Freddie Mac will assess a reporting noncompliance compensatory fee in accordance with the requirements of Sections 8303.36 and 8303.38. See Section 8301.9 for additional information on reporting formats.

For further information, call (800) FREDDIE.

## **8301.10: Reporting media (Future effective date 12/09/19)**

Freddie Mac requires Servicers to use one of the following methods to report activity on the Mortgages serviced for Freddie Mac:

1. The Freddie Mac [Loan Level Reporting and Foreclosure Sale Reporting tools available through the Servicing Gateway](#) (see Exhibit 88, Servicing Tools)
2. Internet-based communications method (referred to as Generic Connect Services (GCS)). GCS provides a variety of secure protocols that support a wide range of generic file transfer situations, such as bulk file transmissions transmitted by service bureaus or Servicers. Servicers that elect to use a service bureau to report activity on Mortgages serviced for Freddie Mac acknowledge and agree that Freddie Mac will send reports, data and information on these Mortgages that will include, but not be limited to, the daily Business-to-Business Response File and the Business-to-Business Draft File to the Servicer's service bureau. In the event a Servicer changes its service bureau or begins to use a service bureau for data reporting, it must notify Freddie Mac of the change in accordance with Section 8301.15 at least 45 days prior to the effective date of the change.

Investor Accounting reports, such as the Servicer's daily Edit Reports, Monthly Account Statement, System Cleared Edits, and Loan Reconciliation Difference Report are available through the [Loan Level Reporting tool](#).

If the Servicer fails to comply with Freddie Mac's reporting requirements, Freddie Mac will assess a reporting noncompliance compensatory fee in accordance with the requirements of

Sections 8303.36 and 8303.38. See Section 8301.9 for additional information on reporting formats.

For further information, call (800) FREDDIE.

## **8301.11: Loan-level transaction (05/01/19)**

The term loan-level transaction refers to the required monthly and exception or liquidation reporting of all activity that occurs during each **Accounting Cycle** for each Mortgage serviced for Freddie Mac. **Freddie Mac considers a loan-level transaction to be reported when it has been transmitted by the Servicer without errors and received by Freddie Mac.**

**Daily reporting is encouraged, but not required. Servicers must submit a loan-level transaction for each Mortgage serviced for Freddie Mac no later than 2:00 a.m. Eastern Time on the day following the P&I Determination Date.** Servicers are required to report loan level activity from purchase date to liquidation. Refer to Exhibit 60, Loan-Level Reporting Data Description. Refer to Section 8303.1 for the definition of exception (or liquidation) activity.

## **8301.12: Accounting Cycle (05/01/19)**

**The Accounting Cycle will be the first day of the calendar month through the last day of the calendar month. Servicer reporting for the Accounting Cycle must be completed no later than the last day of the calendar month plus one Business Day.**

## **8301.13: Cash float (05/01/19)**

Freddie Mac does not **draft monthly principal and interest until the P&I Draft Date.** The Servicer may earn interest on the cash float of funds it deposits into the Custodial Accounts. Refer to Section 8304.4 for Freddie Mac's requirements regarding the investment of funds in the Custodial Accounts.

## **8301.14: Other reporting and remitting requirements (05/01/19)**

**Freddie Mac will draft the principal and interest** for a repurchase in accordance with the requirements in Section 8303.14. The Servicer must transfer funds into the **designated** Custodial Account prior to **Freddie Mac's draft** of the repurchase proceeds.

Refer to Chapter 3602 for additional requirements for repurchases required by Freddie Mac or repurchases requested by the Servicer.

The following are default management procedures that have reporting and **drafting** requirements specified in other sections of the Guide:

<b>Topic</b>	<b>Section</b>
1. Repayment plans	9203.11
2. Loan modifications	9206.18
3. Short sales and make-whole preforeclosure sales	9208.8
4. Deeds-in-lieu of foreclosure	9209.8
5. Charge-offs	9210.5
6. Third-party foreclosure sales	9301.43

## **8301.15: Service bureau liability and notice of change of service bureau (05/01/19)**

If the Servicer uses a service bureau for data processing, the Servicer remains responsible for all obligations to Freddie Mac under the Purchase Documents (Section 8102.1(d)). The Servicer must pay any noncompliance compensatory fees, even though it may be the Servicer's service bureau's error that causes the noncompliance.

Servicers that elect to use a service bureau to report activity on Mortgages serviced for Freddie Mac acknowledge and agree that Freddie Mac will send reports, data and information on these Mortgages that will include, but not be limited to, the daily Business-to-Business Response File and the Business-to-Business Draft File to the Servicer's service bureau.

If a Servicer changes its service bureau or begins to use a new service bureau for data reporting or would like Freddie Mac to send these files to a specific service bureau, it must notify Freddie Mac at least 45 days prior to the effective date of the change. The Servicer must provide this notification via e-mail (**[Servicing\\_Ops\\_App\\_Support\\_IR@freddiemac.com](mailto:Servicing_Ops_App_Support_IR@freddiemac.com)**) and include the Seller/Servicer number(s), point of contact, phone number, current and future service bureau with its contact information, and effective date of the change. Servicers acknowledge that the notification of a change of service bureau is necessary for Freddie Mac to provide reports, edits and feedback to the correct service bureau.

## 8301.16: Backup reporting (03/02/16)

If Freddie Mac does not receive a loan-level transaction by the required reporting date for any reason, the Servicer must be able to provide Freddie Mac (see **Directory 7**) with corrected or replacement transmissions within 24 hours of Freddie Mac's request and the Servicer will be subject to accounting reporting noncompliance compensatory fees. Refer to Chapter 8303 for noncompliance compensatory fees.

## 8301.17: Administering Custodial Accounts (03/02/16)

The Servicer is responsible for administering Custodial Accounts to safeguard funds due Freddie Mac. In addition, the Servicer must ensure that each account is adequately funded and reconciled monthly. Refer to Chapter 8302 for requirements on establishing Custodial Accounts and to Chapter 8304 for requirements on administering and reconciling the cash in the Custodial Accounts.

## 8301.18: Custodial Account reconciliation basics (05/01/19)

The Servicer must reconcile all Custodial Accounts monthly as of the **end of the** Accounting Cycle. A Custodial Account reconciliation compares the funds on deposit as of the **end of the** Accounting Cycle to the total liability as of the same date. Any differences between any two parts of the investor accounting process may cause a Custodial Account to be out of balance. Refer to Chapter 8304 for Freddie Mac's requirements.

## 8301.19: Servicer advances required (05/01/19)

The Servicer must advance its funds into the Principal and Interest Custodial Account if:

1. There are insufficient funds to cover **the draft amount** due Freddie Mac
2. The Servicer is completing a Mortgage repurchase
3. The Servicer has an unidentified and unresolved variance on the Custodial Account Reconciliation resulting in the account being under funded. See Chapter 8304.

The Servicer:

- Must make any advances for funds due Freddie Mac prior to the **P&I Draft Date and/or the applicable Payoff Draft Date**

- Must make a deposit advanced from its funds into the Escrow Custodial Account whenever a deficiency occurs in an individual Escrow account
- Must not use the Escrow collections from one Mortgage to offset the deficiency of another
- May not carry a negative balance in either the Principal and Interest Custodial Account or the Escrow Custodial Account even if permitted by its depository institution

The Servicer may reimburse itself for:

- Advances of Principal and Interest Payments upon subsequent receipt of any Principal and Interest Payments
- Advances of Escrow from Escrow Funds received for the Mortgage for which the Servicer made the advance

# Chapter 8302: Investor Reporting and Remitting Functions

## 8302.1: Custodial Accounts required (05/01/19)

For all **Mortgages serviced for** Freddie Mac, the Servicer must open and maintain a Custodial Account for Principal and Interest Payments and a separate Custodial Account for Escrow Funds for each Seller/Servicer number. The Servicer must open these accounts in accordance with the requirements of this section, and utilize these accounts exclusively for the Mortgages it services for Freddie Mac. The Servicer must hold any funds the Servicer receives for Freddie Mac-owned Mortgages in a Custodial Account at all times. The Servicer must ensure that the accounts are adequately funded at all times, and may not carry a negative balance, even if permitted by its depository institution.

The Servicer must maintain these funds in their respective Custodial Accounts until Freddie Mac **drafts the funds or the Servicer pays for allowed Mortgage expenses with the** Escrow Funds **in the Escrow Custodial Account:**

### (a) Principal and Interest Custodial Account

The Servicer must open a Principal and Interest Custodial Account for each Seller/Servicer number to deposit Principal and Interest Payments solely for the Mortgages the Servicer services for Freddie Mac. The Servicer has the option to open more than one Principal and Interest Custodial Account. If the Servicer opens more than one Principal and Interest Custodial Account, the Servicer must designate one of them as the primary account **from which Freddie Mac will draft principal and interest payments and payoffs** or, alternatively, the Servicer may open a separate Principal and Interest Disbursement Clearing Custodial Account. Refer to Section 8302.2 for the Disbursement Clearing Account requirements.

See Section 8304.5 for information on maintaining the Principal and Interest Custodial Account.

### (b) Escrow Custodial Account

The Servicer must hold Escrow Funds in a separate Escrow Custodial Account for each Seller/Servicer number. Even if the Servicer does not collect Escrow Funds, the Servicer must open an Escrow Custodial Account in the event that the Servicer receives funds for insurance claims proceeds, partial payments or buydown funds. In addition, although Freddie Mac allows the Servicer to hold buydown funds in an Escrow Custodial Account, the Servicer has the option to open a separate Buydown Custodial Account for buydown funds.

See Section 8304.6 for information on maintaining the Escrow Custodial Account.



## 8302.2: Disbursement clearing accounts (05/01/19)

A disbursement clearing account is a bank account the Servicer maintains for the deposit of funds **due** to Freddie Mac or paid to third parties, such as insurance premiums or property taxes.

### (a) Principal and Interest Disbursement Clearing Custodial Account

A Principal and Interest Disbursement Clearing Custodial Account is only necessary if the Servicer chooses to maintain the account from which Freddie Mac drafts funds as a separate account. The Servicer may not clear Freddie Mac's funds through an operating account or a general account through which the Servicer processes non-Freddie Mac Automated Clearing House (ACH) transfers.

If the Servicer chooses to open and use a Principal and Interest Disbursement Clearing Custodial Account, the Servicer must meet the following requirements:

1. Open, maintain and designate the account in accordance with the requirements of Sections 8302.3 through 8302.7
2. Deposit only funds **due** to Freddie Mac
3. Ensure that the disbursement clearing account is adequately funded prior to the **applicable draft** date

### (b) Escrow Disbursement Clearing Account

Freddie Mac does not require the Servicer to maintain a separate Escrow Disbursement Clearing Account for Escrow Funds. However, if the Servicer elects to deposit Escrow Funds into an Escrow Disbursement Clearing Account, the Servicer:

- May deposit Escrow Funds for Freddie Mac's Mortgages into an Escrow Disbursement Clearing Account common to all Mortgages the Servicer services
- Must ensure that it transfers the Escrow Funds from the Escrow Custodial Account to its Escrow Disbursement Clearing Account no more than one Business Day prior to the disbursement of any Escrow Funds
- Must ensure that the Escrow Disbursement Clearing Account is adequately funded prior to the disbursement of any Escrow Funds

An Escrow Disbursement Clearing Account is not subject to Custodial Account designation or documentation requirements, as set forth in Sections 8302.6 and 8302.7.

## 8302.3: Opening Custodial Accounts (05/01/19)

The Servicer must open and maintain all Custodial Accounts at an Eligible Depository.

If the Servicer's institution is an Eligible Depository that meets the requirements contained in this chapter, the Servicer may open and maintain Custodial Accounts within its own financial institution, provided that Servicer must indemnify Freddie Mac for and hold it harmless from any loss, damage or expenses (including court costs and attorney fees) that Freddie Mac sustains as a direct or indirect result of the financial institution's bankruptcy or insolvency. Refer to Sections 8302.4 and 8302.5 for Eligible Depositories.

The Servicer may record the deposit of funds in a general ledger account only if the Servicer opens a separate Custodial Account and the general ledger account is not a substitute for the Custodial Account.

Each Custodial Account must be a Demand Deposit Account or Interest-Bearing Deposit Account. The Servicer's use of an Interest-Bearing Deposit Account is conditioned upon Freddie Mac's ability to present a sight draft and **to draft monthly principal and interest payments and payoffs** when due. If a Custodial Account limits the number of withdrawals, or requires prior notice for withdrawals, the Servicer is responsible for any payments or penalties that result from excessive withdrawals or withdrawals where advance notice is insufficient.

The Servicer must maintain its books and records in good faith and in the regular course of business, and the Custodial Accounts and the funds held therein must be free and clear of any and all liens or claims of others, including security agreements.

If the Custodial Accounts are maintained in an Eligible Depository that is a FDIC-Insured Depository or a NCUSIF-Insured Depository, then:

- The Servicer's books and records must reflect that the funds in the Custodial Accounts are held in a custodial capacity for the benefit of Freddie Mac and/or other specified parties, and must identify the respective interests of all such persons;
- The Servicer must maintain the Custodial Accounts and its books and records in accordance with all requirements for full federal insurance coverage

**The Custodial Accounts must permit Freddie Mac to directly draft funds for principal and interest payments and payoffs.**

## **8302.4: Depository eligibility requirements (03/02/16)**

To ensure the safety of funds in Custodial Accounts, Freddie Mac has specific eligibility requirements that a depository must meet.

An Eligible Depository for the Custodial Accounts must be one of the following:

1. A Federal Reserve Bank
2. A Federal Home Loan Bank
3. An FDIC-Insured Depository
4. An NCUSIF-Insured Depository

An FDIC-Insured Depository or an NCUSIF-Insured Depository must also meet Freddie Mac’s minimum tier rating requirements specified in Section 8302.5.

Depositories for Escrow and Buydown Custodial Accounts must meet Freddie Mac’s depository eligibility requirements, but are not subject to the tier rating requirements.

## 8302.5: Insured depository tier ratings (11/14/18)

An FDIC-Insured Depository or an NCUSIF-Insured Depository for Principal and Interest Custodial Accounts must meet Freddie Mac’s minimum rating requirements. Freddie Mac groups services that rate depositories into two categories; Tier 1 and Tier 2.

If a Tier 1 service does not rate the Servicer’s insured depository, the Servicer must use a Tier 2 service. If both Tier 1 and Tier 2 services rate the Servicer’s insured depository, the Servicer must use Freddie Mac’s minimum rating requirements listed for the Tier 1 service. The Servicer must use and monitor the most current ratings issued by these services both when the Servicer opens its Custodial Accounts and on a continuing basis. Tier 1 services continually update their ratings; Tier 2 services update their ratings on a quarterly basis.

### (a) Tier 1 minimum rating requirements

<b>IF the insured depository is rated by these services...</b>	<b>THEN Freddie Mac’s minimum rating requirements are...</b>
Fitch	Short-term deposit rating of F3 or better
Standard and Poor’s Corporation	Short-term Certificate of Deposit (CD) rating of A-3 or better
Moody’s Investors Service	Short-term bank deposit rating of P3 or better
<b>The insured depository must meet any two rating requirements.</b>	

### (b) Tier 2 minimum rating requirements

<b>IF the insured depository is rated by these services...</b>	<b>THEN Freddie Mac’s minimum rating requirements are...</b>
IDC Financial Publishing (IDC)	125 or better
Kroll Bond Rating Agency, Inc. (formerly known as LACE Financial Corporation)	C+ or better

**IF the insured depository is rated by...**

- **Both** Tier 2 services, then it must meet any **one** rating requirement
- Only one Tier 2 service, then it must meet that rating requirement

A depository institution that is a subsidiary of a holding company or an affiliate of another depository may, on a case-by-case basis, have its eligibility rating affected by the rating of its holding company or affiliate. FDIC regulations may require related depository institutions to guarantee the obligations of the troubled depository institutions. As a result, the related depository institution may be subject to a risk of regulatory action and Freddie Mac may deem it to be ineligible even if it meets Freddie Mac's minimum rating requirements. The Servicer may want to consider this when selecting or monitoring its depository.

## **8302.6: Custodial Account designation requirements (03/02/16)**

The Servicer must designate Custodial Accounts exactly as stated in subsections (a) through (d) below. The Servicer's books and records pertaining to Custodial Accounts must at all times comply with these account designation requirements. The Servicer represents and warrants to Freddie Mac that all books and records of the Eligible Depository pertaining to such Custodial Accounts shall at all times comply with requirements in subsections (a) through (d) below.

### **(a) Principal and Interest Custodial Accounts**

The following account designation must be used: "(Name of Depositor/Servicer), as Custodian and/or bailee for Federal Home Loan Mortgage Corporation and/or various owners of interests in mortgages and/or mortgage-related securities and/or various mortgagors."

Alternatively, a Principal and Interest Custodial Account may be designated by the following abbreviated designation: "Freddie Mac P & I Custodial Account." However, if the abbreviated designation is used, then for all purposes of the Purchase Documents, and with respect to all rights and interests of Freddie Mac and/or various owners of interests in Mortgages and/or Mortgage-related securities and/or mortgagors, the abbreviated account designation shall be deemed to be the same as the unabbreviated account designation and shall be deemed to confer upon Freddie Mac and such persons the same rights and interests with respect to the Principal and Interest Custodial Account and the funds deposited or held therein.

### **(b) Principal and Interest Disbursement Clearing Custodial Accounts**

The following account designation must be used: "(Name of Depositor/Servicer), as custodian and/or bailee for Federal Home Loan Mortgage Corporation and/or various owners of interests in mortgages and/or mortgage-related securities and/or various mortgagors."

Alternatively, a Principal and Interest Disbursement Clearing Custodial Account may be designated by the following abbreviated designation: "Freddie Mac P & I Clearing Custodial Account." However, if the abbreviated designation is used, then for all purposes of the Purchase Documents, and with respect to all rights and interests of Freddie Mac and/or various owners of interests in Mortgages and/or Mortgage-related securities and/or mortgagors, the abbreviated account designation shall be deemed to be the same as the unabbreviated account designation and shall be deemed to confer upon Freddie Mac and such persons the same rights and interests with respect to the Principal and Interest Disbursement Clearing Custodial Account and the funds deposited or held therein.

**(c) Escrow Custodial Accounts**

The following account designation must be used: "(Name of Depositor/Servicer), as trustee and/or custodian for Federal Home Loan Mortgage Corporation and various mortgagors, respectively."

Alternatively, an Escrow Custodial Account may be designated by the following abbreviated designation: "Freddie Mac Escrow Custodial Account." However, if the abbreviated designation is used, then for all purposes of the Purchase Documents, and with respect to all rights and interests of Freddie Mac and/or mortgagors, the abbreviated account designation shall be deemed to be the same as the unabbreviated account designation and shall be deemed to confer upon Freddie Mac and such persons the same rights and interests with respect to the Escrow Custodial Account and the funds deposited or held therein.

**(d) Buydown Custodial Accounts**

If an optional Buydown Custodial Account is used in accordance with the provisions of Section 8302.1(b), the following account designation must be used: "(Name of Depositor/Servicer), as trustee and/or custodian of mortgage loan subsidy buydown funds for Federal Home Loan Mortgage Corporation and various mortgagors, respectively."

Alternatively, a Buydown Custodial Account may be designated by the following abbreviated designation: "Freddie Mac Buydown Custodial Account." However, if the abbreviated designation is used, then for all purposes of the Purchase Documents, and with respect to all rights and interests of Freddie Mac and/or mortgagors, the abbreviated account designation shall be deemed to be the same as the unabbreviated account designation and shall be deemed to confer upon Freddie Mac and such persons the same rights and interests with respect to the Buydown Custodial Account and the funds deposited or held therein.

## 8302.7: Custodial Account documentation requirements (06/19/19)

The Servicer must submit the following documentation to Freddie Mac upon opening the Servicer's Custodial Accounts at an Eligible Depository. Freddie Mac bases the required documentation on whether the Servicer opens the accounts at its own financial institution or at another Eligible Depository.

### (a) Custodial Accounts opened at the Servicer's own financial institution

If the Servicer is an Eligible Depository and opens Custodial Accounts at its own financial institution, the Servicer must complete, execute and return the following documentation to Freddie Mac (**see Directory 1**) for each Custodial Account:

1. Form 1059SF, Letter Agreement for Single-Family Principal and Interest, or P & I Disbursement Clearing Custodial Account
2. Form 1060SF, Letter Agreement for Single-Family Buydown or Escrow Custodial Account
3. Form 1060CR, Letter Agreement for Single-Family Custodial Account for Renovation Funds

The Servicer must also send Freddie Mac a copy of the bank statement or signature card for each account, designated as required in Section 8302.6. The documentation must identify the Eligible Depository at which the account is maintained and the bank account number.

### (b) Custodial Accounts opened at another Eligible Depository

If the Servicer opens Custodial Accounts at an Eligible Depository other than its own financial institution, both the Servicer and the depository's representative must complete, execute and return the following documentation to Freddie Mac (**see Directory 1**) for each Custodial Account:

1. Form 1057SF, Letter Agreement for Servicer's Single-Family Principal and Interest, or P & I Disbursement Clearing Custodial Account
2. Form 1058SF, Letter Agreement for Servicer's Single-Family Buydown or Escrow Custodial Account
3. Form 1058CR, Letter Agreement for Seller/Servicer's Single-Family Custodial Account for Renovation Funds

The Servicer must also send Freddie Mac a copy of the bank statement or signature card for each account, designated as required in Section 8302.6. The documentation must identify the Eligible Depository at which the account is maintained and the bank account number.

### **(c) Additional requirements**

For each Seller/Servicer number for the Principal and Interest Custodial Account or Principal and Interest Disbursement Clearing Custodial Account the Servicer selects as its remittance drafting account according to the requirements of Sections 8302.1(a) and 8302.2(a), Freddie Mac requires the Servicer to submit a copy of the Letter of Authorization (Exhibit 58, Draft Letter of Authorization), printed on the Servicer's institution's letterhead, to Freddie Mac (see **Directory 1**). The sample letter included in Exhibit 58 provides the Servicer with the information that must be included in the letter of authorization. Even if the Servicer opens its Custodial Account at its own financial institution, the Servicer must execute this letter. The depository where the Servicer opened and maintains the account must keep a copy of this letter.

## **8302.8: Honoring sight drafts (03/02/16)**

The Eligible Depository the Servicer selects must honor sight drafts Freddie Mac may present at any time against any Custodial Account and/or related Time Deposit that the Servicer maintains. Freddie Mac's authorized officer, employee, representative, agent or attorney must sign the sight draft. Freddie Mac will identify the authorized individual in Form 1061, Certificate of Incumbency and Authority to Draft Against Custodial Accounts, or a similar form containing identical information, including a photocopy or facsimile copy.

The sight draft Freddie Mac presents may be an original, a photographic or facsimile copy of Form 1062, Sight Draft, or a similar form containing identical information. Honoring such a sight draft is one of the requirements in the letter agreements referenced in Section 8302.7(a) or 8302.7(b).

## **8302.9: What funds to deposit to the Custodial Accounts (06/12/19)**

The Servicer must deposit the following funds for Mortgages in which Freddie Mac holds an ownership interest to a Principal and Interest Custodial Account or an Escrow Custodial Account. The Servicer must not deposit funds from Mortgages that Freddie Mac does not own or from other investors into the Custodial Accounts that the Servicer maintains to hold funds for Freddie Mac's Mortgages:

### **(a) Principal and Interest Custodial Accounts**

The Servicer must deposit only funds due to Freddie Mac into a Principal and Interest Custodial Account. As an exception, the Servicer may deposit the full Principal and Interest Payment received into the Principal and Interest Custodial Account and subsequently withdraw its Servicing fee. Following is a list of the funds the Servicer must deposit into the Principal and Interest Custodial Account for Freddie Mac's Mortgages:

1. Principal and Interest Payments on all of Freddie Mac's Mortgages whether received from the Borrower or paid on the Borrower's behalf, applied from the buydown account or advanced by the Servicer
2. Biweekly payments that require biweekly amortization based on the Note terms of Mortgages originally sold to Freddie Mac as biweekly
3. Principal curtailments
4. Payoff proceeds including those from short sales and third-party foreclosure sales
5. Prepayment penalties, if applicable
6. Repurchase proceeds

**(b) Escrow Custodial Accounts**

The Servicer must deposit all Escrow Funds for Freddie Mac's Mortgages into an Escrow Custodial Account opened and maintained according to Freddie Mac's requirements. Following is a list of the funds that the Servicer must deposit into the Escrow Custodial Account for Freddie Mac's Mortgages:

1. All Escrow Funds paid by, or on behalf of, the Borrower or advanced by the Servicer
2. Funds deposited by the Servicer on a Borrower's behalf such as property insurance claim proceeds
3. Payments held as unapplied or in suspense pending proper distribution such as, partial payments and biweekly payments from plans that allow for biweekly collection of payments on monthly amortizing Mortgages
4. Buydown funds scheduled for future application as part of a Borrower's Principal and Interest Payment. The Servicer may also choose the option of maintaining buydown funds separately as provided in Section 8302.1(b).

## **8302.10: When to deposit funds to the Custodial Accounts (03/02/16)**

The Servicer must deposit all funds the Servicer receives for Freddie Mac's Mortgages into the Custodial Accounts no later than the 1<sup>st</sup> Business Day after the Servicer receives them.

However, if the Servicer uses a lockbox service or other service to collect payments, the Servicer must apply the payment and deposit the funds to Freddie Mac's corresponding Custodial Accounts no later than the 2<sup>nd</sup> Business Day after the day on which the lockbox or other service received the payment.



Other than a Borrower's payment, the Servicer must make all additional required deposits to the Custodial Accounts as referenced in Section 8302.9 so the funds are available by the remittance drafting or Escrow disbursement due date.

## **8302.11: Changing or transferring Custodial Accounts (03/02/16)**

For information on changing or transferring the Servicer's established Custodial Accounts, refer to Sections 8304.10 through 8304.12 for Freddie Mac's requirements.

## **8302.12: Administering and reconciling Custodial Accounts (03/02/16)**

The Servicer must reconcile all of Freddie Mac's Custodial Accounts on a monthly basis. Refer to Chapter 8304 for Freddie Mac's administration and reconciliation requirements.

## **8302.13: Setting up the automated cash remittance process (05/01/19)**

Effective May 1, 2019, this section is deleted.

## **8302.14: Remitting via the automated cash remittance system (05/01/19)**

Effective May 1, 2019, this section is deleted.

## **8302.15: Initiating remittances to Freddie Mac (05/01/19)**

Effective May 1, 2019, this section is deleted.

## 8302.16: Changing or transferring the drafting account (05/01/19)

A Servicer must comply with the requirements in Sections 8304.10 through 8304.12 in order to change or transfer the Principal and Interest Custodial Account from which Freddie Mac drafts its **monthly principal and interest payments and payoff amounts**.

## 8302.17: Transmitting and receiving investor accounting information (12/11/17)

Freddie Mac requires the Servicer to submit all reports to Freddie Mac via one of Freddie Mac's automated systems. The Servicer's portfolio size and available technology will help determine which system or combination of systems the Servicer will need.

Below are the media the Servicer may use to transmit loan level data to Freddie Mac or to receive certain information from Freddie Mac:

ACTIVITY	MEDIA
Transmit loan level activity to Freddie Mac	<ul style="list-style-type: none"><li>■ Freddie Mac Service Loans application</li><li>■ Internet-based transmission (GCS)</li><li>■ Other Freddie Mac-approved reporting method</li></ul>
Receive transmission confirmations from Freddie Mac	<ul style="list-style-type: none"><li>■ Service Loans application</li><li>■ Internet-based transmission (GCS)</li></ul>
Receive reports and communications from Freddie Mac	<ul style="list-style-type: none"><li>■ Service Loans application</li></ul>
Receive purchase statements and funding detail reports	<ul style="list-style-type: none"><li>■ <b>Loan Selling Advisor<sup>SM</sup></b></li></ul>

Freddie Mac provides the Investor Reporting EDI Implementation Guide as an additional resource related to investor accounting.

The Servicer may also visit the Freddie Mac Learning Center at **[www.freddiemac.com/learn/service](http://www.freddiemac.com/learn/service)** to access training resources or call (800) FREDDIE.

## 8302.17: Transmitting and receiving investor accounting information (Future effective date 12/09/19)

Freddie Mac requires the Servicer to submit all reports to Freddie Mac via one of Freddie Mac's automated systems. The Servicer's portfolio size and available technology will help determine which system or combination of systems the Servicer will need.

Below are the media the Servicer may use to transmit loan level data to Freddie Mac or to receive certain information from Freddie Mac:

ACTIVITY	MEDIA
Transmit loan level activity to Freddie Mac	<ul style="list-style-type: none"> <li>■ Loan Level Reporting and Foreclosure Sale Reporting (available through the Servicing Gateway) (see Exhibit 88, Servicing Tools)</li> <li>■ Internet-based transmission (GCS)</li> <li>■ Other Freddie Mac-approved reporting method</li> </ul>
Receive transmission confirmations from Freddie Mac	<ul style="list-style-type: none"> <li>■ Loan Level Reporting and Foreclosure Sale Reporting (available through the Servicing Gateway)</li> <li>■ Internet-based transmission (GCS)</li> </ul>
Receive reports and communications from Freddie Mac	<ul style="list-style-type: none"> <li>■ Loan Level Reporting and Foreclosure Sale Reporting (available through the Servicing Gateway)</li> </ul>
Receive purchase statements and funding detail reports	<ul style="list-style-type: none"> <li>■ Loan Selling Advisor<sup>SM</sup></li> </ul>

Freddie Mac provides the Investor Reporting EDI Implementation Guide as an additional resource related to investor accounting.

The Servicer may also visit Freddie Mac Learning at [www.freddiemac.com/learn/service](http://www.freddiemac.com/learn/service) to access training resources or call (800) FREDDIE.

## 8302.18: Pre-purchase activity (03/02/16)

Refer to the following chapters for Freddie Mac's Mortgage processing and purchase requirements:

- Chapter 6101, Fixed-Rate Cash
- Chapter 6102, WAC ARM Cash
- Chapter 6301, Documentation Delivery
- Chapter 6302, Mortgage Delivery Instructions

## 8302.19: Mortgage purchase (06/03/19)

When Freddie Mac purchases a Mortgage, it will:

1. Make the following forms and data available via Loan Selling Advisor®
  - Form 15/A/C, Loan Purchase Statement
  - Funding Detail Report
2. Wire the Purchase Proceeds to the Seller for a Cash Purchase Contract or issue a security (UMBS™, MBS, WAC ARM PC or Supers™) for Guarantor or MultiLender Swap programs

### (a) Loan Purchase Statement

Upon purchase, Freddie Mac will make available in Loan Selling Advisor Form 15/A/C which will summarize the pertinent data. Form 15/A/C will include a computation of the amount to be funded to the Seller.

Depending on the type of purchase, the Seller may access one of the following forms in Loan Selling Advisor:

1. Loan Purchase Statement for Cash Sales
2. Form 15A for fixed-rate Guarantor
3. Form 15C for WAC ARM Guarantor

### (b) Funding Detail Report

Freddie Mac will make available to the Seller/Servicer a Funding Detail Report via Loan Selling Advisor when Freddie Mac purchases a Mortgage or when the Servicer acquires the Servicing of one or more of Freddie Mac's Mortgages through a Concurrent Transfer of

Servicing. (See Chapter 7101 for information on Transfers of Servicing.) The Funding Detail Report contains all of the information the Servicer needs to set up and report a Mortgage (see Section 8302.20).

**(c) Wiring the Purchase Proceeds or issuing a [UMBS, MBS, WAC ARM PC](#) or [Supers](#)**

Freddie Mac will notify the Seller of Freddie Mac's purchase and initiate a wire transfer to credit the Seller's account on the Funding Date for Cash Purchase programs. See Section 2201.2 for additional information regarding establishing and maintaining wire transfer instructions for cash proceeds. For Guarantor or certain MultiLender Swaps, Freddie Mac will issue a [UMBS, MBS or WAC ARM PC](#); for other MultiLender Swaps, Freddie Mac will issue a [Super](#) (see Section 6201.1 for more information).

The Seller is responsible for verifying the receipt of funds. If the Seller finds that the wired funds are not credited to the account by the morning of the next Business Day, the Seller must contact Freddie Mac Customer Support at (800) FREDDIE.

The Servicer must not utilize the Freddie Mac Custodial Account to receive sales proceeds for Mortgages sold to Freddie Mac.

## **8302.20: Setting up a Mortgage record (12/11/17)**

The Seller/Servicer may access the Form 15/A/C, Loan Purchase Statement, and Funding Detail Report through [Loan Selling Advisor<sup>SM</sup>](#). (Contact (800) FREDDIE to request access to [Loan Selling Advisor](#) for this purpose.) The Servicer must verify the data on the Funding Detail Report to the Note, Mortgage record and Purchase Documents and take the following actions for each newly funded or Concurrently Transferred Mortgage. For Subsequent Transfers of Servicing, the Transferor Servicer must supply the loan-level data to the Transferee Servicer.

Upon Freddie Mac's purchase, prompt identification of the accounting records for Mortgages sold to Freddie Mac is essential for accurate reporting and remitting. The Servicer must:

1. Identify on its Servicing system Mortgages in which Freddie Mac has an ownership interest
2. Deposit any principal and interest and Escrow Funds to the Custodial Accounts
3. Maintain the Mortgage files in accordance with the requirements of Section 8101.7 and Chapter 3302

**Note:** The Freddie Mac Service Loans application imports Mortgage files daily. If a Mortgage record is missing from the Service Loans application, the Servicer should contact its investor reporting specialist or (800) FREDDIE for assistance in setting up the Mortgage record.

## 8302.21: Purchase adjustments (06/03/19)

When the information on the Funding Detail Report does not match the information on the Note or the Seller's loan record, the Seller may request an adjustment to the amount Freddie Mac disbursed to purchase the Mortgage. The Seller must notify Freddie Mac in writing and include supporting documentation.

In most circumstances Freddie Mac will not adjust purchase balances after the Funding Date because Freddie Mac has pooled the Mortgages for resale as **UMBS™, MBS or WAC ARM** PCs. However, after Freddie Mac settles and before it pools the Mortgages, Freddie Mac may be able to adjust a purchase balance.

## 8302.22: Reporting and remitting on a newly-funded Mortgage (05/01/19)

The Mortgage balance and the timing of the Funding Date determine when the Servicer must report for the first time on a newly-funded Mortgage. The Servicer must **report on** the newly-funded Mortgage according to its Purchase Documents. When Freddie Mac purchases a Mortgage, Freddie Mac will pay the Seller interest on the funded principal balance at the net yield from the first of the month up to the Funding Date. The Servicer must ensure that it properly funds its Principal and Interest Custodial Account for this interest. The following table summarizes when the Servicer must report to Freddie Mac.

IF the Funding Date is...	AND the balance at the <b>end of the Accounting Cycle</b> ...	THEN Freddie Mac's reporting requirements are...	AND, Freddie Mac's <b>draft</b> requirements are...
In the <b>current Accounting Cycle</b>	Is not different from the funded balance	Report the forecasted scheduled interest for the next Accounting Cycle	No funds are due. The forecasted scheduled interest will be drafted on the P&I Draft Date in the next Accounting Cycle.

IF the Funding Date is...	AND the balance at the <b>end of the Accounting Cycle</b> ...	THEN Freddie Mac's reporting requirements are...	AND, Freddie Mac's <b>draft</b> requirements are...
	Is different from the funded balance	The Servicer must report <b>principal and forecasted scheduled interest based on the Ending UPB</b>	<p>If reported before the P&amp;I Determination Date, Freddie Mac will draft its share of the reported principal and zero interest on the P&amp;I Draft Date in the current Accounting Cycle.</p> <p>If reported after the P&amp;I Determination Date, Freddie Mac will draft its share of the reported principal and forecasted scheduled interest on the P&amp;I Draft Date in the next Accounting Cycle.</p>

# Chapter 8303: Reporting and Drafting Requirements

## 8303.1: Definitions of terms specific to chapter (05/01/19)

The following additional terms are used in this chapter. The terms are italicized here and when they are used in the chapter.

### (a) *Active Mortgage*

An *active* Mortgage is a current or delinquent Mortgage for which the Servicer reports and Freddie Mac drafts payments and payoffs.

### (b) *Inactive Mortgage*

An *active* Mortgage becomes an *inactive* Mortgage in the Accounting Cycle it becomes 120 days delinquent (four payments past due). The Servicer must change the *reporting status* to *inactive* either by selecting “inactivation” in the Freddie Mac Service Loans application or reporting Loan Level Reporting exception code 40 (Inactivation). If the Servicer does not inactivate a Mortgage in the Accounting Cycle it becomes 120 days delinquent, Freddie Mac will inactivate the Mortgage. Once a Mortgage is inactivated, no monthly principal and interest will be drafted unless the Mortgage is partially or fully reinstated.

### (c) *Exception (or liquidation) activity*

*Exception (or liquidation) activity* is anything other than a regular monthly Principal and Interest Payment and partial prepayment. It includes:

- Payoff – matured
- Payoff – prepaid
- Payoff – repurchase
- Payoff – conversion (adjustable-rate Mortgage converting to a fixed-rate Mortgage)
- Payoff – short sale, charge-off or make-whole
- Third party foreclosure sale (conventional and FHA/VA)
- Transfer to REO
- Deeds-in-lieu of foreclosure



- FHA/VA foreclosure conveyance

**(d) *Principal and interest activity***

*Principal and interest activity* is the regular monthly Principal and Interest Payment due to Freddie Mac and any partial prepayment. This is also referred to as *non-exception activity*.

**(e) *Reporting status***

The *reporting status* represents the information listed in Exhibit 60, Loan-Level Reporting Data Description, that the Servicer **may report daily, but** must report to Freddie Mac at least monthly **on or before the P&I Determination Date** for all *active* and *inactive* Mortgages the Servicer services for Freddie Mac.

**(f) *Exception interest***

Interest due to Freddie Mac calculated from the number of days from the first calendar day of the month up to, but not including, the exception date. The *exception interest* is calculated by multiplying the Ending UPB of the prior Accounting Cycle, multiplied by the ANY divided by 365, multiplied by the number of days.

## **8303.1: Definitions of terms specific to chapter (Future effective date 12/09/19)**

The following additional terms are used in this chapter. The terms are italicized here and when they are used in the chapter.

**(a) *Active Mortgage***

An *active* Mortgage is a current or delinquent Mortgage for which the Servicer reports and Freddie Mac drafts payments and payoffs.

**(b) *Inactive Mortgage***

An *active* Mortgage becomes an *inactive* Mortgage in the Accounting Cycle it becomes 120 days delinquent (four payments past due). The Servicer must change the *reporting status* to *inactive* either by selecting “inactivation” in the Freddie Mac **Loan Level Reporting tool** (see **Exhibit 88, Servicing Tools**) or reporting Loan Level Reporting exception code 40 (Inactivation). If the Servicer does not inactivate a Mortgage in the Accounting Cycle it becomes 120 days delinquent, Freddie Mac will inactivate the Mortgage. Once a Mortgage is inactivated, no monthly principal and interest will be drafted unless the Mortgage is partially or fully reinstated.

(c) ***Exception (or liquidation) activity***

*Exception (or liquidation) activity* is anything other than a regular monthly Principal and Interest Payment and partial prepayment. It includes:

- Payoff – matured
- Payoff – prepaid
- Payoff – repurchase
- Payoff – conversion (adjustable-rate Mortgage converting to a fixed-rate Mortgage)
- Payoff – short sale, charge-off or make-whole
- Third party foreclosure sale (conventional and FHA/VA)
- Transfer to REO
- Deeds-in-lieu of foreclosure
- FHA/VA foreclosure conveyance

(d) ***Principal and interest activity***

*Principal and interest activity* is the regular monthly Principal and Interest Payment due to Freddie Mac and any partial prepayment. This is also referred to as *non-exception activity*.

(e) ***Reporting status***

The *reporting status* represents the information listed in Exhibit 60, Loan-Level Reporting Data Description, that the Servicer may report daily, but must report to Freddie Mac at least monthly on or before the P&I Determination Date for all *active* and *inactive* Mortgages the Servicer services for Freddie Mac.

(f) ***Exception interest***

Interest due to Freddie Mac calculated from the number of days from the first calendar day of the month up to, but not including, the exception date. The *exception interest* is calculated by multiplying the Ending UPB of the prior Accounting Cycle, multiplied by the ANY divided by 365, multiplied by the number of days.

## **8303.2: Freddie Mac's rights (05/01/19)**

Freddie Mac reserves the right to assess compensatory and other fees in accordance with the requirements of this chapter if the Servicer fails to comply with Freddie Mac's reporting and

drafting requirements. The compensatory and other fees are set forth in Sections 8303.34 through 8303.43.

## 8303.3: Reporting and drafting (11/13/19)

Reporting is the process of transmitting the Borrower's payment status of all Freddie Mac's Mortgages via one of the Freddie Mac-approved reporting media described in Section 8301.10. The Servicer's transmissions must be usable, accurate and timely.

Based on Servicer monthly reporting, Freddie Mac will draft principal and interest and payoff amounts that are due to Freddie Mac.

The Servicer must report a loan-level transaction on a monthly basis for all Mortgages serviced for Freddie Mac. Freddie Mac considers a loan-level transaction to be reported when it has been transmitted by the Servicer without errors and received by Freddie Mac. **If a Servicer does not report a loan-level transaction or does not clear all edits by the end of the Accounting Cycle, Freddie Mac will simulate a loan-level transaction and account for each unreported Mortgage as delinquent based on the last reported DDLPI.**

In addition, the Servicer is required to report *liquidation activity* to Freddie Mac as it occurs.

### (a) Monthly reporting activity

Daily reporting is encouraged, but not required. The Servicer must report a loan-level transaction for each Mortgage serviced for Freddie Mac once a month no later than 2:00 a.m. Eastern Time on the day following the P&I Determination Date regardless of whether any activity has occurred on the Mortgage. For each Mortgage, Servicers must report any revisions that occur after the P&I Determination Date by the end of the month plus one Business Day. In addition, Servicers are required to monitor daily edit reports provided by Freddie Mac and correct edits promptly, as provided by Section 8303.30.

Failure to comply with Freddie Mac's reporting requirements will result in the assessment of compensatory fees as set forth in Sections 8303.34 through 8303.43.

### (b) Remittance cycle and Automated Clearing House (ACH) draft

The Standard Remittance Cycle applies to all Mortgages serviced for Freddie Mac. Freddie Mac will initiate an Automated Clearing House (ACH) draft to collect monthly principal and interest payments and payoffs directly from the Servicer's designated Custodial Account in accordance with the requirements of this section.

Monthly principal and interest will be drafted on the P&I Draft Date. The principal drafted will be the actual principal collected and reported after 2:00 a.m. Eastern Time on the day following the P&I Determination Date of the previous Accounting Cycle and the actual principal collected and reported to Freddie Mac no later than 2:00 a.m. Eastern Time on the

day following the P&I Determination Date of the current Accounting Cycle. Principal reported to Freddie Mac after 2:00 a.m. Eastern Time on the day following the P&I Determination Date will be drafted on the P&I Draft Date of the next Accounting Cycle. The interest drafted will be the amount of forecasted scheduled interest reported in the prior Accounting Cycle.

To authorize ACH drafting of monthly principal and interest payments and payoffs or to make changes to ACH draft account instructions previously provided, the Servicer must:

- Have submitted a completed, executed and duly authorized Form 1132A, Authorization for Automatic Transfer of Funds from Principal and Interest Custodial Account Through the Automated Clearing House (ACH)
- Provide Freddie Mac with an updated Form 1132A for any change to the ACH instructions no later than 15 Business Days before the last Business Day of the first month in which Freddie Mac will initiate the first draft to set up or make certain changes to the draft account
- Deliver Form 1132A to Freddie Mac as either:
  - A paper document, signed in pen and ink by an Authorized Employee, by regular mail or overnight delivery service in accordance with the mailing instructions contained in the Form 1132A; or
  - An Electronic Record (as defined in Section 1401.2) copy, using a Portable Document Format (PDF) (or other Electronic Record format commonly used in the mortgage industry), that has been completed and contains the copy or representation of the pen and ink signature of the Seller's Authorized Employee (such copy or representation of the Authorized Employee's signature shall be such Authorized Employee's adopted Electronic Signature as defined in Section 1401.2) attached to an e-mail and delivered to Freddie Mac at the following e-mail address:  
**cashcollections@freddiemac.com**

Freddie Mac and the Servicer agree that the delivery of Electronic Records with Electronic Signatures are eligible Electronic Transactions (as defined in Section 1401.2) and are governed by the applicable provisions of Chapter 1401.

The employee authorized to execute Form 1132A on the Servicer's behalf must be designated as an "Authorized Employee" on the Servicer's Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit, Corporation or Limited Liability Company, or Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable (see Section 2201.1 for additional information regarding the Certificate of Incumbency requirements). Freddie Mac will perform a call back to verify receipt of authorized Form 1132A ACH instructions and will also process a non-dollar

transaction using the information provided on Form 1132A to verify the accuracy of the instructions.

The account the Servicer designates on Form 1132A as the ACH draft account for the payment of monthly principal and interest and payoffs must be a Principal and Interest Custodial Account or a Principal and Interest Disbursement Clearing Custodial Account.

The Servicer agrees to notify Freddie Mac immediately at **cashcollections@freddiemac.com** of any changes to the status of the Servicer's designated Custodial Account.

If funds in the Servicer's designated Custodial Account are insufficient to cover the amount due, or if Freddie Mac is unable to draft principal and interest payments or payoff amounts from the Servicer's Custodial Account for any reason, the Servicer may be assessed a delayed draft compensatory fee in accordance with Section 8303.42.

**(c) Exception or liquidation activity**

The Servicer must report repurchases and prepaid payoffs by the second Business Day after the activity. Matured payoffs must be reported by the earlier of the maturity date or within two Business Days after the date the Servicer receives the funds, as provided by Section 8303.9. For all other exception activity, the Servicer must report by the fifth Business Day after the activity.

If reported no later than the second Business Day after the activity, or in the case of matured payoffs, two Business Days after funds are received, Freddie Mac will draft payoff proceeds on the fifth Business Day after the Payoff Date.

If the Servicer fails to report the payoff of a Mortgage that has reached maturity, Freddie Mac will simulate a payoff transaction for the Mortgage as of the first calendar day of the month following the maturity date. The proceeds will post to the Draft Report and will be drafted on the second Business Day after Freddie Mac simulates the matured payoff transaction. However, if Freddie Mac elects not to draft a payoff transaction for a matured Mortgage, Freddie Mac, in its sole discretion, may exercise its right to require the Servicer to repurchase the Mortgage. The Servicer will be responsible for all accrued interest through the date of payoff and the Servicer will incur a compensatory fee if the funds are not available to Freddie Mac by the applicable Payoff Draft Date. In addition, Freddie Mac reserves the right to assess a delayed draft noncompliance compensatory fee (see Section 8303.42) for all matured Mortgages for which the Servicer fails to report timely.

The Servicer will receive an edit if the Servicer attempts to report a *principal and interest activity* in the next Accounting Cycle following the month of maturity.

The table below summarizes reporting requirements for exception activities and when Freddie Mac will draft the payoff amounts.

Transaction	Exception Date	Liquidation Transaction	Reporting Timeline*	Payoff Draft Date	Draft Amount
<b>Matured Payoff</b>	The earlier of the maturity date or receipt of funds by Servicer	Payoff - Matured	The earlier of the maturity date or within two Business Days of the receipt of funds by Servicer	<p>When reported within two Business Days after the exception date: five Business Days after the exception date.</p> <p>When reported more than two Business Days* after the exception date: the second Business Day after the payoff transaction was successfully processed.</p> <p>If not reported in the month in which the Mortgage matures, Freddie Mac will simulate a payoff transaction at the end, plus one Business Day, of the Accounting Cycle following the maturity date, which will establish the payoff date as the first calendar day of the month following the maturity date. The</p>	Proceeds

<b>Transaction</b>	<b>Exception Date</b>	<b>Liquidation Transaction</b>	<b>Reporting Timeline*</b>	<b>Payoff Draft Date</b>	<b>Draft Amount</b>
				proceeds will post to the Draft Report and will be drafted on the second Business Day after Freddie Mac simulates the matured payoff transaction.	
<b>Prepaid Payoff</b>	Payoff Date	Payoff - Prepaid	Second Business Day after Payoff Date	When reported within two Business Days after the exception date: five Business Days after the exception date.  When reported more than two Business Days* after the exception date: the second Business Day after the payoff transaction was successfully processed.	Proceeds
<b>Short Sales</b>	Receipt of Funds by Servicer	Payoff-Short-Sale/Charge-off/Make-Whole	Second Business Day after receipt of funds by Servicer	When reported within two Business Days after the exception date: five Business Days after the exception date.  When reported more than two Business Days*	Principal and interest to liquidate mortgage debt.  See Section 9208.8 for charge-off adjustments.

<b>Transaction</b>	<b>Exception Date</b>	<b>Liquidation Transaction</b>	<b>Reporting Timeline*</b>	<b>Payoff Draft Date</b>	<b>Draft Amount</b>
				after the exception date: the second Business Day after the payoff transaction was successfully processed.	
<b>Make-whole Pre-foreclosure</b>	Payoff Date	Payoff - Short-Sale/Charge-off/Make-Whole	Second Business Day after receipt of funds	When reported within two Business Days after the exception date: five Business Days after the exception date.  When reported more than two Business Days* after the exception date: the second Business Day after the payoff transaction was successfully processed.	Principal and interest to liquidate mortgage debt.  See Section 9208.8 for charge-off adjustments.
<b>Charge-off</b>	Second Business Day after receipt of Freddie Mac approval	Payoff - Short-Sale/Charge-off/Make-Whole	Second Business Day after receipt of Freddie Mac approval	When reported within two Business Days after the exception date: five Business Days after the exception date.  When reported more than two Business Days* after the exception date: the second	Principal and interest to liquidate mortgage debt.  See Section 9210.5 for charge-off adjustments.



<b>Transaction</b>	<b>Exception Date</b>	<b>Liquidation Transaction</b>	<b>Reporting Timeline*</b>	<b>Payoff Draft Date</b>	<b>Draft Amount</b>
				Business Day after the payoff transaction was successfully processed.	
<b>Repurchase</b>	30 <sup>th</sup> day from repurchase notification or approval of voluntary repurchase request	Payoff - Repurchase	30 <sup>th</sup> day from repurchase notification or approval of voluntary request	When reported within two Business Days after the exception date: five Business Days after the exception date.  When reported more than two Business Days* after the exception date: the second Business Day after the payoff transaction was successfully processed.	Principal and interest to liquidate mortgage debt
<b>Convertible ARM</b>	Conversion Date	Payoff – Conversion	Five Business Days after the Conversion Date	Five Business Days after the Conversion Date	Principal and interest to liquidate mortgage debt

Transaction	Exception Date	Liquidation Transaction	Reporting Timeline*	Payoff Draft Date	Draft Amount
<b>Foreclosure, third party sale conventional</b>	Foreclosure Sale date	Third Party Foreclosure Sale	Second Business Day after receipt of funds	The fifth Business Day after the reported transaction was successfully processed in Loan Level Reporting	Principal and interest to liquidate the mortgage debt

\*Payoffs reported more than two Business Days after the exception date are considered to be reported late and may be subject to compensatory fees

If the Servicer needs to delete a previously reported payoff, it must transmit a revision within the same Accounting Cycle in which it occurred. If the Servicer reports a payoff to Freddie Mac in error and the Servicer does not reverse it within the same Accounting Cycle, Freddie Mac will not be able to reactivate the Mortgage and the Servicer must advance its own funds to its Custodial Account which Freddie Mac will draft to liquidate the Mortgage.

Freddie Mac requires the Servicer to report timely and accurately. If the Servicer reports late or submits inaccurate data, Freddie Mac incurs a loss. As a result, the Servicer may be subject to a Servicing reporting noncompliance compensatory fee or a late remittance compensatory fee.

Refer to the following exhibits about reporting and remitting to Freddie Mac:

- Exhibit 60, Loan-Level Reporting Data Description
- Exhibit 61, Interest and Principal Due Freddie Mac

These exhibits will provide the data elements and calculations necessary for each transaction.

Refer to Section 8303.4 for specific requirements for reporting and remitting for Mortgages with partial principal forbearance.

## **8303.4: Monthly reporting and remittance requirements for Mortgages with partial principal forbearance (05/01/19)**

In addition to the loan-level reporting requirements for all Mortgages in Chapter 8303 and Exhibit 60, Loan-Level Reporting Data Description, Servicers must comply with the following monthly loan-level reporting requirements for all Mortgages with a partial principal forbearance:

Data Field	Description
<b>Current UPB</b>	<p><b>For all Mortgages</b>, report the UPB of the Mortgage as of the <b>end of the</b> Accounting Cycle.</p> <p><b>For Mortgages with partial principal forbearance</b>, the reported UPB must equal the sum of the interest-bearing UPB (the amortizing principal balance of the Mortgage <b>or</b> the “interest-bearing UPB”) and the principal forbearance balance (“deferred UPB”), as of the <b>end of the</b> Accounting Cycle.</p>
<b>Interest-bearing UPB</b>	<p><b>For Mortgages with partial principal forbearance</b>, report the amount of the interest-bearing UPB (the amortizing principal balance of the Mortgage) as of the <b>end of the</b> Accounting Cycle. (Note: Monthly “Interest Due Freddie Mac” must be calculated and reported based on the interest-bearing UPB only.)</p>
<b>Deferred UPB</b>	<p><b>For Mortgages with partial principal forbearance</b>, report the amount of deferred UPB as of the <b>end of the</b> Accounting Cycle. (Note: The deferred UPB is non-interest-bearing and non-amortizing, and will be due in the form of a balloon payment upon the earlier of the transfer of all or a portion of the property, the payoff of the interest-bearing UPB, or the new maturity date of the modified Mortgage.)</p>
<b>Principal Due Freddie Mac</b>	<p><b>For all Mortgages</b>, report Freddie Mac’s share of principal payments, including prepayments of principal (i.e., curtailments) applied to the interest-bearing UPB of the Mortgage during the <b>Accounting Cycle</b>.</p>
<b>Deferred Principal Curtailment Amount</b>	<p><b>For Mortgages with partial principal forbearance</b>, report the amount of any principal curtailment applied to the deferred UPB during the <b>Accounting Cycle</b>. This amount must be included in the “Deferred UPB” field.</p>

**(a) Reporting corrections**

Servicers must comply with the requirements of Section 8303.24 in the event of an understatement or overstatement of principal reduction to either the interest-bearing UPB or the deferred UPB.

**(b) Exception reporting and remitting for a payoff of a Mortgage with partial principal forbearance**

Servicers must comply with the applicable exception reporting requirements set forth in this chapter except that, when reporting the payoff of a Mortgage with a partial principal forbearance, Servicers must also comply with the following:

- The Current UPB, Interest-bearing UPB and Deferred UPB fields must be reported as zero
- The amount of deferred UPB as reported in the previous **Accounting Cycle** must be reported in the “Deferred Principal Curtailment Amount” field
- The amount of the current UPB (i.e., combined interest-bearing UPB and deferred UPB) as reported in the previous **Accounting Cycle**, plus or minus the *exception interest*, **will be drafted** with the Servicer’s exception remittance. *Exception interest* must be based on the interest-bearing UPB only.

Servicers must calculate payoff proceeds in accordance with the following:

$$\begin{array}{rcl} & \text{Interest-Bearing UPB} & \\ + & \text{Deferred UPB} & \\ +/- & \text{Exception interest (calculated based on the interest-bearing UPB)} & \\ = & \text{Proceeds due Freddie Mac} & \end{array}$$

**(c) Application of partial prepayments of principal**

If the partial prepayment of principal (“principal curtailment”) is less than the interest-bearing UPB, it must be applied to the interest-bearing UPB. If the principal curtailment is equal to or greater than the interest-bearing UPB, then the principal curtailment must first be applied to the deferred UPB and any remaining curtailment to the interest-bearing UPB.

Servicers must report the amount of any curtailment applied to the deferred UPB during the **Accounting Cycle** in the “Deferred Principal Curtailment Amount” data field.

**(d) Monthly statements**

Freddie Mac recommends the Servicer include the amount of the deferred UPB and the combined interest-bearing and deferred UPBs on the Borrower’s monthly statement.

## 8303.5: Correcting reporting errors (05/01/19)

The Servicer must monitor all Edit Error reports (Edits to be Cleared, System Cleared Edits, **Warning** and Loan Level Missing) provided by Freddie Mac daily. If the Servicer discovers an error after it has transmitted its accounting reporting information, the Servicer must take immediate action to:

1. Correct the source of the error
2. Transmit a revision to Freddie Mac that reflects the Borrower's payment activity or disposition of the Mortgage

If unable to resolve the issue, the Servicer should call Freddie Mac (**see Directory 7**) for instructions on how to correct the information. Servicers may refer to the Investor Reporting Quick Reference Guide for a detailed description of edit codes.

The Edit Error reports may be accessed through the Freddie Mac Service Loans application at <http://www.freddiemac.com/singlefamily/service/>.

If the Servicer fails to send Freddie Mac the appropriate information to clear any reporting errors within the applicable time frame, Freddie Mac will make those corrections on the Servicer's behalf subject to the applicable fees.

If the Servicer reports a payoff to Freddie Mac in error, the Servicer must transmit a revision within the same **Accounting Cycle** in which the Servicer erroneously reported it. If the Servicer reports a payoff to Freddie Mac in error and the Servicer does not reverse it within the same **Accounting Cycle**, Freddie Mac will not be able to reactivate the Mortgage for the Servicer. The Servicer must **advance** its own funds **which Freddie Mac will draft** to liquidate the Mortgage.

The Servicer must maintain accurate records for Freddie Mac's review and inspection of the actual principal reductions and adjustments made to correct any reporting errors.

## 8303.5: Correcting reporting errors (Future effective date 12/09/19)

The Servicer must monitor all Edit Error reports (Edits to be Cleared, System Cleared Edits, Warning and Loan Level Missing) provided by Freddie Mac daily. If the Servicer discovers an error after it has transmitted its accounting reporting information, the Servicer must take immediate action to:

1. Correct the source of the error
2. Transmit a revision to Freddie Mac that reflects the Borrower's payment activity or disposition of the Mortgage

If unable to resolve the issue, the Servicer should call Freddie Mac (see **Directory 7**) for instructions on how to correct the information. Servicers may refer to the Investor Reporting Quick Reference Guide for a detailed description of edit codes.

The Edit Error reports may be accessed through the [Loan Level Reporting tool](#) (see [Exhibit 88, Servicing Tools](#)).

If the Servicer fails to send Freddie Mac the appropriate information to clear any reporting errors within the applicable time frame, Freddie Mac will make those corrections on the Servicer's behalf subject to the applicable fees.

If the Servicer reports a payoff to Freddie Mac in error, the Servicer must transmit a revision within the same Accounting Cycle in which the Servicer erroneously reported it. If the Servicer reports a payoff to Freddie Mac in error and the Servicer does not reverse it within the same Accounting Cycle, Freddie Mac will not be able to reactivate the Mortgage for the Servicer. The Servicer must advance its own funds which Freddie Mac will draft to liquidate the Mortgage.

The Servicer must maintain accurate records for Freddie Mac's review and inspection of the actual principal reductions and adjustments made to correct any reporting errors.

## **8303.6: Freddie Mac drafting timelines (05/01/19)**

### **(a) Monthly drafting**

Freddie Mac will draft, via an Automated Clearing House (ACH) transaction, monthly principal and interest and payoffs directly from the Servicer's designated Custodial Account.

Monthly principal and interest will be drafted on the P&I Draft Date (the second Business Day after the P&I Determination Date) and will include:

- Current Accounting Cycle interest due (reported in the prior Accounting Cycle)
- Actual principal collected and reported to Freddie Mac after 2:00 a.m. Eastern Time on the day following the P&I Determination Date of the prior Accounting Cycle
- Actual principal collected during the current Accounting Cycle and reported to Freddie Mac no later than 2:00 a.m. Eastern Time on the day following the P&I Determination Date of the current Accounting Cycle
- Interest due on reinstated Mortgages

On a daily basis, Freddie Mac provides Servicers a Draft Report that provides a daily cumulative view of the amounts, including adjustments, that will be drafted during the Accounting Cycle. In addition, the report provides loan-level transaction details (e.g., principal and interest, liquidation amounts and adjustments). A preliminary Draft Report will

be available daily in the Freddie Mac Service Loans application and updated based on daily reporting. A final version will be provided on the morning after the P&I Determination Date.

To authorize ACH drafting of monthly principal and interest and payoffs, the Servicer must complete, execute and submit to Freddie Mac Form 1132A, Authorization for Automatic Transfer of Funds from Principal and Interest Custodial Account Through the Automated Clearing House (ACH). See Section 8303.3 for additional information about Form 1132A delivery requirements.

Refer to Sections 8303.9 through 8303.14 for drafting requirements for payoffs and liquidations.

#### **(b) Foreclosure, REO and Escrow**

The only funds the Servicer must remit by check or wire are REO (refer to Section 9701.20) proceeds and Escrow refunds for taxes or property insurance premiums in connection with a foreclosure or REO. Principal and interest proceeds must be remitted via the automated cash remittance system as described in Chapter 8302.

## **8303.6: Freddie Mac drafting timelines (Future effective date 12/09/19)**

#### **(a) Monthly drafting**

Freddie Mac will draft, via an Automated Clearing House (ACH) transaction, monthly principal and interest and payoffs directly from the Servicer's designated Custodial Account.

Monthly principal and interest will be drafted on the P&I Draft Date (the second Business Day after the P&I Determination Date) and will include:

- Current Accounting Cycle interest due (reported in the prior Accounting Cycle)
- Actual principal collected and reported to Freddie Mac after 2:00 a.m. Eastern Time on the day following the P&I Determination Date of the prior Accounting Cycle
- Actual principal collected during the current Accounting Cycle and reported to Freddie Mac no later than 2:00 a.m. Eastern Time on the day following the P&I Determination Date of the current Accounting Cycle
- Interest due on reinstated Mortgages

On a daily basis, Freddie Mac provides Servicers a Draft Report that provides a daily cumulative view of the amounts, including adjustments, that will be drafted during the Accounting Cycle. In addition, the report provides loan-level transaction details (e.g., principal and interest, liquidation amounts and adjustments). A preliminary Draft Report will

be available daily in the Freddie Mac [Cash Manager tool](#) (see [Exhibit 88, Servicing Tools](#)) and updated based on daily reporting. A final version will be provided on the morning after the P&I Determination Date.

To authorize ACH drafting of monthly principal and interest and payoffs, the Servicer must complete, execute and submit to Freddie Mac Form 1132A, Authorization for Automatic Transfer of Funds from Principal and Interest Custodial Account Through the Automated Clearing House (ACH). See Section 8303.3 for additional information about Form 1132A delivery requirements.

Refer to Sections 8303.9 through 8303.14 for drafting requirements for payoffs and liquidations.

### **(c) Foreclosure, REO and Escrow**

The only funds the Servicer must remit by check or wire are REO (refer to Section 9701.20) proceeds and Escrow refunds for taxes or property insurance premiums in connection with a foreclosure or REO. Principal and interest proceeds must be remitted via the automated cash remittance system as described in Chapter 8302.

## **8303.7: Availability of funds (05/01/19)**

The Servicer must [ensure funds are available no later than 9:00 am \(Eastern Standard/Daylight Time\)](#) on the [applicable draft date](#).

[If sufficient funds are not available on the applicable draft date, Servicers may be assessed a draft delay noncompliance compensatory fee as referenced in Section 8303.42.](#)

## **8303.8: Correcting a remittance (05/01/19)**

[Effective May 1, 2019, this section has been deleted.](#)

## **8303.9: Payoff – matured or prepaid [reporting and drafting requirements](#) (05/01/19)**

A payoff is the repayment of a Mortgage due to full amortization or prepayment-in-full. The Servicer must report the payoff as of the Payoff Date or the date the Servicer receives the funds (as applicable), and may not alter it for any reason.

The Servicer must complete the following steps to report a payoff of a Mortgage:



1. To report a prepayment-in-full, report the payoff by the second Business Day after the Payoff Date

To report the payoff of a matured Mortgage, report the payoff by the earlier of the maturity date or within two Business Days of the date the Servicer receives the funds. For Mortgages registered on the MERS® System, the Servicer must, by the second Business Day after the Payoff Date, update the MERS System to a loan status of “Paid in full” for Mortgages reported to Freddie Mac as matured or prepaid.

2. Do not report on this Mortgage in future Accounting Cycles.

Freddie Mac will draft the payoff amount (remaining UPB plus *exception interest*) directly from the Servicer’s designated Custodial Account as follows:

**(i) Principal**

For a payoff of a matured Mortgage or a prepayment-in-full that is successfully reported within two Business Days of the *exception date*, Freddie Mac will draft the UPB due as reported in the previous Accounting Cycle on the fifth Business Day after the Payoff Date.

For a payoff of a matured Mortgage, or a prepayment-in-full that is successfully reported *more* than two Business Days after the exception date (which is considered late), Freddie Mac will draft the UPB due as reported in the previous Accounting Cycle on the second Business Day after the reported payoff is successfully processed.

**(ii) Interest**

For a payoff of a matured Mortgage or a prepayment-in-full that is successfully reported within two Business Days of the exception date, Freddie Mac will draft the *exception interest* on the fifth Business Day after the Payoff Date.

For a payoff of a matured Mortgage or a prepayment-in-full that is successfully reported *more* than two Business Days after the exception date, Freddie Mac will draft the *exception interest* on the second Business Day after the reported payoff is successfully processed.

Refer to Sections 8303.4 and 8303.5 for information regarding an erroneously reported payoff or rescinded payoff.

## 8303.10: Third-party foreclosure sale reporting and drafting requirements (10/09/19)

Refer to **Bulletins 2019-18, 2019-19 and 2019-21**, which announced the availability of **Freddie Mac Servicing Data Corrections**. Servicers may use the application prior to the implementation of the **December 9, 2019** version of this section.

A third-party foreclosure sale is a sale of the property where title to the property is not conveyed to Freddie Mac. The Servicer must comply with the requirements of Chapter 9301 regarding foreclosures and Section 8106.3 regarding the submission on Freddie Mac's behalf of Internal Revenue Service Form 1099-A, Acquisition or Abandonment of Secured Property.

The Servicer must notify Freddie Mac through the Freddie Mac Service Loans application of the third-party foreclosure sale by the first Business Day after the completion of the foreclosure by reporting a third-party Foreclosure Sale/Deed-in-Lieu and completing the applicable data fields. (See Section 9301.38 regarding reporting foreclosure sale results.)

The Servicer must complete the following steps when the Servicer receives the proceeds from a third-party foreclosure sale.

Note: The Servicer's receipt of the sale proceeds from a third-party foreclosure sale, when remitted by foreclosure counsel pursuant to Section 9301.43, is considered received when the Servicer receives the entire sale proceeds.

1. Report the transaction ID of "Foreclosure" and the sale result of "third-party sale" no later than the second Business Day after the Servicer receives the proceeds. When reporting, the Servicer must ensure that:
  - Foreclosure sale date is the date that the foreclosure sale occurred
  - Ending gross UPB is zero
  - Principal due field is completed with the gross UPB as of the last reporting Accounting Cycle before the Mortgage was inactivated
  - DDLPI is the date of the last fully-paid monthly installment
2. Freddie Mac will draft directly from the Servicer's designated Custodial Account as follows:
  - (a) Freddie Mac will draft the prior Accounting Cycle Ending UPB on the fifth Business Day after the reported transaction is successfully processed in Loan Level Reporting.
  - (b) Freddie Mac will draft the exception and delinquent interest on the fifth Business Day after the reported transaction is successfully processed in Loan Level Reporting.

3. Charge-off adjustments for third-party foreclosure sales that settle in Freddie Mac systems on or before the Payoff Determination Date will be reflected in the Draft Report on the same date as the payoff draft. For transactions that settle in Freddie Mac systems after the Payoff Determination Date, charge-off adjustments will be reflected in the Draft Report on the second Business Day after the foreclosure sale settles in Freddie Mac systems. The Servicer must review the Draft Report with respect to charge-offs and report any discrepancies to Freddie Mac by submitting Form 1205, Post-Settlement Adjustment Request, within 30 calendar days following Freddie Mac's posting of the amount to the Draft Report. Servicers may access the Draft Report through the Freddie Mac Service Loans application at <http://www.freddiemac.com/singlefamily/service>.

When reporting a discrepancy, Servicers must submit the calculation used to determine the variance in the comment section of Form 1205 and any documentation to support the request.

Freddie Mac will process, at its discretion, discrepancies that are submitted more than 60 calendar days after the initial adjustment is posted to the Draft Report. Such discrepancies may be subject to a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the post-settlement correction request is denied the Servicer may be liable for any additional losses.

4. Do not report on this Mortgage in future cycles

## **8303.10: Third-party foreclosure sale reporting and drafting requirements (Future effective date 12/09/19)**

A third-party foreclosure sale is a sale of the property where title to the property is not conveyed to Freddie Mac. The Servicer must comply with the requirements of Chapter 9301 regarding foreclosures and Section 8106.3 regarding the submission on Freddie Mac's behalf of Internal Revenue Service Form 1099-A, Acquisition or Abandonment of Secured Property.

The Servicer must notify Freddie Mac through the Freddie Mac [Foreclosure Sale Reporting tool](#) (see [Exhibit 88, Servicing Tools](#)) of the third-party foreclosure sale by the first Business Day after the completion of the foreclosure by reporting a third-party Foreclosure Sale/Deed-in-Lieu and completing the applicable data fields. (See Section 9301.38 regarding reporting foreclosure sale results.)

The Servicer must complete the following steps when the Servicer receives the proceeds from a third-party foreclosure sale.

Note: The Servicer's receipt of the sale proceeds from a third-party foreclosure sale, when remitted by foreclosure counsel pursuant to Section 9301.43, is considered received when the Servicer receives the entire sale proceeds.

1. Report the transaction ID of “Foreclosure” and the sale result of “third-party sale” in the [Loan Level Reporting tool \(see Exhibit 88, Servicing Tools\)](#) no later than the second Business Day after the Servicer receives the proceeds. When reporting, the Servicer must ensure that:
  - Foreclosure sale date is the date that the foreclosure sale occurred
  - Ending gross UPB is zero
  - Principal due field is completed with the gross UPB as of the last reporting Accounting Cycle before the Mortgage was inactivated
  - DDLPI is the date of the last fully-paid monthly installment
2. Freddie Mac will draft directly from the Servicer’s designated Custodial Account as follows:
  - (a) Freddie Mac will draft the prior Accounting Cycle Ending UPB on the fifth Business Day after the reported transaction is successfully processed in Loan Level Reporting.
  - (b) Freddie Mac will draft the exception and delinquent interest on the fifth Business Day after the reported transaction is successfully processed in Loan Level Reporting.
3. Charge-off adjustments for third-party foreclosure sales that settle in Freddie Mac systems on or before the Payoff Determination Date will be reflected in the Draft Report on the same date as the payoff draft. For transactions that settle in Freddie Mac systems after the Payoff Determination Date, charge-off adjustments will be reflected in the Draft Report on the second Business Day after the foreclosure sale settles in Freddie Mac systems. The Servicer must review the Draft Report with respect to charge-offs and report any discrepancies to Freddie Mac via the [Freddie Mac Servicing Data Corrections tool \(see Exhibit 88, Servicing Tools\)](#) within the same Accounting Cycle in which Freddie Mac posts the amount to the Draft Report. Servicers may access the Draft Report through the Freddie Mac [Cash Manager tool \(see Exhibit 88, Servicing Tools\)](#).

When reporting a discrepancy, Servicers must [input](#) the calculation used to determine the variance and [upload](#) any documentation to support the request in the [Servicing Data Corrections tool](#).

Discrepancies that are after the [Accounting Cycle in which](#) the initial adjustment is posted to the Draft Report [closes, will be processed at Freddie Mac’s discretion and](#) may be subject to a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the post-settlement correction request is denied, the Servicer may be liable for any additional losses.

4. Do not report on this Mortgage in future cycles

## 8303.11: Short sale reporting and drafting requirements (10/09/19)

Refer to Bulletins 2019-18, 2019-19 and 2019-21, which announced the availability of Freddie Mac Servicing Data Corrections. Servicers may use the application prior to the implementation of the December 9, 2019 version of this section.

A short sale is the sale of a Mortgaged Premises for which the Servicer has received Freddie Mac's approval to sell for less than the total amount necessary to satisfy the Mortgage obligation. The Servicer must comply with the requirements of Sections 9208.1 through 9208.8 regarding a short sale and charging off a deficiency and Section 8106.4 regarding the submission on Freddie Mac's behalf of Internal Revenue Service Form 1099-C.

The Servicer must complete the following steps to report when the Servicer receives the funds for a short sale:

1. Report the short sale as "Short Sale/Charge-off/Make-whole" by the second Business Day after the Servicer receives the settlement proceeds
2. Freddie Mac will draft the Ending UPB and delinquent and *exception interest* on the fifth Business Day after the exception date. If the short sale settles in Freddie Mac systems on or before the Payoff Draft Determination Date, charge-off adjustments will be reflected in the Draft Report on the same day as the payoff draft. If the short sale settles in Freddie Mac systems after the Payoff Draft Determination Date, the charge-off adjustment will be reflected in the Draft Report on the second Business Day after the short sale settles in Freddie Mac systems. See Section 8303.12 for additional requirements related to make-whole preforeclosure sales.
3. The Servicer must review the Draft Report with respect to charge-offs and report any discrepancies to Freddie Mac by submitting Form 1205, Post-Settlement Correction Request, within 30 calendar days following Freddie Mac's posting of the amount to the Draft Report. Servicers may access the Draft Report through the Freddie Mac Service Loans application at <http://www.freddiemac.com/singlefamily/service>.

When reporting a discrepancy, Servicers must submit the calculation used to determine the variance in the comment section of Form 1205 and any documentation to support the request.

Freddie Mac will process, at its discretion, discrepancies that are submitted more than 60 calendar days after the initial adjustment is posted to the Draft Report. Such discrepancies may be subject to a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the post-settlement correction request is denied, the Servicer may be liable for any additional losses. Additionally, Freddie Mac may recover any workout incentives that were paid.

4. Do not report on this Mortgage in future Accounting Cycles

## 8303.11: Short sale reporting and drafting requirements (Future effective date 12/09/19)

A short sale is the sale of a Mortgaged Premises for which the Servicer has received Freddie Mac's approval to sell for less than the total amount necessary to satisfy the Mortgage obligation. The Servicer must comply with the requirements of Sections 9208.1 through 9208.8 regarding a short sale and charging off a deficiency and Section 8106.4 regarding the submission on Freddie Mac's behalf of Internal Revenue Service Form 1099-C.

The Servicer must complete the following steps to report when the Servicer receives the funds for a short sale:

1. Report the short sale as "Short Sale/Charge-off/Make-whole" in the [Loan Level Reporting tool \(see Exhibit 88, Servicing Tools\)](#) by the second Business Day after the Servicer receives the settlement proceeds
2. Freddie Mac will draft the Ending UPB and delinquent and *exception interest* on the fifth Business Day after the exception date. If the short sale settles in Freddie Mac systems on or before the Payoff Draft Determination Date, charge-off adjustments will be reflected in the Draft Report on the same day as the payoff draft. If the short sale settles in Freddie Mac systems after the Payoff Draft Determination Date, the charge-off adjustment will be reflected in the Draft Report on the second Business Day after the short sale settles in Freddie Mac systems. See Section 8303.12 for additional requirements related to make-whole preforeclosure sales.
3. The Servicer must review the Draft Report with respect to charge-offs and report any discrepancies to Freddie Mac via the [Freddie Mac Servicing Data Corrections tool \(see Exhibit 88, Servicing Tools\)](#) within 30 calendar days following Freddie Mac's posting of the amount to the Draft Report. Servicers may access the Draft Report through the [Freddie Mac Cash Manager tool \(see Exhibit 88, Servicing Tools\)](#).

When reporting a discrepancy, Servicers must [input](#) the calculation used to determine the variance and [upload](#) any documentation to support the request in the [Servicing Data Corrections tool](#).

Discrepancies submitted more than 60 calendar days after the initial adjustment is posted to the Draft Report [will be processed at Freddie Mac's discretion and](#) may be subject to a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the post-settlement correction request is denied, the Servicer may be liable for any additional losses. Additionally, Freddie Mac may recover any workout incentives that were paid.

4. Do not report on this Mortgage in future Accounting Cycles

## 8303.12: Make-whole preforeclosure sale reporting and **drafting** requirements (05/01/19)

A make-whole preforeclosure sale is the sale of a Mortgaged Premises for which the Servicer has received Freddie Mac's approval to sell the property for less than the total amount necessary to satisfy the Mortgage obligation, however, there is a mortgage insurance claim payment or a Borrower contribution that satisfies the deficiency. The Servicer must comply with the requirements of Sections 9208.3(a)(2) and 9208.5(b) regarding a make-whole preforeclosure sale.

The Servicer must complete the following steps to report and remit when the Servicer receives the proceeds from a make-whole preforeclosure sale:

1. Report the Mortgage as “**Short Sale/Charge-off/Make-whole**” by the second Business Day after the Servicer receives the settlement proceeds
2. Do not report on this Mortgage in future **Accounting Cycles**

Freddie Mac will draft the Ending UPB plus delinquent and *exception interest* on the fifth Business Day after the exception date. If the make-whole preforeclosure sale settles in Freddie Mac systems on or before the Payoff Draft Determination Date, charge-off adjustments will be reflected in the Draft Report on the same day as the payoff draft. If the make-whole preforeclosure settles in Freddie Mac systems after the Payoff Draft Determination Date, the charge-off adjustment will be reflected in the Draft Report on the second Business Day after the make-whole preforeclosure sale settles in Freddie Mac systems.

## 8303.12: Make-whole preforeclosure sale reporting and drafting requirements (Future effective date 12/09/19)

A make-whole preforeclosure sale is the sale of a Mortgaged Premises for which the Servicer has received Freddie Mac's approval to sell the property for less than the total amount necessary to satisfy the Mortgage obligation, however, there is a mortgage insurance claim payment or a Borrower contribution that satisfies the deficiency. The Servicer must comply with the requirements of Sections 9208.3(a)(2) and 9208.5(b) regarding a make-whole preforeclosure sale.

The Servicer must complete the following steps to report and remit when the Servicer receives the proceeds from a make-whole preforeclosure sale:

1. Report the Mortgage as “Short Sale/Charge-off/Make-whole” **in the Loan Level Reporting tool (see Exhibit 88, Servicing Tools)** by the second Business Day after the Servicer receives the settlement proceeds



2. Do not report on this Mortgage in future Accounting Cycles

Freddie Mac will draft the Ending UPB plus delinquent and *exception interest* on the fifth Business Day after the exception date. If the make-whole preforeclosure sale settles in Freddie Mac systems on or before the Payoff Draft Determination Date, charge-off adjustments will be reflected in the Draft Report on the same day as the payoff draft. If the make-whole preforeclosure settles in Freddie Mac systems after the Payoff Draft Determination Date, the charge-off adjustment will be reflected in the Draft Report on the second Business Day after the make-whole preforeclosure sale settles in Freddie Mac systems.

## 8303.13: Reporting a charge-off (10/09/19)

**Refer to Bulletins 2019-18, 2019-19 and 2019-21, which announced the availability of Freddie Mac Servicing Data Corrections. Servicers may use the application prior to the implementation of the December 9, 2019 version of this section.**

Freddie Mac's approval of a charge-off request ceases collection efforts on a delinquent Mortgage when the debt is deemed to be uncollectible or that a foreclosure should not be completed. In most cases, a charge-off will be accompanied by a lien release and cancellation of the Note (see Section 9210.4). The Servicer must comply with the requirements of Sections 9210.1 through 9210.5 regarding a charge-off.

The Servicer must complete the following steps to report a charge-off:

1. Report the charge-off as "Short Sale/Charge-off/Make-whole" by the second Business Day after the Servicer receives Freddie Mac's approval letter confirming the charge-off request
2. Freddie Mac will draft the Ending UPB and delinquent and *exception interest* on the fifth Business Day after the exception date. If the charge-off settles in Freddie Mac systems on or before the Payoff Draft Determination Date, charge-off adjustments will be reflected in the Draft Report on the same day as the payoff draft. If the charge-off settles in Freddie Mac systems after the Payoff Draft Determination Date, the charge-off adjustment will be reflected in the Draft Report on the second Business Day after the charge-off settles in Freddie Mac systems.
3. The Servicer must review the Draft Report with respect to charge-offs and report any discrepancies to Freddie Mac by submitting Form 1205, Post-Settlement Correction Request, within 30 calendar days following Freddie Mac's posting of the amount to the Draft Report. Servicers may access the Draft Report through the Freddie Mac Service Loans application at <http://www.freddiemac.com/singlefamily/service>.

When reporting a discrepancy, Servicers must submit the calculation used to determine the variance in the comment section of Form 1205 and any documentation to support the request.



Freddie Mac will process, at its discretion, discrepancies that are submitted more than 60 calendar days after the initial adjustment is posted to the Draft Report. Such discrepancies may be subject to a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the post-settlement correction request is denied, the Servicer may be liable for any additional losses.

4. Do not report on this Mortgage in future Accounting Cycles

## **8303.13: Reporting a charge-off (Future effective date 12/09/19)**

Freddie Mac's approval of a charge-off request ceases collection efforts on a delinquent Mortgage when the debt is deemed to be uncollectible or that a foreclosure should not be completed. In most cases, a charge-off will be accompanied by a lien release and cancellation of the Note (see Section 9210.4). The Servicer must comply with the requirements of Sections 9210.1 through 9210.5 regarding a charge-off.

The Servicer must complete the following steps to report a charge-off:

1. Report the charge-off as "Short Sale/Charge-off/Make-whole" **in the Loan Level Reporting tool (see Exhibit 88, Servicing Tools)** by the second Business Day after the Servicer receives Freddie Mac's approval letter confirming the charge-off request
2. Freddie Mac will draft the Ending UPB and delinquent and *exception interest* on the fifth Business Day after the exception date. If the charge-off settles in Freddie Mac systems on or before the Payoff Draft Determination Date, charge-off adjustments will be reflected in the Draft Report on the same day as the payoff draft. If the charge-off settles in Freddie Mac systems after the Payoff Draft Determination Date, the charge-off adjustment will be reflected in the Draft Report on the second Business Day after the charge-off settles in Freddie Mac systems.
3. The Servicer must review the Draft Report with respect to charge-offs and report any discrepancies to Freddie Mac **via the Freddie Mac Servicing Data Corrections tool (see Exhibit 88, Servicing Tools)** within 30 calendar days following Freddie Mac's posting of the amount to the Draft Report. Servicers may access the Draft Report through the Freddie Mac Cash Manager tool (see Exhibit 88, Servicing Tools).

When reporting a discrepancy, Servicers must **input** the calculation used to determine the variance and **upload** any documentation to support the request **in Servicing Data Corrections**.

Discrepancies submitted more than 60 calendar days after the initial adjustment is posted to the Draft Report **will be processed at Freddie Mac's discretion and** may be subject to a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the post-settlement correction request is denied, the Servicer may be liable for any additional losses.

4. Do not report on this Mortgage in future Accounting Cycles

## 8303.14: Repurchase reporting and drafting requirements (05/01/19)

Repurchased Mortgages may be *active* or *inactive* Mortgages or Mortgages transferred to REO. The Servicer must comply with the requirements of Chapter 3602 regarding a repurchase.

For a repurchase required by Freddie Mac or a repurchase approved by Freddie Mac at the Servicer's request, the Servicer must document the Mortgage file with Freddie Mac's written notification requiring the repurchase, or with Freddie Mac's prior written approval of the Servicer's request.

There are three types of repurchases and their corresponding reporting and remitting requirements as described in the table below.

Repurchase Type	Reporting	Drafting
<p><b>Voluntary</b></p> <p>Freddie Mac has approved the Servicer's written request to repurchase a Mortgage.</p> <p>(Note: Only under exceptional circumstances, and on an individual basis, will Freddie Mac allow the Servicer to repurchase Freddie Mac's interest in a Mortgage. Generally, Freddie Mac will only allow the Servicer to repurchase a Mortgage that is 90 or more days delinquent or in foreclosure.)</p>	<p>Servicer must report within 30 days following the date of Freddie Mac's notification approving the Servicer's repurchase request, using the transaction type "Payoff – Repurchase."</p>	<p>Freddie Mac will draft the principal and interest on the fifth Business Day after the repurchase is successfully reported:</p> <ul style="list-style-type: none"> <li>■ UPB as reported in the previous Accounting Cycle</li> <li>■ <i>Exception interest</i> and delinquent/reinstatement interest (if applicable) due Freddie Mac as of the Payoff Determination Date</li> </ul> <p>Refer to Section 3602.5 for the calculation of the repurchase price for <i>active</i> Mortgages or <i>inactive</i> Mortgages.</p>
<p><b>Involuntary</b></p> <p>Freddie Mac requires the Servicer to repurchase a Mortgage</p>	<p>Servicer must report within 30 days if the repurchase request is pursuant to Section 3602.2 or 60 days if the</p>	<p>Freddie Mac will draft the principal and interest on the fifth Business Day after the repurchase is successfully reported:</p>

Repurchase Type	Reporting	Drafting
	<p>repurchase request is pursuant Section 3602.3 following the date of Freddie Mac’s notification requiring the repurchase, using the transaction type “Payoff – Repurchase.”</p>	<ul style="list-style-type: none"> <li>■ UPB as reported in the previous Accounting Cycle</li> <li>■ <i>Exception interest and delinquent/reinstatement interest (if applicable) due Freddie Mac as of the Payoff Determination Date</i></li> </ul> <p>Refer to Section 3602.5 for the calculation of the repurchase price for <i>active</i> Mortgages or <i>inactive</i> Mortgages.</p>
<p><b>REO</b></p>	<p>Servicer must report the Mortgage as transferred to REO. An REO repurchase must not be reported through the Freddie Mac Service Loans application or any other reporting medium.</p>	<ul style="list-style-type: none"> <li>(a) Freddie Mac will not draft. The Servicer must submit the proceeds to Freddie Mac (see <b>Directory 6</b>) with a copy of the repurchase letter and a copy of the Single-Family Servicing All-In Economic Gain/Loss Calculation that Freddie Mac sends to the Servicer within 30 days following the date of Freddie Mac’s letter requiring or approving the repurchase</li> <li>(b) In the Servicer’s monthly remittance, the Servicer must remit the monthly and/or reinstatement interest due to Freddie Mac in which the Servicer repurchased the Mortgage based on the remittance due date</li> </ul>

Do not report on these Mortgages in future Accounting Cycles.

### 8303.14: Repurchase reporting and drafting requirements (Future effective date 12/09/19)

Repurchased Mortgages may be *active* or *inactive* Mortgages or Mortgages transferred to REO. The Servicer must comply with the requirements of Chapter 3602 regarding a repurchase.

For a repurchase required by Freddie Mac or a repurchase approved by Freddie Mac at the Servicer’s request, the Servicer must document the Mortgage file with Freddie Mac’s written notification requiring the repurchase, or with Freddie Mac’s prior written approval of the Servicer's request.

There are three types of repurchases and their corresponding reporting and remitting requirements as described in the table below.

Repurchase Type	Reporting	Drafting
<p><b>Voluntary</b></p> <p>Freddie Mac has approved the Servicer’s written request to repurchase a Mortgage.</p> <p>(Note: Only under exceptional circumstances, and on an individual basis, will Freddie Mac allow the Servicer to repurchase Freddie Mac’s interest in a Mortgage. Generally, Freddie Mac will only allow the Servicer to repurchase a Mortgage that is 90 or more days delinquent or in foreclosure.)</p>	<p>Servicer must report within 30 days following the date of Freddie Mac’s notification approving the Servicer’s repurchase request, using the transaction type “Payoff – Repurchase.”</p>	<p>Freddie Mac will draft the principal and interest on the fifth Business Day after the repurchase is successfully reported:</p> <ul style="list-style-type: none"> <li>■ UPB as reported in the previous Accounting Cycle</li> <li>■ <i>Exception interest</i> and delinquent/reinstatement interest (if applicable) due Freddie Mac as of the Payoff Determination Date</li> </ul> <p>Refer to Section 3602.5 for the calculation of the repurchase price for <i>active</i> Mortgages or <i>inactive</i> Mortgages.</p>
<p><b>Involuntary</b></p> <p>Freddie Mac requires the Servicer to repurchase a Mortgage</p>	<p>Servicer must report within 30 days if the repurchase request is pursuant to Section 3602.2 or 60 days if the repurchase request is pursuant Section 3602.3 following the date of Freddie Mac’s notification requiring the repurchase, using the transaction type “Payoff – Repurchase.”</p>	<p>Freddie Mac will draft the principal and interest on the fifth Business Day after the repurchase is successfully reported:</p> <ul style="list-style-type: none"> <li>■ UPB as reported in the previous Accounting Cycle</li> <li>■ <i>Exception interest</i> and delinquent/reinstatement interest (if applicable) due Freddie Mac as of the Payoff Determination Date</li> </ul> <p>Refer to Section 3602.5 for the calculation of the repurchase price for <i>active</i> Mortgages or <i>inactive</i> Mortgages.</p>
<p><b>REO</b></p>	<p>Servicer must report the Mortgage as transferred to REO. An REO repurchase must not be reported through the</p>	<p>(c) Freddie Mac will not draft. The Servicer must submit the proceeds to Freddie Mac (<b>see Directory 6</b>) with a copy of the repurchase letter and a copy of the Single-Family Servicing</p>

Repurchase Type	Reporting	Drafting
	<p>Freddie Mac Foreclosure Sale Reporting tool (see Exhibit 88, Servicing Tools) or any other reporting medium.</p>	<p>All-In Economic Gain/Loss Calculation that Freddie Mac sends to the Servicer within 30 days following the date of Freddie Mac’s letter requiring or approving the repurchase</p> <p>(d) In the Servicer’s monthly remittance, the Servicer must remit the monthly and/or reinstatement interest due to Freddie Mac in which the Servicer repurchased the Mortgage based on the remittance due date</p>

Do not report on these Mortgages in future Accounting Cycles.

### 8303.15: Loan-level transaction reporting (05/01/19)

The loan-level transaction is what Freddie Mac calls the monthly reporting of each *active* and *inactive* Mortgage the Servicer services for Freddie Mac, including reporting monthly net yield interest, principal reductions and principal increases due to Negative Amortization.

Principal reductions include curtailments and Negative Amortization decreases since the **end of the previous Accounting Cycle**, Scheduled Principal and prepaid Scheduled Principal. Refer to Exhibit 60, Loan-Level Data Reporting Description, and Exhibit 61, Interest and Principal Due Freddie Mac, for what the Servicer must report and how to calculate the **draft** due to Freddie Mac.

For Mortgages that were originated and delivered with a biweekly payment schedule in accordance with Section 4201.9, Servicers must report the biweekly contractual principal and interest payment as stated on the Note. If the Servicer reports more than one payment in an Accounting Cycle, then each loan-level transaction must reflect the cumulative principal received and forecasted scheduled interest for that Accounting Cycle.

**Note: This does not apply to Mortgages where the Servicer and Borrower agree to a biweekly payment plan in accordance with Section 8104.2 after the Mortgage has been sold to Freddie Mac.**

Requirements for reporting and **drafting of monthly principal and interest activity** and certain *exception* activities are detailed in Section 8303.16 and 8303.28.

## 8303.16: Monthly reporting and remitting requirements (05/01/19)

Effective May 1, 2019, this section is deleted.

## 8303.17: Quarterly reporting requirements for SCRA interest rate capped Mortgages (05/01/19)

If the Servicer elects to report adjustments to each Servicemembers Civil Relief Act (SCRA) - capped Mortgage on a quarterly basis, the Servicer must submit its report (see Exhibit 71, CSV File Format to Report Loans Eligible for the SCRA Interest Rate Subsidy) to Freddie Mac (see **Directory 3**) no later than the **third Business Day prior to the end of the calendar month** in March, June, September and December.

## 8303.18: Monthly remittance cycle (05/01/19)

All Mortgages serviced for Freddie Mac will follow the Standard Remittance Cycle.

Freddie Mac will directly draft the monthly principal and interest from the Servicer on the second Business Day after the P&I Determination Date.

## 8303.19: Draft dates (05/01/19)

The Servicer must make all funds due to Freddie Mac available for Freddie Mac to draft by the **applicable draft date**. If the **applicable draft date** is on a non-Business Day, the funds must be available to Freddie Mac on the preceding Business Day. Refer to Section 8303.7 for availability of remittances.

## 8303.20: Monthly reporting and drafting requirements, including exception activities (05/01/19)

The Servicer must report the following to Freddie Mac monthly **on or before the P&I Determination Date**:

1. All *principal and interest activities* for all *active* Mortgages
2. *Exception activities* listed in the chart below

3. The *reporting status* of all *inactive* Mortgages

Freddie Mac will draft, directly from the Servicer’s designated Custodial Account, the principal and interest for all Mortgages on the second Business Day following the P&I Determination Date. See Section 8303.21 for information on inactivating a Mortgage.

Refer to Section 8303.7 for specific requirements about when funds must be available to Freddie Mac and to Section 7101.5 for initial reporting and remitting requirements on Transfers of Servicing.

The following chart summarizes the **applicable draft dates** for the *exception activity* the Servicer must remit to Freddie Mac monthly:

<b>Activity</b> (Parenthetical terms are used in the Freddie Mac Service Loans application)	<b>Description</b>	<b>Make funds available to Freddie Mac by the...</b>
<b>Inactivation (Inactivate)</b>	The process of suspending the remittance of funds for a Mortgage <b>in the Accounting Cycle it becomes 120 days delinquent</b>	<b>P&amp;I Draft Date</b>
<b>Newly funded Mortgage</b>	A Mortgage that was sold to Freddie Mac during the current <b>Accounting Cycle</b>	
<b>Reinstatement (Reinstatement)</b>	A Mortgage that the Servicer inactivated during a previous <b>Accounting Cycle</b> that the Borrower has partially or fully reinstated, or for which the Servicer has completed a loan modification	
<b>Principal balance correction</b>	A Mortgage on which the ending UPB is higher than the beginning UPB for a reason other than negative amortization	

<b>Activity</b> (Parenthetical terms are used in the Freddie Mac Service Loans application)	<b>Description</b>	<b>Make funds available to Freddie Mac by the...</b>
<b>Deed-in-lieu of foreclosure</b>	A Borrower’s voluntary conveyance of clear title to the property with Freddie Mac’s approval in exchange for a discharge of debt	<b>Inactive Mortgages</b> <ul style="list-style-type: none"> <li>■ No funds are due if the Mortgage was <i>inactive</i></li> <li>■ For details on credits for interest advanced for a delinquent Mortgage, refer to Section 8303.25 for deeds-in-lieu of foreclosure, Section 8303.26 for FHA/VA foreclosure conveyance and Section 8303.27 for transfers to REO</li> </ul> <b>Active Mortgages</b> If the Mortgage was <i>active</i> , report any interest due to Freddie Mac by the <b>P&amp;I Determination Date</b> .
<b>FHA/VA foreclosure (FHA/VA foreclosure conveyance)</b>	A property that did not sell at the foreclosure sale for which the Servicer has filed a claim with FHA/VA	
<b>Transfer to REO</b>	A property Freddie Mac acquired through foreclosure	
<b>Principal balance adjustment, due to court order</b>	A Mortgage on which the ending UPB is lower than the beginning UPB due to a court order. Includes court-ordered modifications and bankruptcy cramdowns.	The date the loan appears on the “Loan Modification <b>Status Report</b> ” available in the Freddie Mac Service Loans application

**8303.20: Monthly reporting and drafting requirements, including exception activities (Future effective date 12/09/19)**

The Servicer must report the following to Freddie Mac monthly on or before the P&I Determination Date:

1. All *principal and interest activities* for all *active* Mortgages



2. *Exception activities* listed in the chart below
3. The *reporting status* of all *inactive* Mortgages

Freddie Mac will draft, directly from the Servicer’s designated Custodial Account, the principal and interest for all Mortgages on the second Business Day following the P&I Determination Date. See Section 8303.21 for information on inactivating a Mortgage.

Refer to Section 8303.7 for specific requirements about when funds must be available to Freddie Mac and to Section 7101.5 for initial reporting and remitting requirements on Transfers of Servicing.

The following chart summarizes the applicable draft dates for the *exception activity* the Servicer must remit to Freddie Mac monthly:

<b>Activity</b> (Parenthetical terms are used in the Freddie Mac <a href="#">Loan Level Reporting tool</a> ) (see Exhibit 88, <a href="#">Servicing Tools</a> )	<b>Description</b>	<b>Make funds available to Freddie Mac by the...</b>
<b>Inactivation (Inactivate)</b>	The process of suspending the remittance of funds for a Mortgage in the Accounting Cycle it becomes 120 days delinquent	P&I Draft Date
<b>Newly funded Mortgage</b>	A Mortgage that was sold to Freddie Mac during the current Accounting Cycle	
<b>Reinstatement (Reinstatement)</b>	A Mortgage that the Servicer inactivated during a previous Accounting Cycle that the Borrower has partially or fully reinstated, or for which the Servicer has completed a loan modification	

<b>Activity</b> (Parenthetical terms are used in the Freddie Mac <a href="#">Loan Level Reporting tool</a> ) (see Exhibit 88, <a href="#">Servicing Tools</a> )	<b>Description</b>	<b>Make funds available to Freddie Mac by the...</b>
<b>Principal balance correction</b>	A Mortgage on which the ending UPB is higher than the beginning UPB for a reason other than negative amortization	
<b>Deed-in-lieu of foreclosure</b>	A Borrower’s voluntary conveyance of clear title to the property with Freddie Mac’s approval in exchange for a discharge of debt	<b>Inactive Mortgages</b> <ul style="list-style-type: none"> <li>■ No funds are due if the Mortgage was <i>inactive</i></li> <li>■ For details on credits for interest advanced for a delinquent Mortgage, refer to Section 8303.25 for deeds-in-lieu of foreclosure, Section 8303.26 for FHA/VA foreclosure conveyance and Section 8303.27 for transfers to REO</li> </ul> <b>Active Mortgages</b> If the Mortgage was <i>active</i> , report any interest due to Freddie Mac by the P&I Determination Date.
<b>FHA/VA foreclosure</b>	A property that did not sell at the foreclosure sale for which the Servicer has filed a claim with FHA/VA	
<b>Transfer to REO</b>	A property Freddie Mac acquired through foreclosure	
<b>Principal balance adjustment, due to court order</b>	A Mortgage on which the ending UPB is lower than the beginning UPB due to a court order. Includes court-ordered modifications and bankruptcy cramdowns.	The date the loan appears on the “Loan Modification Status Report” available in the Freddie Mac <a href="#">Loan Level Reporting tool</a>

## 8303.21: Reporting inactivation of a Mortgage (05/01/19)

Inactivation is the process to suspend remitting funds to Freddie Mac for a Mortgage that is 120 days delinquent. The Servicer must change the *reporting status* to *inactive* either by selecting “inactivation” in the Freddie Mac Service Loans application or reporting Loan Level Reporting exception code 40 (Inactivation). If the Servicer does not inactivate a Mortgage in the Accounting Cycle the Mortgage becomes 120 days delinquent, Freddie Mac will inactivate the Mortgage. Once a Mortgage is inactivated, no monthly principal and interest will be drafted unless the Mortgage is partially or fully reinstated.

Note: This does not apply to Mortgages that were originated and delivered with biweekly payment schedules in accordance with Section 4201.9 that become 120 days delinquent. Servicers should report \$0 principal and \$0 scheduled interest, and not advance the DDLPI until at least one full biweekly payment is collected from the Borrower. If a Servicer attempts to inactivate a biweekly Mortgage that becomes 120 days delinquent by (1) selecting “inactivation” in the Service Loans application or (2) reporting loan-level reporting exception code 40 (Inactivation), it will receive an edit. To clear the edit, the Servicer must report \$0 principal and \$0 scheduled interest and not advance the DDLPI until at least one full biweekly payment is collected from the Borrower. ***Please note, Mortgages where the Borrower and Servicer agree to a biweekly payment plan, pursuant to Section 8104.2, after the Mortgage was delivered to Freddie Mac must be inactivated in accordance with this Section 8303.21.***

The Servicer must not report the forecasted scheduled interest in the month for which the Mortgage is inactivated.

Once the Servicer has inactivated the Mortgage, the Servicer must report it to Freddie Mac monthly as *principal and interest activity* with zero principal and zero interest due. The Servicer must continue to report it in this manner until the Mortgage is reactivated by a full or partial reinstatement, paid off, sold at foreclosure sale or transferred to REO. **The Servicer may accept and report partial payments, in increments of one full monthly payment for *inactive* Mortgages.** See Section 8303.23(b) for information on partial reinstatements.

## 8303.21: Reporting inactivation of a Mortgage (Future effective date 12/09/19)

Inactivation is the process to suspend remitting funds to Freddie Mac for a Mortgage that is 120 days delinquent. The Servicer must change the *reporting status* to *inactive* either by selecting “inactivation” in the Freddie Mac **Loan Level Reporting tool** (see Exhibit 88, **Servicing Tools**) or reporting Loan Level Reporting exception code 40 (Inactivation). If the Servicer does not inactivate a Mortgage in the Accounting Cycle the Mortgage becomes 120 days delinquent, Freddie Mac will inactivate the Mortgage. Once a Mortgage is inactivated, no monthly principal and interest will be drafted unless the Mortgage is partially or fully reinstated.

Note: This does not apply to Mortgages that were originated and delivered with biweekly payment schedules in accordance with Section 4201.9 that become 120 days delinquent. Servicers should report \$0 principal and \$0 scheduled interest, and not advance the DDLPI until at least one full biweekly payment is collected from the Borrower. If a Servicer attempts to inactivate a biweekly Mortgage that becomes 120 days delinquent by (1) selecting “inactivation” in the [Loan Level Reporting tool](#) or (2) reporting loan-level reporting exception code 40 (Inactivation), it will receive an edit. To clear the edit, the Servicer must report \$0 principal and \$0 scheduled interest and not advance the DDLPI until at least one full biweekly payment is collected from the Borrower. ***Please note, Mortgages where the Borrower and Servicer agree to a biweekly payment plan, pursuant to Section 8104.2, after the Mortgage was delivered to Freddie Mac must be inactivated in accordance with this Section 8303.21.***

The Servicer must not report the forecasted scheduled interest in the month for which the Mortgage is inactivated.

Once the Servicer has inactivated the Mortgage, the Servicer must report it to Freddie Mac monthly as *principal and interest activity* with zero principal and zero interest due. The Servicer must continue to report it in this manner until the Mortgage is reactivated by a full or partial reinstatement, paid off, sold at foreclosure sale or transferred to REO. The Servicer may accept and report partial payments, in increments of one full monthly payment for *inactive* Mortgages. See Section 8303.23(b) for information on partial reinstatements.

## **8303.22: Newly-funded Mortgage reporting and drafting requirements (05/01/19)**

A newly-funded Mortgage is a Mortgage sold to Freddie Mac during the current [Accounting Cycle](#). The Funding Date and the Mortgage balance at the end of the [Accounting Cycle](#) determine when the Servicer must report a newly-funded Mortgage. The Servicer must comply with the requirements of Section 8302.22 regarding the initial reporting [and drafting](#) of a newly funded Mortgage.

To report a newly funded Mortgage, the Servicer must:

1. Report [prepayments or principal curtailments, if applicable, on](#) a newly funded Mortgage to Freddie Mac [in the current Accounting Cycle](#). The Servicer may report forecasted scheduled interest by the end of the current Accounting Cycle.
2. [If prepayments or principal curtailments are reported prior to the P&I Determination Date, Freddie Mac will draft principal due to Freddie Mac on the P&I Draft Date. If prepayments or principal curtailments are received after the P&I Determination Date, they must be reported by the end of the Accounting Cycle and principal will be drafted on the P&I Draft Date of the next Accounting Cycle.](#)
3. Continue to report monthly. [See Section 8303.3\(a\) for monthly reporting requirements.](#)

## 8303.23: Reinstatement (05/01/19)

Reinstatement is the process of restoring a delinquent Mortgage or a Mortgage in foreclosure to current status. A full reinstatement requires full payment of all past-due amounts and brings an *inactive* Mortgage current. A partial reinstatement occurs when the Borrower makes a payment (at minimum, at least one full monthly principal payment and delinquent interest, if applicable) on an *inactive* Mortgage, but does not bring the Mortgage current. The Servicer must comply with the requirements as specified in Sections 9203.3 through 9203.7 regarding full and partial reinstatements.

### (a) Full reinstatement of an *inactive* Mortgage

The Servicer must complete the following steps to report and remit when the Servicer fully reinstates an *inactive* Mortgage:

- (a) Report all delinquent principal and interest collected from the Borrower and forecasted scheduled interest for the next Accounting Cycle as follows:
- If the DDLPI is on or before the inactivation date, Servicers must report principal from the previously reported DDLPI to the current Accounting Cycle (or later) and interest from the inactivation date to the current Accounting Cycle plus forecasted scheduled interest for the next Accounting Cycle
  - If the DDLPI is after the inactivation date, Servicers must report principal from the previously reported DDLPI to the current Accounting Cycle (or later) and interest from the previously reported DDLPI to the current Accounting Cycle plus forecasted scheduled interest for the next Accounting Cycle
  - If the Servicer reports principal and interest on or prior to the P&I Determination Date, Freddie Mac will draft the full amount of any principal due to Freddie Mac on the P&I Draft Date of the current Accounting Cycle. If reported after the P&I Determination Date, Freddie Mac will draft any principal due to Freddie Mac on the P&I Draft Date of the following Accounting Cycle.
  - Delinquent and forecasted scheduled interest will be drafted on the P&I Draft Date of the following Accounting Cycle
- (b) Resume monthly P&I reporting on this Mortgage in future Accounting Cycles unless the reinstatement resulted in a payoff.

Note: Servicers are encouraged, but not required, to report Loan Level Reporting exception code 50 (Reinstatement). If exception code 50 is not entered prior to the end of the Accounting Cycle, Freddie Mac will update the Loan Level Reporting system with a reinstatement transaction.

**(b) Partial reinstatement of an *inactive* Mortgage**

The Servicer must complete the following steps to report when the Servicer partially reinstates an *inactive* Mortgage:

If the Servicer accepts at least one full monthly principal payment and delinquent interest, then the Servicer must advance the DDLPI one month for each full payment received. Until brought current, the Inactivation Date will not change and the Mortgage will remain *inactive* regardless of the number of delinquent payments accepted by the Servicer.

If the DDLPI is on or prior to the Inactivation Date, the Servicer must report the principal (increments of at least one full expected principal payment as of the new DDLPI) accepted and zero interest. If the Servicer reports the partial reinstatement on or before the P&I Determination Date, Freddie Mac will draft the principal on the P&I Draft Date. If reported after the P&I Determination Date, Freddie Mac will draft the principal on the P&I Draft Date in the following Accounting Cycle.

If the Servicer advances the DDLPI beyond the Inactivation Date, the Servicer must report the principal (increments of at least one full expected principal payment as of the new DDLPI) received and the Freddie Mac expected delinquent interest.

If the Servicer reports the partial reinstatement on or before the P&I Determination Date, Freddie Mac will draft the principal on the P&I Draft Date. If reported after the P&I Determination Date, Freddie Mac will draft the principal on the P&I Draft Date in the following Accounting Cycle. Delinquent interest will be drafted on the P&I Draft Date in the following Accounting Cycle.

## **8303.24: Principal balance correction (05/01/19)**

If the Servicer reports an erroneous principal reduction amount, the Servicer must comply with the following requirements:

**(a) Understated principal reduction**

If the Servicer understates a principal reduction for an *Accounting Cycle*, it must adjust the amount of the understatement on the following *Accounting Cycle's* loan-level transaction by increasing the amount of total principal reduction.

**(b) Overstated principal reduction**

If the Servicer overstated the principal reduction for a given Mortgage by \$3,000 or less, it may adjust the principal balance in the following *Accounting Cycle's* loan-level transaction. This will result in an increase in the UPB of that Mortgage, which Freddie Mac refers to as negative principal reduction. A negative principal reduction occurs when the UPB of a

Mortgage is increased during the **Accounting Cycle** for reasons other than Negative Amortization. (Refer to Exhibit 61, Interest and Principal Due Freddie Mac.)

If the overstatement of principal reduction is more than \$3,000, the Servicer must contact Freddie Mac to discuss correction options (see **Directory 7**). One of the options is that Freddie Mac may require the Servicer to repurchase the Mortgage.

The Servicer may confirm the processing of the UPB adjustment on the **Negative Principal Reduction Report** and the Loan Reconciliation Difference Report or by contacting Freddie Mac (see **Directory 7**). If Freddie Mac processes the principal balance adjustment, there are no special reporting requirements for future cycles. If Freddie Mac does not process the principal balance correction, contact Freddie Mac for reporting instructions for future cycles.

## **8303.25: Deed-in-lieu of foreclosure reporting and remittance requirements (05/01/19)**

A deed-in-lieu of foreclosure is a Borrower's voluntary conveyance of clear title to the property in exchange for a discharge of debt. The Servicer must comply with the requirements of Sections 9209.1 through 9209.8 regarding a deed-in-lieu of foreclosure.

The Servicer must submit two separate transactions to Freddie Mac via the Freddie Mac Service Loans application to report a deed-in-lieu of foreclosure as follows:

1. By the first Business Day after receiving the executed deed or, in the case of a leasehold Mortgage, an executed lease assignment or new lease (collectively the "lease"), report "Foreclosure Sale/DIL." If the Borrower was required to make a cash contribution as a condition of acceptance of the deed-in-lieu of foreclosure, the Servicer must remit the funds, see Section 9209.8(b) for remittance requirements, no later than the fifth Business Day after the receipt of funds.
2. Report the Mortgage as a Transfer to REO transaction by the **end of the Accounting Cycle** in which the Servicer receives the executed deed or executed lease

If the Mortgage was *inactive* as of the previous Accounting Cycle, a **credit for the reimbursement of advanced interest (calculated from the DDLPI up to, but not including, the month the Servicer inactivated the Mortgage)**, if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date.

If the Mortgage was *active* as of the previous Accounting Cycle, a **credit for the reimbursement of advanced interest (calculated from the DDLPI through the end of the previous Accounting Cycle)**, if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date.



Do not report on this Mortgage for future [Accounting Cycles](#).

## **8303.25: Deed-in-lieu of foreclosure reporting and remittance requirements (Future effective date 12/09/19)**

A deed-in-lieu of foreclosure is a Borrower's voluntary conveyance of clear title to the property in exchange for a discharge of debt. The Servicer must comply with the requirements of Sections 9209.1 through 9209.8 regarding a deed-in-lieu of foreclosure.

The Servicer must submit two separate transactions to Freddie Mac to report a deed-in-lieu of foreclosure as follows:

1. [In the Foreclosure Sale Reporting tool \(see Exhibit 88, Servicing Tools\)](#), by the first Business Day after receiving the executed deed or, in the case of a leasehold Mortgage, an executed lease assignment or new lease (collectively the "lease"), report "Foreclosure Sale/DIL." If the Borrower was required to make a cash contribution as a condition of acceptance of the deed-in-lieu of foreclosure, the Servicer must remit the funds, see Section 9209.8(b) for remittance requirements, no later than the fifth Business Day after the receipt of funds.
2. [In the Loan Level Reporting tool \(see Exhibit 88, Servicing Tools\)](#), report the Mortgage as a Transfer to REO transaction by the end of the Accounting Cycle in which the Servicer receives the executed deed or executed lease

If the Mortgage was *inactive* as of the previous Accounting Cycle, a credit for the reimbursement of advanced interest (calculated from the DDLPI up to, but not including, the month the Servicer inactivated the Mortgage), if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date.

If the Mortgage was *active* as of the previous Accounting Cycle, a credit for the reimbursement of advanced interest (calculated from the DDLPI through the end of the previous Accounting Cycle), if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date.

Do not report on this Mortgage for future Accounting Cycles.



## 8303.26: FHA/VA foreclosure conveyance reporting and **drafting** requirements (05/01/19)

An FHA/VA foreclosure conveyance occurs when the Servicer forecloses on a Mortgage insured by the FHA or guaranteed by the VA and the property is not sold to a third party at the foreclosure sale. The Servicer must comply with the requirements of Chapter 9301 and Sections 9603.2 and 9603.3 regarding FHA/VA foreclosures.

The Servicer must notify Freddie Mac of the foreclosure sale by the first Business Day after the completion of the foreclosure sale by reporting a Foreclosure Sale/DIL and completing the applicable data fields.

The Servicer must submit two separate transactions to Freddie Mac via the Freddie Mac Service Loans application to report the FHA/VA conveyance:

1. By the first Business Day after the foreclosure sale, report the Foreclosure Sale/DIL transaction to inform Freddie Mac of the results of the sale
2. Report a Transfer to REO transaction by the **end of** the Accounting Cycle

If the Mortgage was *inactive* as of the previous Accounting Cycle, a **credit for the reimbursement of advanced interest (calculated from the DDLPI up to, but not including, the month the Servicer inactivated the Mortgage)**, if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as FHA/VA conveyance on or before the P&I Determination Date, or the next Accounting Cycle if reported as FHA/VA conveyance after the P&I Determination Date.

If the Mortgage was *active* as of the previous Accounting Cycle, a **credit for the reimbursement of advanced interest (calculated from the DDLPI through the end of the previous Accounting Cycle)**, if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as FHA/VA conveyance on or before the P&I Determination Date, or the next Accounting Cycle if reported as FHA/VA conveyance after the P&I Determination Date.

The Servicer must not report on this Mortgage in future **Accounting Cycles**.

## 8303.26: FHA/VA foreclosure conveyance reporting and **drafting** requirements (Future effective date **12/09/19**)

An FHA/VA foreclosure conveyance occurs when the Servicer forecloses on a Mortgage insured by the FHA or guaranteed by the VA and the property is not sold to a third party at the foreclosure sale. The Servicer must comply with the requirements of Chapter 9301 and Sections 9603.2 and 9603.3 regarding FHA/VA foreclosures.

The Servicer must notify Freddie Mac of the foreclosure sale by the first Business Day after the completion of the foreclosure sale by reporting a Foreclosure Sale/DIL and completing the applicable data fields.

The Servicer must submit two separate transactions to Freddie Mac via the Freddie Mac [Foreclosure Sale Reporting tool](#) (see Exhibit 88, [Servicing Tools](#)) to report the FHA/VA conveyance:

1. By the first Business Day after the foreclosure sale, report the Foreclosure Sale/DIL transaction to inform Freddie Mac of the results of the sale
2. Report a Transfer to REO transaction by the end of the Accounting Cycle

If the Mortgage was *inactive* as of the previous Accounting Cycle, a credit for the reimbursement of advanced interest (calculated from the DDLPI up to, but not including, the month the Servicer inactivated the Mortgage), if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as FHA/VA conveyance on or before the P&I Determination Date, or the next Accounting Cycle if reported as FHA/VA conveyance after the P&I Determination Date.

If the Mortgage was *active* as of the previous Accounting Cycle, a credit for the reimbursement of advanced interest (calculated from the DDLPI through the end of the previous Accounting Cycle), if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as FHA/VA conveyance on or before the P&I Determination Date, or the next Accounting Cycle if reported as FHA/VA conveyance after the P&I Determination Date.

The Servicer must not report on this Mortgage in future Accounting Cycles.

## **8303.27: REO reporting and [drafting](#) requirements (05/01/19)**

A transfer to REO occurs when the Mortgaged Premises is not sold to a third party at the foreclosure sale and Freddie Mac acquires the property. The Servicer must comply with the requirements of Sections 8106.3, 9301.38 through 9301.42, and Chapter 9603 regarding the submission on Freddie Mac's behalf of Internal Revenue Service Form 1099-A, Acquisition or Abandonment of Secured Property.

The Servicer must notify Freddie Mac through the Freddie Mac Service Loans application of the foreclosure sale by the first Business Day after the completion of the foreclosure sale by reporting a Foreclosure Sale/DIL and completing the applicable data fields.

The Servicer must complete the following steps to report for a transfer to REO:

1. The Servicer must report the transfer of the property to REO [in the same Accounting Cycle in which the foreclosure sale occurs](#)

2. For the interest the Servicer advanced for the delinquent Mortgage, the Servicer **will be provided** a credit calculated as follows:
  - (a) If the Mortgage was *inactive* as of the **end of the Accounting Cycle** prior to the foreclosure, **a credit for the reimbursement of advanced interest, if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date**
  - (b) If the Mortgage was *active* as of the **end of the Accounting Cycle** prior to the foreclosure, **a credit for the reimbursement of advanced interest, if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date**
3. Do not report on this Mortgage in future **Accounting Cycles**

Servicers are not required to wait until the end of the redemption period to report the REO transaction to recover the delinquent interest advanced to Freddie Mac.

## **8303.27: REO reporting and drafting requirements (Future effective date 12/09/19)**

A transfer to REO occurs when the Mortgaged Premises is not sold to a third party at the foreclosure sale and Freddie Mac acquires the property. The Servicer must comply with the requirements of Sections 8106.3, 9301.38 through 9301.42, and Chapter 9603 regarding the submission on Freddie Mac's behalf of Internal Revenue Service Form 1099-A, Acquisition or Abandonment of Secured Property.

The Servicer must notify Freddie Mac through the Freddie Mac **Foreclosure Sale Reporting tool (see Exhibit 88, Servicing Tools)** of the foreclosure sale by the first Business Day after the completion of the foreclosure sale by reporting a Foreclosure Sale/DIL and completing the applicable data fields.

The Servicer must complete the following steps to report for a transfer to REO:

1. The Servicer must report the transfer of the property to REO **in the Loan Level Reporting tool (see Exhibit 88, Servicing Tools)** in the same Accounting Cycle in which the foreclosure sale occurs
2. For the interest the Servicer advanced for the delinquent Mortgage, the Servicer will be provided a credit calculated as follows:

- (a) If the Mortgage was *inactive* as of the end of the Accounting Cycle prior to the foreclosure, a credit for the reimbursement of advanced interest, if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date
- (b) If the Mortgage was *active* as of the end of the Accounting Cycle prior to the foreclosure, a credit for the reimbursement of advanced interest, if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date

3. Do not report on this Mortgage in future Accounting Cycles

Servicers are not required to wait until the end of the redemption period to report the REO transaction to recover the delinquent interest advanced to Freddie Mac.

## **8303.28: Additional monthly reporting requirements (05/01/19)**

In addition to the loan-level transaction the Servicer must transmit to Freddie Mac each month, the Servicer must also submit the following reports, if applicable:

**(a) Supplemental accounting report of Servicemembers Civil Relief Act (SCRA) Mortgages**

If the Servicer elects to report adjustments to each SCRA-capped Mortgage on a monthly basis, the Servicer must submit its report (see Exhibit 71, CSV File Format to Report Loans Eligible for the SCRA Interest Rate Subsidy) to Freddie Mac (see **Directory 3**) no later than **three Business Days prior to the end of** the Accounting Cycle.

**(b) Form 105, Multipurpose Loan Servicing Transmittal, as used for reporting interest rate reductions on Affordable Merit Rate® Mortgages**

Within 30 days of the anniversary date on which the Borrower becomes eligible for the interest rate reduction by demonstrating a good payment history, the Servicer must send Form 105 to Freddie Mac (see **Directory 3**) reporting the following new terms of the Affordable Mortgage Rate Mortgage by completing these fields in Part C of the form:

1. Original Note Rate
2. Reduced Note Rate
3. New Principal & Interest Pmt.

#### 4. Effective Date of Rate Reduction

Refer to the Affordable Merit Rate Note Rider, Freddie Mac Uniform Instrument, Form 3194, and the Addendum, Freddie Mac Uniform Instrument, Form 3294, for definitions of the anniversary date and good payment history.

## 8303.29: Freddie Mac's reports to Servicers of discrepancies (05/01/19)

Freddie Mac will process the data the Servicer transmits, compare the data daily against Freddie Mac's database, and notify the Servicer of any discrepancies on the Edit Reports **daily**. The Servicer is responsible for ensuring the accuracy of the data the Servicer submits to Freddie Mac. **If applicable, any discrepancies identified by Freddie Mac prior to the P&I Determination Date must be resolved on or before the P&I Determination Date. Discrepancies identified after the P&I Determination Date must be resolved prior to the end of the current Accounting Cycle.** Refer to Sections 8303.5 and 8303.30 for additional information.

## 8303.30: Daily edit reports (05/01/19)

The Servicer must monitor the daily edit reports provided by Freddie Mac through the Freddie Mac Service Loans application at <http://www.freddiemac.com/singlefamily/service> and promptly correct the errors indicated on the reports (**refer to Section 8303.29**). Failure to promptly correct the errors indicated on the reports may negatively impact the Servicer's Servicer Success Scorecard. (See Section 3501.2 for additional information about the Servicer Success Scorecard.)

The daily edit reports provided by Freddie Mac are:

- 1. Freddie Mac Edits to be Cleared Report:** This daily report identifies loan-level transaction edits that prevent Freddie Mac from processing transactions the Servicer has reported. The Servicer must take immediate action to resolve the edit errors and transmit revised transactions to Freddie Mac that reflect the Borrower's payment activity.
- 2. Freddie Mac System Cleared Edits Report:** This daily report identifies loan-level transaction edits that Freddie Mac's system changed and continued processing. The Servicer must **review and** determine the cause of the edit and take action, **if necessary**, by the **end of the current Accounting Cycle** to prevent the edit from recurring in future **Accounting Cycles**.
- 3. Warning Report:** This daily report identifies loan-level transactions that were accepted by Freddie Mac that don't require the Servicer to take action but for which Freddie Mac recommends a review. Servicers must use this report to determine whether the correct loan transaction was processed. If the correct loan transaction was not processed, the Servicer must submit a revision.

- 4. Loan Level Missing Report:** This report identifies Mortgages missing from the Servicer's monthly loan-level transactions. This includes any Mortgage:
- That the Servicer did not report to Freddie Mac
  - With unresolved edits on the Edits to be Cleared Report
  - Reported to Freddie Mac with an invalid Freddie Mac loan number, and/or
  - For which Freddie Mac received a transaction, but the Mortgage was rejected by Freddie Mac's system

Freddie Mac will generate this report **daily beginning two Business Days prior to the P&I Determination Date or when Freddie Mac processes 75% of the loan-level transactions for Mortgages the Servicer services for Freddie Mac, whichever occurs first. Servicers must analyze this report and ensure that any Mortgage due to be reported to Freddie Mac is reported no later than 2:00 a.m. Eastern Time on the day following the P&I Determination Date.**

The Servicer will need a secure User ID and password to retrieve these reports through the Service Loans application. The Service Loans application is accessible at <http://www.freddiemac.com/singlefamily/service>.

## **8303.30: Daily edit reports (Future effective date 12/09/19)**

The Servicer must monitor the daily edit reports provided by Freddie Mac through the Freddie Mac **Loan Level Reporting tool available through the Servicing Gateway (see Exhibit 88, Servicing Tools)** and promptly correct the errors indicated on the reports (refer to Section 8303.29). Failure to promptly correct the errors indicated on the reports may negatively impact the Servicer's Servicer Success Scorecard. (See Section 3501.2 for additional information about the Servicer Success Scorecard.)

The daily edit reports provided by Freddie Mac are:

- 1. Freddie Mac Edits to be Cleared Report:** This daily report identifies loan-level transaction edits that prevent Freddie Mac from processing transactions the Servicer has reported. The Servicer must take immediate action to resolve the edit errors and transmit revised transactions to Freddie Mac that reflect the Borrower's payment activity.
- 2. Freddie Mac System Cleared Edits Report:** This daily report identifies loan-level transaction edits that Freddie Mac's system changed and continued processing. The Servicer must review and determine the cause of the edit and take action, if necessary, by the end of the current Accounting Cycle to prevent the edit from recurring in future Accounting Cycles.

3. **Warning Report:** This daily report identifies loan-level transactions that were accepted by Freddie Mac that don't require the Servicer to take action but for which Freddie Mac recommends a review. Servicers must use this report to determine whether the correct loan transaction was processed. If the correct loan transaction was not processed, the Servicer must submit a revision.
4. **Loan Level Missing Report:** This report identifies Mortgages missing from the Servicer's monthly loan-level transactions. This includes any Mortgage:
  - That the Servicer did not report to Freddie Mac
  - With unresolved edits on the Edits to be Cleared Report
  - Reported to Freddie Mac with an invalid Freddie Mac loan number, and/or
  - For which Freddie Mac received a transaction, but the Mortgage was rejected by Freddie Mac's system

Freddie Mac will generate this report daily beginning two Business Days prior to the P&I Determination Date or when Freddie Mac processes 75% of the loan-level transactions for Mortgages the Servicer services for Freddie Mac, whichever occurs first. Servicers must analyze this report and ensure that any Mortgage due to be reported to Freddie Mac is reported no later than 2:00 a.m. Eastern Time on the day following the P&I Determination Date.

The Servicer will need a secure User ID and password to retrieve these reports through the [Loan Level Reporting tool](#).

## 8303.31: Monthly reports provided to Servicer (05/01/19)

Freddie Mac provides the Servicer the three monthly reports described below that the Servicer must use to reconcile the amounts reported to Freddie Mac [and drafted by Freddie Mac from the Servicer's designated](#) Custodial Account. The Servicer must review these reports timely and notify Freddie Mac in writing ([see Directory 7](#)) of any errors or discrepancies between its data and the report.

1. **Loan Reconciliation Difference Report:** Freddie Mac will make available to the Servicer the final Loan Reconciliation Difference Report through the Freddie Mac Service Loans application [on the second Business Day of the month following the end of the Accounting Cycle](#). This report provides the Servicer with detailed information about transactions that:
  - Freddie Mac processed differently than the Servicer reported



- Freddie Mac added manually
- The Servicer reported as revisions that Freddie Mac did not process
- The Servicer reported as revisions that Freddie Mac did process
- The Servicer reported more than once during the **Accounting Cycle**
- The Servicer reported with an invalid Freddie Mac loan number
- The Servicer reported on Mortgages belonging to another Servicer

The differences identified on this report may be outstanding items on the Servicer's **designated** Custodial Account reconciliation or adjustments that the Servicer needs to make to the Servicer's cash remittance.

2. **Monthly Account Statement (MAS):** Freddie Mac will make available to the Servicer the final MAS through the Service Loans application **on the second Business Day of the month following the end of the Accounting Cycle**. This report summarizes the total amount due to Freddie Mac as of the Accounting Cycle.

The ending balance on the MAS includes principal and interest due to Freddie Mac, **amounts drafted from** the Servicer and adjustments made by Freddie Mac. The ending balance is the **amount outstanding (pending Freddie Mac's draft) and non-sufficient funds, if applicable, due** to Freddie Mac as of the **end of the Accounting Cycle**.

The Servicer must reconcile the ending balance to the Principal and Interest Custodial Account balance using Form 59, Principal and Interest Custodial Account Reconciliation Worksheet—Monthly Account Statement, in accordance with Freddie Mac's requirements in Sections 8304.13 through 8304.17. If the Servicer disagrees with the ending balance on the MAS, the Servicer must notify Freddie Mac in writing (**see Directory 7**) within 90 days of the **end of the Accounting Cycle**. Call the Customer Support Contact Center at 800-FREDDIE for further information.

3. **Draft Report:** The Draft Report will provide summary and loan-level detail of the amounts due and offsetting adjustments associated with revisions, based on Servicer reporting. A preliminary Draft Report will be available in the Service Loans application and updated based on daily reporting. A final version of the Draft Report for the current Accounting Cycle will be available in the Service Loans application on the morning after the P&I Determination Date.

The Draft Report details are as follows:

- (i) **If the principal and forecasted scheduled interest are reported on or prior to the P&I Determination Date, then:**

- **The principal will be reflected on the Draft Report for the current Accounting Cycle**



- The forecasted scheduled interest will be reflected on the Draft Report for the next Accounting Cycle
- (ii) If the principal and forecasted scheduled interest are reported after the P&I Determination Date, then the principal and forecasted scheduled interest amounts will be reflected on the Draft Report for the next Accounting Cycle
- (iii) If a principal and interest revision in the current Accounting Cycle is reported on or before the P&I Determination Date, then:
  - An offsetting principal adjustment will be reflected on the same day as the original transaction
  - An offsetting interest adjustment will be reflected on the same day as the original transaction
- (iv) If a principal and interest revision is reported after the P&I Determination Date, then an offsetting principal and interest adjustment will be reflected on the Draft Report for the next Accounting Cycle
- (v) If a payoff is reported by the Payoff Determination Date, the payoff transaction will be reflected on the Draft Report and drafted on the fifth Business Day after the Payoff Date
- (vi) If a payoff is reported after the Payoff Determination Date, the payoff transaction will be reflected on the Draft Report and drafted on the second Business Day after the payoff transaction is successfully reported to Freddie Mac
- (vii) If a payoff is revised prior to the Payoff Determination Date, an offsetting adjustment to the previously accepted payoff amount will be reflected on the Draft Report
- (viii) If a payoff is revised after the Payoff Determination Date, an offsetting adjustment will be reflected on the Draft Report on the second Business Day after the payoff revision is successfully reported to Freddie Mac
- (ix) If an REO was reported and the Mortgage was *inactive* as of the previous Accounting Cycle, a credit for the reimbursement of advanced interest (calculated from the DDLPI up to, but not including, the month the Servicer inactivated the Mortgage), if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date.
- (x) If an REO was reported and the Mortgage was *active* as of the previous Accounting Cycle, a credit for the reimbursement of advanced interest (calculated from the DDLPI through the end of the previous Accounting Cycle), if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I

Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date.

## 8303.31: Monthly reports provided to Servicer (Future effective date 12/09/19)

Freddie Mac provides the Servicer the three monthly reports described below that the Servicer must use to reconcile the amounts reported to Freddie Mac and drafted by Freddie Mac from the Servicer's designated Custodial Account. The Servicer must review these reports timely and notify Freddie Mac in writing (see **Directory 7**) of any errors or discrepancies between its data and the report.

1. **Loan Reconciliation Difference Report:** Freddie Mac will make available to the Servicer the final Loan Reconciliation Difference Report through the Freddie Mac [Loan Level Reporting tool](#) (see [Exhibit 88, Servicing Tools](#)) on the second Business Day of the month following the end of the Accounting Cycle. This report provides the Servicer with detailed information about transactions that:

- Freddie Mac processed differently than the Servicer reported
- Freddie Mac added manually
- The Servicer reported as revisions that Freddie Mac did not process
- The Servicer reported as revisions that Freddie Mac did process
- The Servicer reported more than once during the Accounting Cycle
- The Servicer reported with an invalid Freddie Mac loan number
- The Servicer reported on Mortgages belonging to another Servicer

The differences identified on this report may be outstanding items on the Servicer's designated Custodial Account reconciliation or adjustments that the Servicer needs to make to the Servicer's cash remittance.

2. **Monthly Account Statement (MAS):** Freddie Mac will make available to the Servicer the final MAS through the [Loan Level Reporting tool](#) on the second Business Day of the month following the end of the Accounting Cycle. This report summarizes the total amount due to Freddie Mac as of the Accounting Cycle.

The ending balance on the MAS includes principal and interest due to Freddie Mac, amounts drafted from the Servicer and adjustments made by Freddie Mac. The ending balance is the amount outstanding (pending Freddie Mac's draft) and non-sufficient funds, if applicable, due to Freddie Mac as of the end of the Accounting Cycle.

The Servicer must reconcile the ending balance to the Principal and Interest Custodial Account balance using Form 59, Principal and Interest Custodial Account Reconciliation Worksheet—Monthly Account Statement, in accordance with Freddie Mac’s requirements in Sections 8304.13 through 8304.17. If the Servicer disagrees with the ending balance on the MAS, the Servicer must notify Freddie Mac in writing (see **Directory 7**) within 90 days of the end of the Accounting Cycle. Call the Customer Support Contact Center at 800-FREDDIE for further information.

3. **Draft Report:** The Draft Report will provide summary and loan-level detail of the amounts due and offsetting adjustments associated with revisions, based on Servicer reporting. A preliminary Draft Report will be available in the [Cash Manager tool](#) (see [Exhibit 88, Servicing Tools](#)) and updated based on daily reporting. A final version of the Draft Report for the current Accounting Cycle will be available in the [Cash Manager tool](#) on the morning after the P&I Determination Date.

The Draft Report details are as follows:

- (i) If the principal and forecasted scheduled interest are reported on or prior to the P&I Determination Date, then:
  - The principal will be reflected on the Draft Report for the current Accounting Cycle
  - The forecasted scheduled interest will be reflected on the Draft Report for the next Accounting Cycle
- (ii) If the principal and forecasted scheduled interest are reported after the P&I Determination Date, then the principal and forecasted scheduled interest amounts will be reflected on the Draft Report for the next Accounting Cycle
- (iii) If a principal and interest revision in the current Accounting Cycle is reported on or before the P&I Determination Date, then:
  - An offsetting principal adjustment will be reflected on the same day as the original transaction
  - An offsetting interest adjustment will be reflected on the same day as the original transaction
- (iv) If a principal and interest revision is reported after the P&I Determination Date, then an offsetting principal and interest adjustment will be reflected on the Draft Report for the next Accounting Cycle
- (v) If a payoff is reported by the Payoff Determination Date, the payoff transaction will be reflected on the Draft Report and drafted on the fifth Business Day after the Payoff Date

- (vi) If a payoff is reported after the Payoff Determination Date, the payoff transaction will be reflected on the Draft Report and drafted on the second Business Day after the payoff transaction is successfully reported to Freddie Mac
- (vii) If a payoff is revised prior to the Payoff Determination Date, an offsetting adjustment to the previously accepted payoff amount will be reflected on the Draft Report
- (viii) If a payoff is revised after the Payoff Determination Date, an offsetting adjustment will be reflected on the Draft Report on the second Business Day after the payoff revision is successfully reported to Freddie Mac
- (ix) If an REO was reported and the Mortgage was *inactive* as of the previous Accounting Cycle, a credit for the reimbursement of advanced interest (calculated from the DDLPI up to, but not including, the month the Servicer inactivated the Mortgage), if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date.
- (x) If an REO was reported and the Mortgage was *active* as of the previous Accounting Cycle, a credit for the reimbursement of advanced interest (calculated from the DDLPI through the end of the previous Accounting Cycle), if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date.

## **8303.32: Reports to reconcile monthly activity (05/01/19)**

Freddie Mac will provide preliminary and final versions of the reports listed in Section 8303.31 as follows:

### **(a) Preliminary**

If the Servicer reports and resolves all data discrepancies prior to the close of the **Accounting Cycle**, the preliminary Loan Reconciliation Difference Report **and Draft Report** will be available through the Freddie Mac Service Loans application at <http://www.freddiemac.com/singlefamily/service>.

The Servicer may use the preliminary reconciliation reports to begin reconciling its monthly Mortgage activity and Principal and Interest Custodial Account, or use them to make revisions to the Servicer's loan-level transactions.

## **(b) Final reports**

After Freddie Mac closes its [Accounting Cycle](#), Freddie Mac will provide the Servicer the final MAS and the Loan Reconciliation Difference Reports through the Freddie Mac Service Loans application.

Freddie Mac will provide the final [Draft Report](#) to the Servicer through the Service Loans application [on the second Business Day of the month following the end of the Accounting Cycle](#).

The Servicer should use these reports to reconcile its investor reporting and the Servicer's Custodial Account activity for the month in accordance with Chapter 8304.

## **8303.32: Reports to reconcile monthly activity (Future effective date 12/09/19)**

Freddie Mac will provide preliminary and final versions of the reports listed in Section 8303.31 as follows:

### **(a) Preliminary**

If the Servicer reports and resolves all data discrepancies prior to the close of the Accounting Cycle, the preliminary Loan Reconciliation Difference Report [will be available in the Freddie Mac Loan Level Reporting tool \(see Exhibit 88, Servicing Tools\)](#), and the Draft Report will be available through the Freddie Mac [Cash Manager tool \(see Exhibit 88, Servicing Tools\)](#).

The Servicer may use the preliminary reconciliation reports to begin reconciling its monthly Mortgage activity and Principal and Interest Custodial Account, or use them to make revisions to the Servicer's loan-level transactions.

### **(b) Final reports**

After Freddie Mac closes its Accounting Cycle, Freddie Mac will provide the Servicer the final MAS and the Loan Reconciliation Difference Reports through the Freddie Mac [Loan Level Reporting tool](#).

Freddie Mac will provide the final Draft Report to the Servicer through the [Cash Manager tool](#) on the second Business Day of the month following the end of the Accounting Cycle.

The Servicer should use these reports to reconcile its investor reporting and the Servicer's Custodial Account activity for the month in accordance with Chapter 8304.

## 8303.33: Reconciling Seller/Servicer Remittance Analysis (05/01/19)

Effective May 1, 2019, this section is deleted.

## 8303.34: Noncompliance with reporting and drafting requirements (05/01/19)

The Servicer's failure to comply with Freddie Mac's requirements for reporting and **drafting** constitutes a violation of the Purchase Documents and the contractual obligations of the Guide. In addition to any other remedies Freddie Mac may have at law or in equity, the Servicer is subject to the assessment of compensatory fees for any violations.

Freddie Mac will charge the Servicer a noncompliance compensatory fee for the Servicer's failure to comply with Freddie Mac's Servicing reporting requirements contained in Section 8106.1 or the accounting reporting time requirements contained in this chapter. Servicing reporting and accounting reporting noncompliance compensatory fees are each monitored and assessed separately.

The Servicer will receive written notification of all compensatory and other fee assessments. Freddie Mac reserves the right to revise Freddie Mac's compensatory and other fee schedules and change Freddie Mac's methods of calculating compensatory and other fees at any time at Freddie Mac's sole discretion. The Servicer may direct any questions regarding the assessment of accounting reporting compensatory and other fees to Freddie Mac (**see Directory 7**).

See Section 8303.35 for instructions on remitting compensatory fees.

The Servicer must complete, execute and submit to Freddie Mac Form 1132, Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH), as either:

- A paper document, signed in pen and ink by an Authorized Employee, by regular mail or overnight delivery service in accordance with the mailing instructions contained in the Form 1132; or
- An Electronic Record (as defined in Section 1401.2) copy, using a Portable Document Format (PDF) (or other Electronic Record format commonly used in the mortgage industry), that has been completed and contains the copy or representation of the pen and ink signature of the Servicer's Authorized Employee (such copy or representation of the Authorized Employee's signature shall be such Authorized Employee's adopted Electronic Signature as defined in Section 1401.2) attached to an e-mail and delivered to Freddie Mac at the following e-mail address: **cashcollections@freddiemac.com**

Freddie Mac and the Servicer agree that the delivery of Electronic Records with Electronic Signatures are eligible Electronic Transactions (as defined in Section 1401.2) and are governed by the applicable provisions of Chapter 1401.

The employee authorized to execute Form 1132 on the Servicer's behalf must be designated as an "Authorized Employee" on the Servicer's Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, or Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable.

The account identified in Form 1132 for the payment of fees must be a Demand Deposit Account that is separate from any Custodial Account required to be maintained pursuant to any of the Purchase Documents.

The Servicer agrees to notify Freddie Mac immediately at **Servicer\_Billing@freddiemac.com** of any changes to the status of the Servicer's ACH account.

## **8303.35: Drafting noncompliance compensatory fees (05/01/19)**

Freddie Mac will initiate an Automated Clearing House (ACH) draft to collect any compensatory fees billed on the Performing Loans monthly Servicing Billing Statement and the Non-Performing Loans Invoice. To authorize ACH drafting of compensatory fees, the Servicer must:

1. Submit a completed, executed and duly authorized Form 1132, Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH), no later than 15 Business Days before the last Business Day of the first month in which the Servicer is liable to pay Freddie Mac any compensatory fees, to set up or make certain changes to the draft account. This form will authorize Freddie Mac to initiate an ACH draft, and designates an account from which Freddie Mac will collect any compensatory and other fees for which Freddie Mac may bill the Servicer on the Performing Loans monthly Servicer Billing Statement and the Non-Performing Loans Invoice, and
2. Designate an account other than one of Freddie Mac's Custodial Accounts from which Freddie Mac will draft the amount due; and
3. Deliver Form 1132 to Freddie Mac as either:
  - A paper document, signed in pen and ink by an Authorized Employee, by regular mail or overnight delivery service in accordance with the mailing instructions contained in the Form 1132; or
  - An Electronic Record (as defined in Section 1401.2) copy, using a Portable Document Format (PDF) (or other Electronic Record format commonly used in the mortgage industry), that has been completed and contains the copy or representation of the pen and

ink signature of the Servicer's Authorized Employee (such copy or representation of the Authorized Employee's signature shall be such Authorized Employee's adopted Electronic Signature as defined in Section 1401.2) attached to an e-mail and delivered to Freddie Mac at the following e-mail address: **cashcollections@freddiemac.com**

- Freddie Mac and the Servicer agree that the delivery of Electronic Records with Electronic Signatures are eligible Electronic Transactions (as defined in Section 1401.2) and are governed by the applicable provisions of Chapter 1401.

The employee authorized to execute Form 1132 on the Servicer's behalf must be designated as an "Authorized Employee" on the Servicer's Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, or Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable.

Servicers may establish one ACH account for the payment of invoices for both the Performing Loans monthly Servicer Billing Statement and the Servicer Non-Performing Loans Invoice, or establish two separate accounts. Servicers may submit billing inquires or billing-related requests to **Servicer\_Billing@freddiemac.com**.

See Section 9102.1 concerning Non-Performing Loans remittances.

See Sections 7101.2, 8303.34, 8303.36 through 8303.43 and 9603.17 for information on these compensatory fees.

## **8303.36: Reporting noncompliance compensatory fees (05/01/19)**

Freddie Mac assesses a compensatory fee when the Servicer fails to comply with Freddie Mac's Servicing reporting requirements for the reports listed in Section 8106.1 or with Freddie Mac's reporting requirements contained in this chapter and Section 9102.7.

If the Servicer commits more than one type of reporting offense within any consecutive 12-month period, the Servicer may be subject to more than one reporting noncompliance fee.

The Servicer will be subject to the applicable compensatory fee in accordance with Section 8303.38 for its failure to:

1. Submit complete and accurate Servicing reports, including the submission of error-free loan-level data within the required time frame
2. Report mandated data elements, such as the Last Payment Received Date (LPRD) or other fields as listed in Exhibit 60, Loan-Level Reporting Data Description



3. Provide information requested by Freddie Mac that is outside of the regular monthly reporting requirements of this chapter, or its failure to provide such requested information in a usable form within the required time frame

Freddie Mac will notify the Servicer in writing of all instances of noncompliance.

## **8303.37: Reporting noncompliance compensatory fees – all loans (05/01/19)**

Effective May 1, 2019, this section is deleted.

## **8303.38: EDR noncompliance compensatory fees (03/02/16)**

Freddie Mac assesses a compensatory fee when a Servicer fails to report applicable delinquent Mortgage information through EDR, within the first three Business Days of a month in accordance with Section 9102.7. The compensatory fees are based on the number of noncompliance violations the Servicer commits in any consecutive 12-month period starting with the month in which the first violation occurred and as shown below.

<b>IF the noncompliance violation within a consecutive 12-month period is the Servicer's...</b>	<b>THEN the reporting noncompliance compensatory fee is...</b>	<b>AND the Servicer...</b>
<b>First violation</b>	Greater of \$250 or \$50 per loan, up to \$5,000	
<b>Second violation</b>	Greater of \$500 or \$50 per loan, up to \$10,000	May be required to attend a reporting training seminar at the Servicer's expense
<b>Third violation or more</b>	Greater of \$1,000 or \$50 per loan, up to \$15,000	

In addition to the monetary compensatory fees, beginning with the second violation, Freddie Mac may require the Servicer to attend reporting training at the Servicer's expense. Freddie Mac reserves the right to invoke additional remedies, including suspension or disqualification as a Seller/Servicer or a full or partial termination of Servicing, in the event of continuing violations.

Freddie Mac will bill the Servicer for such fees on the Servicer Non-Performing Loans Invoice. Refer to Section 9102.1 for information on the payment of Servicing Non-Performing Loans Invoices via an Automated Clearing House draft.

### **8303.39: Unreported transactions and loan simulation compensatory fee (05/01/19)**

Freddie Mac assesses a compensatory fee of \$100 per loan when a Servicer fails to clear outstanding edits or report loan-level activity by the end of [the Accounting Cycle](#).

### **8303.40: Aged data errors compensatory fee (03/02/16)**

Freddie Mac may assess a \$100 compensatory fee per loan, per occurrence, up to a maximum of \$15,000 per month in which there are unresolved loan-level reporting errors that appear on the Loan Reconciliation Difference Report 90 days or more category.

Freddie Mac will submit an Automated Clearing House (ACH) draft transaction for all data error compensatory fees the Servicer owes Freddie Mac on the last Business Day of the month in which the Servicer received the Performing Loans monthly Servicer Billing Statement from Freddie Mac stating the amount of the compensatory fees. Refer to Section 8303.35 for information on establishing the ACH draft.

### **8303.41: [Next month](#) late reported payoff noncompliance compensatory fee (05/01/19)**

Freddie Mac assesses this compensatory fee when the Servicer fails to report a paid off Mortgage by the [second](#) Business Day of the month following the month in which the Servicer receives the funds. This compensatory fee is equal to one month's interest based on the net yield for each loan that the Servicer reports late. Freddie Mac may assess this compensatory fee in addition to other fees contained in this chapter.

Freddie Mac may assess a late reported payoff compensatory fee if the Servicer fails to report the payoff of a matured Mortgage in accordance with Section 8301.19.

Freddie Mac will submit an Automated Clearing House (ACH) transaction for all late reported payoff noncompliance compensatory fees the Servicer owes Freddie Mac on the last Business Day of the month in which the Servicer received the Performing Loans monthly Servicer Billing Statement from Freddie Mac indicating the amount of the compensatory fee. Refer to Section 8303.35 for information on establishing the ACH draft.

## 8303.42: Draft delay compensatory fee (05/01/19)

With respect to payoffs, Freddie Mac assesses this compensatory fee when the Servicer fails to report a payoff within two Business Days of the Payoff Date and the late report results in a delayed Payoff Draft Date. (Note: If the Servicer fails to report a paid-off Mortgage by the second Business Day of the month following the month in which the Servicer receives the funds, then the compensatory fee is determined as provided in Section 8303.41 rather than this Section 8303.42.)

Freddie Mac calculates this compensatory fee by the amount of the payoff funds, multiplied by the number of calendar days the payoff draft was late as a result of the late reported payoff, multiplied by the highest quoted prime rate on the last Business Day of the month in which the late payoff draft occurred in the print edition of *The Wall Street Journal* in its regular column entitled “Money Rates” plus 3% divided by 365. If the prime rate is not published, then Freddie Mac will determine a comparable rate.

With respect to principal and interest or payoffs, Freddie Mac assesses this compensatory fee when the Servicer fails to have sufficient funds available for Freddie Mac to draft on the P&I Draft Date or on the Payoff Draft Date, as applicable. Freddie Mac calculates this compensatory fee by the amount of the principal and interest, or payoff, as applicable, multiplied by the number of calendar days the draft of principal and interest, or payoff, was late as a result of the failure of the Servicer to have sufficient funds available, multiplied by the highest quoted prime rate on the last Business Day of the month in which the draft failure occurred in the print edition of *The Wall Street Journal* in its regular column entitled “Money Rates” plus 3% divided by 365. If the prime rate is not published, then Freddie Mac will determine a comparable rate.

**The minimum monthly compensatory fee will be based on the number of noncompliance violations the Servicer commits in any consecutive 12-month period starting with the month in which the first violation occurred and as shown below:**

<b>IF the noncompliance violation within a consecutive 12-month period is the Servicer’s...</b>	<b>THEN the draft delay compensatory fee will be...</b>
<b>First instance</b>	No less than \$250 in any given month
<b>Second instance</b>	No less than \$500 in any given month
<b>Third instance or more in 12 months</b>	No less than \$1,000 in any given month

Freddie Mac will submit an Automated Clearing House (ACH) draft transaction for all cash remittance interest reimbursement compensatory fees the Servicer owes Freddie Mac on the last

Business Day of the month in which the Servicer receives the Performing Loans monthly Servicer Billing Statement stating the amount of the compensatory fee. Refer to Section 8303.35 for information on establishing the ACH draft.

Refer to Section 9603.17 for the compensatory fee assessed for late execution of a repurchase request for an REO.

## **8303.43: Contract noncompliance and contract change compensatory fees (09/01/19)**

Freddie Mac may assess contract noncompliance compensatory fees based on the circumstances listed below.

Freddie Mac will submit an Automated Clearing House (ACH) draft transaction for all contract noncompliance and contract change compensatory fees the Servicer owes Freddie Mac on the last Business Day of the month in which the Servicer received the Performing Loans monthly Servicer Billing Statement and/or the Servicer Non-Performing Loans Invoice, as applicable, from Freddie Mac stating the amount of the fee. Refer to Section 8303.35 for information on establishing the ACH draft.

When a Servicer submits a post-settlement data correction request more than 60 days after the initial adjustment is posted to the Detail Adjustment Report, or in the case of mortgage modifications more than 60 days after the close of the Freddie Mac Accounting Cycle, Freddie Mac will assess a **contract noncompliance and contract change** compensatory fee of \$500 per Mortgage when Freddie Mac must:

- Research and perform database corrections to Freddie Mac's records to correct loan level cash or data discrepancies due to erroneous reporting by the Servicer, including, but not limited to, corrections to data transmitted through EDR and loss mitigation reporting errors
- Process the database changes necessary to complete an approved waiver to the Purchase Documents

## **8303.44: Freddie Mac resources related to reporting and remittance (05/01/19)**

The following are additional resources related to the topics in this chapter:

1. Investor Reporting EDI Implementation Guide
2. Exhibit 60, Loan-Level Reporting Data Description
3. Exhibit 61, Interest and Principal Due Freddie Mac

4. Exhibits 62, 63, and 64, Interest Calculation: Amortization Method
5. Exhibit 82, Electronic Default Reporting Transmission Code List
6. Exhibit 88, Servicing Tools

The Servicer may also visit Freddie Mac Learning at [www.freddiemac.com/learn/service](http://www.freddiemac.com/learn/service) or call the Customer Support Contact Center at 800-FREDDIE for further information.

# Chapter 8304: Managing Custodial Accounts

## 8304.1: Managing Custodial Accounts (05/01/19)

A Custodial Account is a Demand Deposit Account or Interest-Bearing Deposit Account the Servicer must establish and maintain at an Eligible Depository for the safekeeping of funds associated with Freddie Mac-owned Mortgages. The Servicer must maintain Principal and Interest Payments and Escrow Funds in separate Custodial Accounts until Freddie Mac drafts monthly principal and interest payments or loan payoffs or the Servicer remits funds to a third party. Only funds received in connection with the Servicing of Freddie Mac-owned Mortgages are to be deposited into the accounts.

Refer to Chapter 8302 for requirements on establishing Custodial Accounts and this chapter for requirements for administering and reconciling the cash in the Custodial Accounts.

All Freddie Mac accounts must be reconciled within 45 days of the end of each Accounting Cycle. The Servicer must identify and fund any shortages within 90 days of the Accounting Cycle even if the variance has not been identified. However, Freddie Mac reserves the right to request that funding occur immediately.

Managing Custodial Accounts completes the cycle of the Servicer's investor accounting responsibilities. The Servicer must comply with Freddie Mac's administrative and reconciliation requirements for Custodial Accounts.

- Sections 8304.3 through 8304.12 address administering Custodial Accounts, including Freddie Mac's requirements for recordkeeping, investing funds, monitoring depository eligibility and conditions for changing or transferring Custodial accounts
- Sections 8304.13 through 8304.22 address reconciling Custodial Accounts, including Freddie Mac's requirements for identifying and correcting differences between the Servicer's records and Freddie Mac's

## 8304.2: Freddie Mac's rights (05/01/19)

Freddie Mac reserves the right to:

1. Draft funds directly from the designated Custodial Accounts at any time. To designate the appropriate Custodial Account and to authorize Freddie Mac to draft monthly principal and interest payments and payoff proceeds, Servicers must submit a completed, executed and duly authorized Form 1132A, Authorization for Automatic Transfer of Funds from a Principal and Interest Custodial Account Through the Automated Clearing House (ACH), in accordance with Section 8303.3.

2. Request that the Servicer submit copies of Custodial Accounts and/or related Time Deposit records, such as bank account statements, detailed trial balances and completed reconciliations, variance logs, and supporting documentation for such records
3. Assess compensatory fees and/or seek repayment of losses sustained due to errors, omission or delays by the Servicer in complying with the requirements of this chapter

### **8304.3: Servicer responsibilities related to Custodial Accounts (03/02/16)**

Servicers are responsible for properly reconciling and maintaining the Custodial Account(s), and for maintaining accurate records and supporting documentation. Servicers are required to establish and reconcile Custodial Account(s) for each Seller/Servicer number. Servicers may not consolidate multiple Seller/Servicer numbers into a single reconciliation.

The Servicer must, at all times, maintain records for each Custodial Account in which Freddie Mac has an interest that accurately reflect the following information:

1. Designating the accounts in accordance with the requirements of Section 8302.6
2. Account numbers
3. The amounts of Principal and Interest Payments and Escrow Funds deposited for each Mortgage
4. The dates on which funds were deposited
5. Supporting documentation of all deposits to and withdrawals from a Custodial Account
6. Freddie Mac's vested and ascertainable interest in funds deposited into each Custodial Account

### **8304.4: Investing Custodial Account funds (05/01/19)**

The Servicer may invest funds deposited into any of Freddie Mac's Custodial Accounts as a Time Deposit or in federal funds. The Servicer may retain any interest earned on funds invested. Such investments must:

1. Contain only Freddie Mac's funds from one type of Custodial Account. The Servicer may not commingle funds from more than one type of Custodial Account or funds from any other source.
2. Be held at an Eligible Depository for that type of Custodial Account in accordance with the requirements of Sections 8302.4 through 8302.7

3. Mature within seven days of the date of the deposit
4. Mature prior to any date on which the Servicer must use the funds for remitting to Freddie Mac, disbursing the payment of an Escrow item, or applying buydown funds to a payment not to exceed seven days from the date of the deposit

Prior to remitting or disbursing funds from the Custodial Account, the Servicer must redeposit invested Custodial Account funds to their original Custodial Account so that they are available for Freddie Mac to draft principal and interest or payoff amounts, or for the Servicer to disburse Escrow payments or apply buydown funds to the Borrower's payment.

## **8304.5: Maintaining the Principal and Interest Custodial Account balance (05/01/19)**

The Servicer must:

- Maintain Freddie Mac funds separately from the Servicer's general ledger account; a general ledger account is not a substitute for a Demand Deposit account
- Deposit all Freddie Mac funds into a Demand or Interest-Bearing Deposit Account in accordance with Section 8302.3
- Ensure that funds are available for Freddie Mac to draft principal and interest or payoff amounts. If the funds available in a Principal and Interest Custodial Account are less than the amount due to Freddie Mac on the applicable draft date, the Servicer must advance its funds so that the amount due to Freddie Mac is available before the applicable draft date.
- Maintain a positive daily balance in the Principal and Interest Custodial Account(s) at all times
- Perform a consolidated reconciliation if the Servicer has more than one Principal and Interest Custodial Account under a specific Seller/Servicer number

The Servicer may recover any funds it advanced for the payment of delinquent net yield interest from subsequent collections of Principal and Interest Payments.

## **8304.6: Maintaining the Escrow Custodial Account balance (03/02/16)**

The Servicer must:



1. Establish and maintain at least one Escrow Custodial Account for each Seller/Servicer number, even if the Servicer does not collect Escrow Funds for Mortgages serviced under that number
2. Maintain the Escrow Funds separately from the Servicer's general ledger account; a general ledger account is not a substitute for a Demand Deposit Account
3. Deposit all Freddie Mac funds into a Demand Deposit or Interest-Bearing Deposit Account in accordance with Section 8302.3
4. Ensure that each Borrower's vested interest is ascertainable at all times
5. Ensure that funds are available for remittances before disbursing funds to third parties
6. Maintain a positive daily balance in the Escrow Custodial Account(s) at all times
7. Perform a consolidated reconciliation if the Servicer has more than one Escrow Custodial Account under a specific Seller/Servicer number
8. Deposit an advance from the Servicer's funds to the Escrow Custodial Account for any shortages on the same day the shortage occurs and before making any disbursements. The Servicer must not use the overages of one Borrower account to fund the negative Escrow or shortage of other Borrower accounts.

The Servicer may recover any Escrow advance from subsequent payments to the Escrow Custodial Account of the specific Mortgage for which the Servicer made the advance.

## **8304.7: Maintaining the Buydown Custodial Account (03/02/16)**

Servicers may deposit buydown funds into the Escrow Custodial Account, or the Servicer may, at its option, open a separate Custodial Account for buydown funds. If the Servicer establishes a separate Buydown Custodial Account, the Servicer must comply with the requirements regarding Custodial Accounts generally, and the maintenance and reconciliation of Escrow Custodial Accounts set forth in the Guide for such Buydown Custodial Account.

## **8304.8: Monitoring depository eligibility (11/30/16)**

The Servicer must maintain all Custodial Accounts and/or related Time Deposits in an Eligible Depository at all times. The Servicer must continually monitor its depository's eligibility status to ensure it meets the requirements of Sections 8302.4 and 8302.5. The Servicer's obligation to transfer funds to an Eligible Depository is not dependent upon notification from Freddie Mac.

The Servicer may determine a depository's eligibility by subscribing at its own expense to any of the rating services referenced in Section 8302.5, or by contacting Freddie Mac at (800) FREDDIE. In addition, the Servicer may determine a depository's ineligibility based on actual knowledge.

If the Servicer determines that a depository is no longer eligible, it must:

1. Open new Custodial Accounts and/or related Time Deposits within 30 days from the release date of the ratings that make the depository ineligible
2. Meet the requirements listed in Sections 8304.11 and 8304.12 for changing or transferring accounts

### **8304.9: Freddie Mac's right to remove accounts from specified depositories (03/02/16)**

Freddie Mac reserves the right to determine, at Freddie Mac's sole discretion, that the Servicer may no longer deposit or hold Principal and Interest Payments and Escrow Funds in a particular depository. Freddie Mac's exercise of its rights under this section means that it may expressly prohibit a Servicer from maintaining Custodial Accounts and/or related Time Deposits with a particular Depository.

If Freddie Mac determines that a depository no longer meets Freddie Mac's requirements, Freddie Mac will give the Servicer written notice to remove the Custodial Accounts and/or related Time Deposits. The Servicer must comply with all requirements of the notice and take the following actions:

1. Close the Custodial Accounts and/or related Time Deposits within the time frame as specified in the notice
2. Open new Custodial Accounts in accordance with the requirements of Section 8304.11 in an Eligible Depository other than the depository specified in the notice

If the Servicer chooses to invest the Custodial Account funds in a Time Deposit at the new Eligible Depository, it must adhere to the requirements for Time Deposits in Section 8304.11(a).

### **8304.10: The Servicer's right to change or transfer accounts (03/02/16)**

The Servicer may choose to change Custodial Accounts and/or related Time Deposits, or transfer them to another Eligible Depository. If the Servicer chooses to do so, it must adhere to the requirements of Section 8304.11.

## **8304.11: Requirements for changing or transferring accounts (03/02/16)**

Changes to or transfers of Custodial Accounts and/or related Time Deposits may result from any of the following circumstances:

1. The ineligibility of a depository according to the requirements of Section 8304.8
2. A written notice from Freddie Mac to remove the account according to the requirements of Section 8304.9
3. The Servicer's choice to change or transfer the account according to the requirements of Section 8304.10
4. A change to the depository's name, account number or bank routing number

### **(a) Custodial Account and/or related Time Deposit**

The Servicer must meet the requirements of Sections 8302.3 through 8302.7 to change or transfer any Custodial Account.

The Servicer must meet the requirements of Sections 8302.4 through 8302.7 and Section 8304.4 to change or transfer any Time Deposit related to a Custodial Account.

### **(b) Remittance drafting account**

In addition to meeting the requirements above, if there is any change or transfer that affects the Custodial Account the Servicer chose as a remittance drafting account, the Servicer must also:

1. Contact Freddie Mac (**see Directory 1**)
2. Submit the documentation required by Section 8302.7(c) at least 15 Business Days before the Servicer plans to use the new account or modified bank routing instruction
3. Continue to use the existing account or bank routing instructions until Freddie Mac gives the Servicer written authorization to use the new account or modified bank routing instructions
4. Transfer funds from the former Custodial Account to the new Custodial Account when the Servicer receives Freddie Mac's written notice that Freddie Mac has processed the new remittance instructions

If Freddie Mac drafts and funds are not available because the Servicer changed its drafting account without receiving Freddie Mac's written authorization, the Servicer will be subject to an interest reimbursement compensatory fee as set forth in Section 8303.41.

## **8304.12: Liability for Custodial Account transfer costs (03/02/16)**

Freddie Mac will not be liable to the Servicer for any costs, fees, penalties, loss of interest income or any other expenses directly or indirectly resulting from the transfer of any Custodial Account and/or related Time Deposit from one depository to another. Refer to Sections 8304.8 through 8304.10. This applies whether Freddie Mac requires the Servicer, or the Servicer chooses, to transfer the Custodial Account and/or related Time Deposit.

## **8304.13: Reconciling Custodial Accounts (05/01/19)**

The Servicer must reconcile all Custodial Accounts within 45 days of the end of each Accounting Cycle. The purpose of the Custodial Account reconciliation is to enable the Servicer to:

- Identify, at the loan level, variances between the Servicer's receipts, cash disbursements and liabilities due to third parties and Freddie Mac's records
- Identify and correct the root cause of the items causing the variance
- Notify Freddie Mac of errors in Freddie Mac's records
- Fund shortage variances no later than 90 days from the end of each Accounting Cycle even if the Servicer has not identified the root cause. However, Freddie Mac reserves the right to request that funding occur immediately.

## **8304.14: Reconciling the Principal and Interest Custodial Account (05/01/19)**

The Servicer must not consolidate multiple Seller/Servicer numbers into a single reconciliation. In reconciling the Principal and Interest Custodial Account, the Servicer must:

1. Reconcile the Principal and Interest Custodial Account within 45 days from the end of each Accounting Cycle
2. Establish a separate Custodial Account and reconciliation for each Seller/Servicer number
3. Use the ending balance of the Monthly Account Statement that corresponds to the Accounting Cycle

4. Consolidate all Principal and Interest Custodial Accounts for a specific Seller/Servicer number into a single reconciliation, if the Servicer has multiple Principal and Interest Custodial Accounts for a specific Seller/Servicer number
5. Properly document and account for any prepaid and delinquent interest in order to accurately determine the Custodial Account adjusted liability
6. Identify, at the loan level, variances between the Servicer's receipts, cash disbursements and liabilities due to third parties and Freddie Mac's records
7. Fund shortage variances within 90 days from the end of the Accounting Cycle, even if the Servicer has not identified the root cause of the issue. However, Freddie Mac reserves the right to request that funding occur immediately.
8. Use the Form 59, Principal and Interest Custodial Account Reconciliation - Monthly Account Statement (MAS), to reconcile the account and identify variances. The Servicer may use either the online version of Form 59 or a copy that is an exact replica of the form, to complete the reconciliation. The Servicer must document every line item on Form 59 of the custodial account reconciliation as follows:
  - Bank statements with a running daily balance that cover the Accounting Cycle
  - Bank statements that show deposits in transit, outstanding debits, and funding of shortage variances
  - The final version of the MAS
  - Delinquent and prepaid interest trial balances
  - Supporting documentation for other billings
  - Cumulative variance logs
  - Any additional documentation requested by Freddie Mac

If the Servicer disagrees with the ending balance or any adjustments listed on the Draft Report with the exception of short sale charge-offs applied to the MAS (see Section 9208.8), the Servicer must notify Freddie Mac (**see Directory 7**) within 90 days of the end of the Accounting Cycle represented by the MAS. Freddie Mac reserves the right to deny the Servicer's request for a refund or interest on a refund if the Servicer does not notify Freddie Mac within the required time frame.

Refer to Section 8304.15 for information on Freddie Mac's review of this reconciliation.

## **8304.15: Freddie Mac’s Principal and Interest Custodial Account review (03/02/16)**

Freddie Mac conducts periodic examinations of the Principal and Interest Custodial Account Reconciliation. At any time Freddie Mac may request, and the Servicer must provide, Freddie Mac with a complete reconciliation no later than the requested due date. The reconciliation package must include:

- A completed Form 59, Principal and Interest Custodial Account Reconciliation Worksheet — Monthly Account Statement, along with supporting documentation for every line item on Form 59
- Bank statements, including any that show evidence of deposits of shortage variances
- Trial balance of delinquent and prepaid interest
- Variance logs and any supplemental information to explain the nature and age of the variance displaying the Freddie Mac loan number
- Any additional documentation requested by the Freddie Mac examiner

## **8304.16: Reconciling deposits to the Principal and Interest Custodial Account (05/01/19)**

In reconciling a Principal and Interest Custodial Account, the Servicer must, as of the end of each Accounting Cycle, account for all payments received as well as advances and other billings due to Freddie Mac. Section 8302.10 specifies the time frames the Servicer must meet for the deposit of the funds listed below. The required deposits to the Principal and Interest Custodial Account by source are as follows:

### **(a) Freddie Mac’s share of payments received:**

1. Principal and interest collected on all Freddie Mac Mortgages, whether received from, or on behalf of, the Borrower or applied from a buydown account
2. Principal curtailments
3. Payoffs, including short sales and third-party foreclosure sale proceeds
4. Prepayment penalties, if applicable

If the Servicer chooses, it may also deposit and later withdraw the Servicing fees that it earns or the participant’s share of any of the payments received. If the Servicer does not withdraw these funds by the end of the Accounting Cycle, it must account for them in its reconciliation.

**(b) Advances and other billings due from the Servicer:**

1. Advances for remittance shortages
2. Interest due for newly funded Mortgages
3. Repurchase proceeds

## **8304.17: Reconciling withdrawals from the Principal and Interest Custodial Account (05/01/19)**

In reconciling the Principal and Interest Custodial Account, the Servicer must, as of the end of the Accounting Cycle, account for all withdrawals from the account, including the following:

1. Principal and interest and payoffs to Freddie Mac
2. Earned Service fees and amounts in excess of the Minimum Gross Yield originally deposited with a full Principal and Interest Payment
3. Participant's share of Principal and Interest Payments
4. Recovery of advances for delinquent Mortgages
5. Deposit errors and other reconciling items
6. Transfers to a Principal and Interest Disbursement Clearing Custodial Account. Refer to Section 8304.22 for reconciliation requirements regarding this optional Custodial Account.

## **8304.18: Reconciling the Escrow Custodial Account (05/01/19)**

The Servicer must not consolidate multiple Seller/Servicer numbers into a single reconciliation. In reconciling the Escrow Custodial Account, the Servicer must:

1. Reconcile the Escrow Custodial Account within 45 days from the end of the Accounting Cycle
2. Establish a separate bank account and reconciliation for each Seller/Servicer number
3. Complete a consolidated reconciliation if the Servicer has more than one Escrow Custodial Account under a specific Seller/Servicer number, and a consolidated reconciliation for its Escrow liabilities

4. Use the positive Escrow balance that corresponds to the end of the Accounting Cycle
5. Properly document and account for all Escrow balances in order to accurately determine the Escrow Custodial Account adjusted liability
6. Identify, at the loan level, variances between the Servicer's receipts, cash disbursements and liabilities due to third parties and Freddie Mac's records
7. Fund shortage variances within 90 days from the end of the Accounting Cycle
8. Include any buydown balances in the Servicer's Escrow Custodial Account reconciliation, if any buydown funds are deposited into the Escrow Custodial Account. The Servicer may complete a separate reconciliation for buydown subsidies if the Servicer chooses to set up an optional buydown Custodial Account. Refer to Section 8304.22 for requirements for reconciling a separate buydown Custodial Account.
9. Reconcile to the positive Escrow balance as of the end of the Accounting Cycle using Form 59E, Escrow Custodial Account Reconciliation Worksheet. The Servicer may use either the online version of Form 59E or a copy that is an exact replica of the form, to complete the reconciliation. The Servicer must document every line item on Form 59E of the Escrow Custodial Account reconciliation as follows:
  - Bank statement(s) with a running daily balance that cover the Accounting Cycle
  - Bank statements that show deposits in transit, outstanding debits, and funding of shortage variances
  - Loan level trial balance displaying the Escrow balances
  - If the Servicer's trial balance nets the escrow liability, and add the negative escrow balance
  - Cumulative variance logs that display the Freddie Mac loan number

Refer to Section 8304.19 for information on Freddie Mac's review of this reconciliation.

## **8304.19: Freddie Mac's Escrow Custodial Account review (03/02/16)**

Freddie Mac conducts periodic examinations of the Escrow Custodial Account Reconciliation. At any time, Freddie Mac may request, and the Servicer must provide Freddie Mac with, a complete reconciliation no later than the requested due date. The reconciliation package must include:



- A completed Form 59E, Escrow Custodial Account Reconciliation Worksheet, along with supporting documentation for every line item on Form 59E
- Bank statements, including any that show evidence of deposits of shortage variances
- Trial balance displaying all Escrow liabilities
- Variance logs and any supplemental information to explain the nature and age of the variance displaying the Freddie Mac loan number
- Any additional documentation requested by the Freddie Mac examiner

If the Servicer's trial balance reflects a net Escrow balance, the Servicer must add the negative Escrow to determine the liability.

The Servicer may use either the online version of Form 59E, or a copy that is an exact replication of the form, to complete the reconciliation. Upon Freddie Mac's request, the Servicer must be able to provide Freddie Mac with a paper copy of the completed Form 59E, together with any supporting documentation, for up to one year from the date of the related reconciliation worksheet. All documentation must be received by Freddie Mac no later than the requested due date. Refer to the instructions section of Form 59E for information on supporting documentation.

## **8304.20: Reconciling deposits to the Escrow Custodial Account (05/01/19)**

In reconciling the Escrow Custodial Account, the Servicer must, as of the end of the Accounting Cycle, account for all Escrow Funds received, as well as advances or interest paid on Escrow. The Servicer is required to maintain an active Escrow Custodial Account even if no Escrow amounts are collected from the Borrower(s). The Escrow Custodial Account may also be used to deposit partial payments, suspense amounts where the Borrower has not established clear intent for the payment, and insurance payment proceeds. Section 8302.10 specifies the time frames the Servicer must meet for the deposit of funds to Custodial Accounts.

The following details the deposits to include in the reconciliation:

### **(a) Payments received:**

1. Escrow Funds paid by the Borrower or deposited on the Borrower's behalf, such as insurance loss claim proceeds
2. Payments held in unapplied or suspense pending proper distribution such as, partial payments and biweekly payments from plans that allow for biweekly collection of payments on monthly amortizing Mortgages

3. Buydown funds, if applicable. Refer to Section 8304.22 for reconciliation requirements regarding an optional buydown Custodial Account

**(b) Funds due from the Servicer:**

1. Advances as specified in Section 8304.6
2. Interest on Escrow, if paid and deposited to the Borrower's Escrow account

## **8304.21: Reconciling withdrawals from the Escrow Custodial Account (05/01/19)**

In reconciling the Escrow Custodial Account, the Servicer must, as of the end of the Accounting Cycle, account for all withdrawals made from the account. The following lists the withdrawals to include in the reconciliation:

1. Disbursements of Escrow Funds, including insurance proceeds resulting from a loss claim
2. Partial payments applied, including biweekly payment plan funds on monthly amortizing Mortgages
3. Buydown funds applied to the Borrower's Mortgage
4. Recovery of the Servicer's advances when the Servicer receives a subsequent Escrow payment for the Mortgage for which the Servicer made the advance
5. Refunds of surplus Escrow Funds resulting from an Escrow analysis or Mortgage payoff
6. Deposit errors and other reconciling items

## **8304.22: Reconciling an optional Custodial Account (05/01/19)**

If a Servicer chooses to open an optional Custodial Account, as referenced in Sections 8302.1 and 8302.2, as of the end of the Accounting Cycle, the Servicer must complete the following consolidated reconciliations:

**(a) Principal and Interest Disbursement Clearing Custodial Account**

The balance of this type of Custodial Account must equal zero or the amount of a principal and interest payment or payoff amount due to Freddie Mac. The Servicer must only make deposits to this type of Custodial Account immediately prior to the applicable draft date. The Servicer must consolidate the Principal and Interest Disbursement Clearing Custodial

Account reconciliation with the Servicer's Principal and Interest Custodial Account reconciliation. Refer to Sections 8304.13 through 8304.17 for requirements on reconciling the Principal and Interest Custodial Account.

**(b) Buydown Custodial Account**

The balance of this type of Custodial Account must equal the total of buydown funds deposited at the time Freddie Mac purchased a Mortgage, minus the monthly buydown amount times the number of payments applied since Freddie Mac's purchase. The balance in this Custodial Account may represent the buydown balance of more than one Mortgage. Refer to Section 8304.13 for requirements on reconciling this account.

# Chapter 8401: Changes to the Mortgaged Premises

## 8401.1: Partial releases and easements (08/01/19)

### (a) Processing requests for partial releases and granting of easements

A Servicer may receive a request to release part of the Mortgaged Premises as security for the Mortgage (a partial release) or a request to approve the granting of an easement on a portion of the Mortgaged Premises. A partial release may be initiated at the Borrower’s request or as a result of some other action such as a condemnation or a taking of the property by eminent domain. Except as noted below, the Servicer must obtain an appraisal report with an interior and exterior inspection that meets the requirements of Chapter 5601 when considering such requests in order to determine the value of the Mortgaged Premises immediately before the release and the estimated value after the release.

The Servicer, under its delegated authority, may approve a partial release or grant an easement provided the following conditions are met:

1. The Borrower’s monthly Mortgage payment is current at the time of the request, and there is no change in the expectation that the Borrower can continue to make the monthly payment
2. The Servicer has received written approval of the FHA, VA, RHS or MI and all superior lien-holders, if applicable
3. At least 12 months have passed since the Origination Date
4. Either of the situations and the corresponding actions in the chart below are met:

Situation	Action
<p>If</p> <ul style="list-style-type: none"> <li>■ The current loan-to-value (LTV) ratio of the Mortgage based on the value obtained at origination (as described in Section 4203.1) is less than 60%, and</li> <li>■ The consideration the Borrower receives for the partial release or easement is not greater than 5% of</li> </ul>	<p>Then</p> <ul style="list-style-type: none"> <li>■ An appraisal is not required</li> <li>■ The Borrower is not required to apply the consideration received for the partial release or easement to reduce the UPB of the Mortgage</li> </ul>

Situation	Action
<p>the original value (this would include situations in which the Borrower receives no consideration), and</p> <ul style="list-style-type: none"> <li>■ The transaction is arm's-length</li> </ul>	
<p>If</p> <ul style="list-style-type: none"> <li>■ The current LTV ratio of the Mortgage based on original value is equal to or greater than 60%, or</li> <li>■ The consideration the Borrower receives for the partial release or easement is greater than 5% of the original value or no consideration is received</li> </ul>	<p>Then</p> <ul style="list-style-type: none"> <li>■ The Servicer must order a new appraisal with interior and exterior inspection that provides current and estimated after release values, and</li> <li>■ The UPB of the Mortgage must be reduced in an amount sufficient to maintain the same LTV ratio, as determined by the appraisal immediately before the partial release or easement is granted. However, if based on the estimated value after the release the LTV ratio is less than 60%, the Borrower is not required to reduce the UPB of the Mortgage.</li> </ul>

Notwithstanding the above, the Servicer may require that any consideration received by the Borrower for the released land or easement be applied to the UPB of the Mortgage, if the Servicer determines that the intended use of the released land or easement would adversely affect the value or use of the remaining Mortgaged Premises. Upon release, the Servicer must ensure that all applicable tax authorities are notified for adjustment of applicable assessments. The Servicer is responsible for ensuring that the title of the Mortgaged Premises after the partial release remains a valid First Lien as required in Section 4201.2 and the title insurance meets the requirements of Chapter 4702 after the partial release or easement has been granted.

If any of the above conditions are not met, the Servicer must **complete and** submit Form 715, Borrower Application for Partial Release or Easement, to **Freddie Mac via e-mail at [Distressed\\_property@freddiemac.com](mailto:Distressed_property@freddiemac.com) or fax at 571-382-4933.**

**(b) Additional requirements for easements**

In addition to the requirements noted in Section 8401.1(a), the Servicer must ensure that any special requirements for the granting of an easement as specified in the Security Instrument are met.

## **8401.2: Prohibition of conversion of the Mortgaged Premises (03/02/16)**

The Mortgaged Premises may not be converted from a 1- to 4-unit property to a condominium or cooperative, and any such conversion shall be treated as a transfer of the Mortgaged Premises under Section 8406.1. In addition, no individual units of a 2- to 4-unit property may be separately released from the Mortgaged Premises.

## **8401.3: Condemnation and eminent domain (03/02/16)**

In addition to the requirements noted in Section 8401.1, the following conditions must be met in the case of a condemnation or a taking of the property by eminent domain:

1. The Servicer must ensure that any special requirements for a condemnation or the taking of a property by eminent domain as specified in the Security Instrument are met
2. The Servicer must submit the documentation specified in Section 8401.1 and any other applicable documentation, to Freddie Mac (**see Directory 5**) if:
  - The Mortgaged Premises will be taken in whole and the consideration to be paid to the Borrower will be insufficient to satisfy the UPB of the Mortgage or
  - The Mortgaged Premises will be taken in part and:
    - The value of the property being taken is greater than the consideration being paid to the Borrower and
    - The loan-to-value ratio does not meet the conditions specified in Section 8401.1 for release without any consideration

Freddie Mac will review the request and provide the Servicer with instructions on how to proceed.

## **8401.4: Modification, waiver or release of terms (03/02/16)**

The Servicer must not modify, waive, or release any term of any Note or Security Instrument, accept any prepayment, or consent to any postponement of performance by any Borrower of any obligation under a Note or Security Instrument, except as authorized by the Purchase Documents.

For leasehold Mortgages, the Servicer must not approve or consent to (i) any partition, subdivision or modification of the ground lease community and the leasehold estate; (ii) any surrender, abandonment or termination of the leasehold estate or the ground lease community; (iii) the termination or cancellation of the lease and any amendments to the lease that affect the rights of the leasehold mortgagee, without the written approval of Freddie Mac.

# Chapter 8402: Property Seizure

## 8402.1: Property seizure (03/02/16)

Under various federal, State and local laws, a law enforcement agency may, in some circumstances, seize and cause the forfeiture of real property that is obtained with the proceeds of activities, or which is used to facilitate activities, committed in violation of federal, State or local laws. Such laws include those relating to controlled substances, gambling and prostitution. Actions that result in the loss of possession of real property by a legal action or process are called property seizures. These different laws commonly provide some avenue of relief from forfeiture for a mortgagee that can prove it is an “innocent owner” (or “innocent lienholder”).

An important course of action in protecting the mortgagee’s innocent owner status is prompt and cooperative communication with law enforcement agencies.

### **(a) The Servicer’s designee for contacts with law enforcement agencies**

To properly handle the sensitive area of mortgagee-law enforcement agency cooperation, and maximize mutual benefits from such cooperation, the Servicer must limit contacts with, or from, law enforcement agencies to a designated management-level employee that the Servicer selects. The Servicer must alert its employees to direct all information regarding a property seizure to the appropriate designee, including, but not limited to, the following:

1. Unsolicited information
2. Government notices
3. Government or other third-party inquiries
4. Telephone calls or written correspondence

### **(b) Documentation**

The management level employee selected as the Servicer’s designee to handle a property seizure must:

1. Maintain complete, detailed and accurate records of:
  - All information received, relayed or reported, including (where applicable) the names of all contacting and contacted parties
  - All actions taken by the Servicer
  - The dates of all contacts and actions



2. Confirm in writing communications with Freddie Mac and appropriate law enforcement agencies
3. Deliver the original Mortgage file to Freddie Mac (**see Directory 5**) when and if Freddie Mac requests the Servicer to do so

**(c) Restriction on foreclosure action**

The Servicer must contact Freddie Mac to request approval to initiate foreclosure (**see Directory 5**).

**(d) Applicability of requirements**

The requirements in Sections 8402.1 through 8402.6 address forfeitures arising from violations of federal, State or local laws specified in Section 8402.1(a). However, all of these requirements also extend to government seizure and forfeiture of the property for the Borrower's violation of any other laws.

Refer to Section 9401.2 for Freddie Mac rights when the requirements of this section and sections 8402.2 through 8402.6 regarding government seizure and forfeiture of the property are not met.

## **8402.2: Unsolicited disclosure of pre-seizure information (03/02/16)**

The Servicer must relay the following information to the asset forfeiture team in the Drug Enforcement Administration (DEA) office nearest to the location of the property:

1. Unsolicited information that the Servicer receives from any party (other than a law enforcement official) regarding a possible connection between alleged or suspected drug transactions and the Mortgage or the property. The Servicer must relay the information without verifying or passing judgment on its source or veracity.
2. Visual observations of suspected drug transactions by any party on the property as reported by a Servicer's employee or a contractor while on a routine inspection of the property

The Servicer must cooperate with all law enforcement agencies to the extent that applicable law allows. If the DEA or another law enforcement agency requests information about the Borrower, Mortgage or property, or requests that the Servicer take certain actions, whether or not in response to a voluntary disclosure of information, the Servicer must determine if:

1. The request complies with the provisions of applicable law including, but not limited to, the Right to Financial Privacy Act (RFPA)
2. The Servicer's compliance with the request is allowed under applicable law

3. The Servicer's compliance with the request would expose the Servicer or the Servicer's staff to potential harm and/or liability

**(a) Reporting requirements**

Within three Business Days of receiving the DEA's or other law enforcement agency's request, the Servicer must report the information in writing to the DEA or other law enforcement agency. The Servicer must send a copy of that report to Freddie Mac (**see Directory 5**) within three Business Days of reporting the information to the DEA or other law enforcement agency.

When submitting information to the DEA, the Servicer must:

1. Advise the DEA that the Servicer is Servicing the Mortgage for Freddie Mac
2. Disclose to the DEA the name, telephone number and mailing address of the Servicer's contact at Freddie Mac
3. Forward the information to any other applicable federal or local law enforcement agency as the DEA may request

All reporting to the DEA and/or to Freddie Mac must be in writing unless an emergency warrants reporting by telephone, in which case the Servicer must confirm such report in writing to Freddie Mac in accordance with Section 8402.1(b). The Servicer must also report all developments after the initial contact to Freddie Mac (**see Directory 5**) within three Business Days of any such development.

**(b) Property inspection**

The Servicer must order a property inspection within three Business Days of receiving unsolicited information regarding a possible connection or observation of alleged or suspected drug transactions in connection with the property. Freddie Mac will permit a curbside inspection as specified in Section 9202.12. The Servicer must submit a copy of the inspection report along with the Freddie Mac loan number and the name and phone number of the Servicer's point of contact to Freddie Mac (**see Directory 5**) within three Business Days of the Servicer's receipt of the report.

## **8402.3: Requested disclosure of pre-seizure information (03/02/16)**

The Servicer must cooperate with all law enforcement agencies to the extent that applicable law allows. If the Drug Enforcement Administration (DEA) or another law enforcement agency requests information about the Borrower, the Mortgage or the property, or requests that the Servicer take certain actions (whether or not in response to a voluntary unsolicited disclosure of information by the Servicer as provided in Section 8402.1), the Servicer must determine if:

1. The request complies with the provisions of applicable law including, but not limited to, the Right to Financial Privacy Act (RFPA)
2. The Servicer's compliance with the request is allowed under applicable law
3. The Servicer's compliance with the request would expose the Servicer or the Servicer's staff to potential harm and/or liability

**(a) Reporting requirements**

Within three Business Days of receiving the DEA's or other law enforcement agency's request, the Servicer must report the request to Freddie Mac (**see Directory 5**) reporting the request with a copy of the Servicer's response to the agency and any other information the Servicer submitted. The Servicer must also report to Freddie Mac (**see Directory 5**) all developments after the initial contact, within five Business Days of any such development.

When submitting information to the DEA or another law enforcement agency, the Servicer must:

1. Advise the agency that the Servicer is Servicing the Mortgage for Freddie Mac
2. Disclose to the agency the name, telephone number and mailing address of the Servicer's contact at Freddie Mac
3. Forward the information to any other applicable federal or local law enforcement agency as may be requested by the law enforcement agency making the request

All reporting to the DEA and/or to Freddie Mac must be in writing unless an emergency warrants reporting by telephone, in which case the Servicer must confirm such report in writing to Freddie Mac in accordance with Section 8402.1. The Servicer must also report all developments after the initial contact to Freddie Mac (**see Directory 5**) within three Business Days of any such development.

**(b) Property inspection**

The Servicer must order a property inspection within three Business Days of receiving a request from a law enforcement agency. Freddie Mac will permit a curbside inspection as specified in Section 9202.12. The Servicer must submit a copy of the inspection report along with the Freddie Mac loan number and the name and phone number of the Servicer's point of contact to Freddie Mac (**see Directory 5**) within three Business Days of the Servicer's receipt of the report.

## 8402.4: Government notice of property seizure to the Servicer (03/02/16)

When the Servicer receives notice that a law enforcement agency has seized and/or intends to initiate forfeiture proceedings against the property, the Servicer must comply with the procedures detailed below.

### (a) Reporting to Freddie Mac

Within two Business Days of receiving the notice of seizure and/or intent to initiate foreclosure proceedings, the Servicer must forward such notice to Freddie Mac (**see Directory 5**). With the notice, the Servicer must submit all of the following:

1. The following information related to the Mortgage:
  - Freddie Mac loan number
  - Mortgage status (current, delinquent or in foreclosure)
  - UPB, interest and per diem interest amount
  - Any other outstanding amounts
  - Any other information regarding the Borrower or the property that the Servicer deems relevant to the law enforcement agency's action
2. A copy of the Note and any modifying instrument
3. A copy of the Security Instrument with applicable recording information
4. A copy of all assignments of the Security Instrument with applicable recording information relating to the property
5. Such other documents and information as Freddie Mac may request

Upon receiving the required documents from the Servicer, Freddie Mac will forward such documents to Freddie Mac's Legal Division, which will assume responsibility for representing Freddie Mac and the Servicer, where applicable, in the forfeiture proceedings. Where warranted, the Servicer will receive appropriate instructions from Freddie Mac.

If the Mortgage is delinquent, the Servicer must report to Freddie Mac via an EDR transmission within the first three Business Days of the month following the month that the law enforcement agency seized the property unless the Mortgage was current. If the Mortgage is current and a law enforcement agency seized the property, the Servicer may, but is not required to report the event in the EDR transmission. Use default action code 24 (Government seizure), and provide the date that the seizure occurred. For additional information on EDR requirements, refer to Section 9102.7.

**(b) Reporting to FHA, RHS, VA or MI**

The Servicer must report the seizure and Freddie Mac's role in seeking relief from forfeiture to the FHA, RHS, VA or MI, as applicable, and relay any response to Freddie Mac (**see Directory 5**) within three Business Days of receiving the response. The Servicer must include a copy of any instructions issued by the FHA, RHS, VA or MI as a result of the Servicer's report and, unless otherwise instructed by Freddie Mac, must comply with such instructions.

**(c) Property inspection**

The Servicer must order a property inspection on the property within three Business Days of receiving a notice of property seizure from a law enforcement agency. Freddie Mac will permit a curbside inspection as specified in Section 9202.12(b). The Servicer must submit a copy of the inspection report along with the Freddie Mac loan number and the name and phone number of the Servicer's point of contact to Freddie Mac (**see Directory 5**) within three Business Days of the Servicer's receipt of the report.

## **8402.5: Government notice of property seizure to Freddie Mac (03/02/16)**

If Freddie Mac receives a notice of seizure and/or intent to forfeit, it will notify the Servicer as soon as possible. Within three Business Days of Freddie Mac's notification to the Servicer, or sooner if requested, the Servicer must submit to Freddie Mac (**see Directory 5**) all of the documents and information cited in Section 8402.4 and comply with all other requirements of that section.

## **8402.6: Reimbursement of expenses related to property seizures (03/02/16)**

Freddie Mac will reimburse the Servicer for allowable expenses listed in Exhibit 57A, Approved Attorney Fees and Title Expenses, that the Servicer incurs to comply with Freddie Mac's requirements regarding property seizure only if the expenses are not legally collectible from the Borrower.

The Servicer must obtain Freddie Mac's written pre-approval prior to incurring expenses that are not listed, or that exceed Freddie Mac's expense limits, in Exhibit 57A by submitting a request for pre-approval via the Freddie Mac Reimbursement System. If unusual or emergency circumstances do not allow the Servicer to request Freddie Mac's prior written approval, then the Servicer must notify Freddie Mac via the Reimbursement System by the next Business Day after

the Servicer incurred the expense. If the Servicer's determination to incur the expense was reasonable, Freddie Mac will reimburse the Servicer for the expense.

# Chapter 8403: Abandoned Properties, Distressed Properties and Properties that Pose a Risk of Property Ownership

## 8403.1: Servicing Mortgages on distressed properties and properties that pose a Risk of Property Ownership (08/01/18)

Servicers are responsible for acting without delay, and in an efficient and responsible manner to protect both the Servicer's and Freddie Mac's interests when the Servicer becomes aware of a **Mortgaged Premises that becomes a distressed property**. Refer to Section 9401.2 for information regarding Freddie Mac's rights when the Servicer becomes aware of a distressed property and fails to act to protect both the Servicer's and Freddie Mac's interests as required by this section.

A distressed property is real property **subject to a Mortgage** that may **or may not** pose a Risk of Property Ownership (**see** Section 9202.5) to Freddie Mac, **and is** a property that:

- Requires substantial repairs
- Has sustained significant physical deterioration; or
- Has been condemned by a local authority

Even if the owner has abandoned the **Mortgaged Premises**, a Servicer must report all Mortgages on distressed properties that are 30 or more days delinquent via an EDR transmission within the first three Business Days of the month following the month in which the Servicer identified the problem using default reason code 011 (Property problem) and the applicable occupancy code. If the problem identified is contaminated drywall the Servicer should report default reason code 032 (Contaminated Drywall) rather than default reason code 011 (Property problem).

**If a property is distressed**, the Servicer must conduct a search of the records of the local code authority to determine if there is any outstanding health or safety violations filed against either the Borrower or the property. If a Servicer discovers any code violations **on a distressed property**, the Servicer must report them to Freddie Mac (**see Directory 5**) within three Business Days of identifying the violation. Servicers must attach a copy of the code violation **and copies of the most recent six consecutive months (or less, depending on the level of Delinquency)** of Form 1013, 1-4, Unit Property Inspection Report.

**In addition to any reporting requirement set forth above for distressed properties**, the Servicer must:

1. Maintain a record of when the condition was discovered and take all necessary actions to protect the property from waste, damage and vandalism and prevent any loss
2. Inspect the property monthly until the condition is resolved
3. Ensure that property insurance coverage is maintained. This includes taking all actions required in the mortgage clause of all applicable property insurance policies, including, but not limited to, providing all notices to the insurer required under such clause, in order to preserve the coverage and its maximum benefits for the Servicer and/or Freddie Mac, as mortgagee.
4. File a claim with the applicable property insurer on Freddie Mac's behalf if the property is damaged and the Borrower has not filed a claim
5. Comply with the requirements of the VA, RHS, FHA or MI, if applicable

Servicers must obtain Freddie Mac's written pre-approval before incurring expenses **on distressed properties** that exceed the limits contained in Exhibit 57, 1- to 4- Unit Property Approved Expense Amounts, by submitting a request for pre-approval via the Freddie Mac Reimbursement System. If unusual or emergency circumstances do not allow a Servicer to request Freddie Mac's prior written approval, then the Servicer must notify Freddie Mac via the Reimbursement System by the next Business Day after the Servicer incurred the expense. If the Servicer's determination to incur the expense was reasonable, as determined in Freddie Mac's sole discretion, Freddie Mac will reimburse the expense.

Servicers must obtain Freddie Mac's prior written approval to initiate foreclosure of a Mortgage on a distressed property as required in Section 9301.8.

If a property securing a Mortgage has been identified as posing a Risk of Property Ownership, the Servicer must contact Freddie Mac and report the Mortgage to Freddie Mac (**see Directory 5**), even if the Mortgage is not delinquent, within three Business Days of identifying the risk. In such instances, the Servicer must attach copies of the most recent six consecutive months (or less, depending on the level of Delinquency) of Form 1013 and any other relevant information when reporting the Risk of Property Ownership to Freddie Mac.

## **8403.2: Servicing Mortgages on abandoned properties (07/15/19)**

A Servicer is responsible for acting without delay and in an efficient and responsible manner to protect both the Servicer's and Freddie Mac's interests when the Servicer becomes aware of an abandoned property. Refer to Section 9401.2 for information regarding Freddie Mac's rights when Servicer becomes aware of a distressed property and fails to act to protect both Servicer's and Freddie Mac's interests as required by this section.



An abandoned property is real property to which the owner has voluntarily and intentionally relinquished possession, claim and control, or real property defined as abandoned property by applicable laws. Conditions that may lead to abandonment include: vacancy, waste, deterioration, lack of utilities or Delinquency.

A Servicer must report all Mortgages on abandoned properties that are 30 or more days delinquent to Freddie Mac via an EDR transmission within the first three Business Days of the month following the month the Servicer determined the property is abandoned, using occupancy code 07 (Abandoned).

In accordance with applicable law, the Servicer must first determine if the Borrower has, in fact, abandoned the property and then take the following actions:

1. Attempt to locate the Borrower and determine the reason for abandonment
2. Protect the property from waste, damage and vandalism, and ensure the continuation of utilities, where necessary. Exhibit 57, 1- to 4- Unit Property Approved Expense Amounts, describes the allowable preservation and maintenance expenses that may be incurred without obtaining Freddie Mac's pre-approval. (Refer to Section 9701.9 regarding reimbursement for property preservation expenses.)
3. Maintain accurate reports of any of these conditions, detailing actions to prevent losses
4. Ensure that property insurance is maintained. This includes taking all actions required in the mortgage clause of all applicable property insurance policies, including, but not limited to, providing all notices to the insurer required under such clause, in order to preserve the coverage and its maximum benefits for the Servicer and/or Freddie Mac, as mortgagee. If the property is damaged, file a claim with the applicable property insurance company.
5. Obtain interior and exterior inspections in accordance with Section 9202.12
6. Comply with the requirements of the VA, FHA, RHS or MI, if applicable
7. Initiate foreclosure proceedings if the Mortgage payments are delinquent. (Refer to Section 9301.26 regarding preserving the property during the foreclosure process.)
8. Provide to the Internal Revenue Service (IRS) and the Borrower, IRS Form 1099-A, Acquisition or Abandonment of Secured Property, as required under Section 6050J of the Internal Revenue Code (For IRS filing requirements see Section 8106.3)

Servicers must obtain Freddie Mac's prior written approval via the Freddie Mac Reimbursement System before incurring expenses that either exceed the approval limits contained in Exhibit 57 or will be incurred after the date of a foreclosure sale, **including** where the property is sold to a third party. When a delay in taking protective action may result in impairment of the property, the Servicer must contact Freddie Mac via the Reimbursement System for immediate approval. If the circumstance of incurring the expense is such that the Servicer cannot obtain Freddie Mac's

prior approval, then the Servicer must notify Freddie Mac via the Reimbursement System by the next Business Day after the Servicer incurred the expense. If the Servicer's determination to incur the expense was reasonable, as determined in Freddie Mac's sole discretion, Freddie Mac will reimburse the Servicer for the expense.

# Chapter 8404: Servicing Mortgages Impacted by a Disaster

## 8404.1: Introduction of Servicer responsibilities following a disaster (03/02/16)

This chapter provides Servicers with our requirements for assisting Borrowers whose Mortgaged Premises or places of employment are located in an Eligible Disaster Area.

A disaster may be a natural disaster (e.g., an earthquake, flood or hurricane) or a man-made disaster (e.g., a civil disturbance) that adversely affects a geographical area encompassing properties that secure Freddie Mac Mortgages or Borrowers' places of employment.

## 8404.2: Property protection activities following a disaster (04/10/19)

In conjunction with the requirements outlined in Section 8404.4, the Servicer is required to protect the Mortgaged Premises by following the requirements outlined in this section.

In the event of a disaster impacting Mortgages serviced for Freddie Mac, a Servicer must:

- Ascertain the number of such Mortgages and the extent of the damage that may have been caused by the disaster for each Mortgaged Premises, which may be completed by:
  - Determining the status of the property through discussions with the Borrower; and/or
  - Completing a property inspection no later than the 75th day of Delinquency. Servicers are reminded that property inspections will be reimbursed based on the limits set forth in Section 9701.9. Property inspections that are completed outside of the requirements set forth in Section 9701.9 may not receive reimbursement.

Note: If a Mortgage is current or 30 or less days delinquent following an Eligible Disaster, the Servicer is not required to complete this requirement immediately. Should a Mortgage become more than 30 days delinquent, Servicers must initiate collection efforts in accordance with Chapters 9101 and 9102 and order property inspections as required by Section 9202.12.

- Secure an abandoned property if the Mortgaged Premises has not sustained significant or total damage
- Provide assistance to the Borrower regarding options for local, State or federal disaster assistance

- Monitor and coordinate the insurance claim process and the progress of repairs in accordance with Section 8202.11
- In addition to the requirements of Section 8202.11, comply with the insurance claim process requirements in accordance with Section 8404.3 for Eligible Disasters

If a Servicer determines that the disaster has affected a Mortgaged Premises and it may pose a Risk of Property Ownership (see Section 9202.5), the Servicer must notify Freddie Mac (**see Directory 5**) within five Business Days of learning of the situation. In such instances, the Servicer must attach copies of the most recent six consecutive months (or less, depending on the level of Delinquency) of Form 1013, 1-4 Unit Property Inspection Report, and any other relevant information when reporting the Risk of Property Ownership to Freddie Mac.

Refer to Section 8403.1 for additional requirements on properties that become distressed.

### **8404.3: Insurance loss settlements after an Eligible Disaster (03/02/16)**

If the Mortgaged Premises has been damaged and is located in an Eligible Disaster Area, property insurance proceeds for structural losses must be disbursed in accordance with Section 8202.11.

### **8404.4: Delinquency management activities following a disaster (12/01/18)**

In the event a disaster strikes, it is imperative that Servicers be considerate of the Borrower's circumstances and work to obtain quality right party contact with the Borrower as soon as possible. This section will outline specific activities that a Servicer must take to appropriately manage the Borrower's Delinquency if the Servicer believes the disaster resulted in a hardship for the Borrower and the disaster is an Eligible Disaster.

#### **(a) Circumstances where quality right party contact has not been achieved**

If the Servicer has not yet achieved quality right party contact then the Servicer, at its discretion, may place a Borrower who is or becomes 31 or more days delinquent in a forbearance plan for up to 90 days, in accordance with the requirements in this section, Section 8404.6 and Sections 9203.12 through 9203.17.

The forbearance plan must not exceed 90 days without either achieving quality right party contact or receiving approval from Freddie Mac (**see Directory 5**). If the Servicer has relevant information regarding the Borrower's current financial circumstances and/or the extent of the property damage caused by the Eligible Disaster, the Servicer should consider these factors in its evaluation decision whether to provide forbearance.

If quality right party contact has not been achieved by the end of the forbearance period, then the Servicer must comply with the requirements of Section 8404.6(b), which provide the transition requirements when quality right party contact has not been achieved.

**(b) Circumstances where quality right party contact has been achieved**

- If the Borrower does not require any form of relief and there is no Risk of Property Ownership (see Section 9202.5) to Freddie Mac as a result of damage caused by the disaster, Servicers should continue to service the Mortgage in accordance with the requirements of the Guide
- If the Borrower does require a relief option or the Mortgaged Premises has damage that would pose a Risk of Property Ownership to Freddie Mac, Servicers have discretion to suspend collection and foreclosure proceedings by placing the Borrower into a forbearance plan for up to 12 months, based on the circumstances of each case. The Servicer is not required to obtain a complete Borrower Response Package from the Borrower and may offer:

- Forbearance for a period of one to six months, and
- If necessary, one or more successive forbearance plan periods of one to six months

Without prior approval from Freddie Mac, the forbearance plan may not be extended beyond a date that would cause the Delinquency to exceed a cumulative total of 12 months of the Borrower's contractual monthly Mortgage payment, including taxes and insurance if the Servicer is collecting Escrow for those expenses.

- When applicable, such a suspension of Servicing action must be pre-approved by the MI, FHA, RHS or VA to avoid jeopardizing benefits of any applicable insurance or guaranty
- Servicers should reassess each impacted Borrower on a regular basis during the forbearance period to determine if forbearance should be extended up to a total of 12 months or the hardship has been resolved
- If the Servicer believes forbearance beyond a total of 12 months is warranted, the Servicer should make that recommendation to Freddie Mac for consideration (**see Directory 5**).

In the event Freddie Mac participated in evaluating a Borrower for forbearance beyond a total of 12 months and Freddie Mac denied the request, the Servicer must refer to Section 1301.2(h) for more information on adverse action notices that must be provided to the Borrower on behalf of Freddie Mac under certain limited circumstances.

At the end of the forbearance period, the Servicer must reassess the Borrower's circumstances to determine whether the Borrower's hardship resulting from the Eligible Disaster has been resolved. The determination may be based on information from the Borrower as a result of quality right party contact, and/or

- An updated property inspection assessment of the extent of property damage; or
- Discussions with the Borrower

If the hardship has been resolved and the Borrower is ready to transition to a permanent solution, the Servicer must evaluate the Borrower for the most appropriate workout option to cure the Delinquency in accordance with the requirements in Section 8404.6. If the hardship has not been resolved, then the Servicer must evaluate the Borrower's eligibility for extended forbearance.

### **(c) Mortgage eligibility and forbearance plan requirements**

Except as otherwise provided in this section, when offering forbearance relief to Borrowers impacted by an Eligible Disaster, Servicers must utilize the requirements set forth in Chapter 9203.

The Mortgage may be secured by the following property types:

- Primary Residence
- Second home, or
- Investment Property

The property may be vacant or condemned, but not abandoned.

In situations where the Borrower is unable to send or receive documentation, the Servicer may waive the requirement that the forbearance plan be in writing. In these circumstances, the Servicer may enter the Borrower into a forbearance plan through a verbal agreement.

### **(d) Other Delinquency management activities**

The Servicer must not assess late charges as long as the Borrower is on a forbearance plan or paying as agreed on a repayment plan.

## **8404.5: Disaster reporting requirements (12/01/18)**

### **(a) Credit suppression for Borrowers impacted by an Eligible Disaster**

The Servicer must not report a Borrower who is on a disaster-related forbearance plan, repayment plan or Trial Period Plan to the credit repositories.

**(b) Reporting loans affected by a disaster to Freddie Mac**

Servicers must report all Mortgages that are affected by a disaster and are 31 or more days delinquent to Freddie Mac via an EDR transmission within the first three Business Days of the month following the month the Servicer learned of the disaster using default reason code 034 (Eligible Disaster Area).

**(c) Reporting forbearance or repayment plans to Freddie Mac**

A Servicer must report all Mortgages that are subject to a repayment plan or a forbearance plan resulting from disaster-caused hardship via an EDR transmission using default code 09 for forbearance or default code 12 for a repayment plan within the first three Business Days of the month following the month that the plan was entered into. The Servicer must continue to report that the Mortgage is under the plan until the Mortgage is fully reinstated or the plan ends. Refer to Chapter 9203 for more details.

## **8404.6: Transition following disaster-related forbearance (01/01/19)**

If the Borrower was placed on forbearance as a result of an Eligible Disaster, the Servicer must contact the Borrower on a periodic basis and prior to the end of the forbearance period to determine whether the hardship has been resolved and the most appropriate relief or workout option to cure the Delinquency. The Servicer must consider a number of factors including, but not limited to, the Servicer's ability to achieve quality right party contact, the Borrower's current financial circumstances and ability to resume making monthly payments, and the status of the Mortgage at the time of the disaster.

If, at the end of the disaster-related forbearance period, the Servicer is evaluating the Borrower for a foreclosure prevention alternative based on a Borrower Response Package, the documentation cannot be more than 180 days old as of the date of the evaluation for the foreclosure prevention alternative.

**(a) Transition requirements when quality right party contact is achieved**

If the Servicer has been able to achieve quality right party contact with the Borrower at the end of the disaster-related forbearance period, the Servicer must evaluate the Borrower for the most appropriate relief or workout option to cure the Delinquency in accordance with the evaluation hierarchy set forth in Section 9201.2. However, for Borrowers who were current or less than 31 days delinquent at the time of the Eligible Disaster and who are able to resume making the contractual monthly payments on the Mortgage, the Servicer must consider the Borrower for a Capitalization and Extension Modification for Disaster Relief

(“Disaster Relief Modification”), if a reinstatement or repayment plan is not a viable option. (Refer to Section 9206.4 for the requirements for a Disaster Relief Modification.)

If the Borrower is not eligible for or declines a Disaster Relief Modification and the Borrower:

- Has provided a Borrower Response Package, the Servicer should evaluate the Borrower in accordance with the evaluation hierarchy in Section 9201.2
- Has not provided a Borrower Response Package, the Servicer must evaluate the Borrower for a streamlined offer for a Freddie Mac Flex Modification<sup>®</sup>, provided the Borrower is 90 or more days delinquent

Additionally, if the Servicer is unable to achieve quality right party contact at the end of the disaster-related forbearance period to determine financial status and eligibility for a Disaster Relief Modification, the Servicer must evaluate the Borrower to determine if he or she is eligible for a streamlined offer for a Flex Modification, provided the Borrower is 90 or more days delinquent.

**(b) Transition requirements when quality right party contact is not achieved**

If the Servicer is unable to achieve quality right party contact at the end of the disaster-related forbearance period, and the Servicer has determined that the Borrower is eligible for a streamlined offer for a Flex Modification in accordance with Section 9206.5, then the Servicer must send the Borrower Exhibit 1191A, Freddie Mac Flex Modification<sup>®</sup> Post-Disaster Forbearance Solicitation Cover Letter, and a Flex Modification Solicitation Offer – Not Based on an Evaluation of a BRP, as provided in Exhibit 93, Evaluation Notices.

The Trial Period Plan Notice should be amended as set forth in Exhibit 93 for post-disaster forbearance modification and at the Servicer’s discretion as it deems necessary to meet the requirements of this section and Chapter 9206, and to comply with disclosure and other requirements under applicable law.

In addition, the Servicer must continue with collection and foreclosure proceedings in accordance with Section 9102.4, unless one of the exceptions set forth in Sections 9301.6 and 9301.7 applies.

**(c) Transition requirements for Borrowers who were on a Trial Period Plan at the time of the Eligible Disaster**

If a Borrower who was performing in accordance with the terms of a Trial Period Plan is placed on forbearance as a result of an Eligible Disaster, then within 30 days prior to the end of the forbearance period, the Servicer must determine whether the Borrower’s financial circumstances continue to be adversely impacted by the disaster based on verbal confirmation with the Borrower about his or her current financial condition and an updated



assessment of the extent of the property damage resulting from most recent property inspection or the current conditions of the property based on discussions with the Borrower.

If the Borrower was performing on a Freddie Mac Flex Modification at the time of the Eligible Disaster, the Servicer must make a new streamlined offer to the Borrower for a Flex Modification Trial Period Plan meeting the requirements of Section 9206.5.

Regardless of the Borrower's financial circumstances, the Borrower must complete a new three-month Trial Period Plan that begins immediately following the forbearance plan in order to be eligible for a permanent modification.

# Chapter 8405: Occupancy Waivers

## 8405.1: 12-month occupancy waiver request (03/13/19)

For Mortgages secured by a Borrower's Primary Residence, the Fannie Mae/Freddie Mac Single-Family Uniform Security Instrument provides that a Borrower, except as otherwise permitted by the instrument, must occupy the Mortgaged Premises within 60 days of executing the Security Instrument and continue to occupy the Mortgaged Premises for at least one year after the date of occupancy. When Freddie Mac approval is required, the Servicer must document the Borrower's request and forward a recommendation to Freddie Mac via e-mail to [shortsales@freddiemac.com](mailto:shortsales@freddiemac.com). Freddie Mac will review the request, supporting documentation and the Servicer's recommendation and notify the Servicer of its approval or denial of the request. The Servicer must maintain the Borrower's request, supporting documentation, if applicable, and Freddie Mac's decision in the Mortgage file.

# Chapter 8406: Transfers of Ownership and Assumptions

## 8406.1: General policy on Transfers of Ownership and assumptions (03/02/16)

Ownership of the Mortgaged Premises securing a Mortgage that does not contain a due-on-transfer clause can be transferred without restriction. However, the Servicer must accelerate the maturity of a Mortgage that contains a due-on-sale or due-on-transfer clause when a Transfer of Ownership occurs, unless acceleration is prohibited by provisions of Sections 8406.3 or 8406.4 or applicable law. References in the Guide to “due-on-transfer clause” includes “due-on-sale clauses” and similar provisions in the Mortgage documents that require acceleration upon a Transfer of Ownership.

Servicers should review the definition of Transfer of Ownership in the Glossary for a list of impacted transactions. Servicers are reminded that when a Transfer of Ownership occurs that involves a modified Mortgage, they must review the modification documents in addition to the Note and Security Instrument to determine if a due-on-transfer clause has been triggered. In accordance with Section 9206.12, such clauses must be included in a modified Mortgage.

Upon learning of a Transfer of Ownership that is subject to acceleration under the terms of this chapter, the Servicer must accelerate the debt and initiate appropriate foreclosure action in accordance with applicable law, the terms of the Security Instrument and Chapter 9301. No penalty may be charged for a prepayment resulting from such acceleration.

It may be in the best interest of Freddie Mac to permit an assumption of a delinquent Mortgage by a creditworthy applicant, even if the Mortgage contains a due-on-transfer clause. Freddie Mac approval is necessary to approve or decline any request to assume a delinquent Mortgage. In these instances, refer to Sections 9207.1 through 9207.8 for workout Mortgage assumption requirements and contact Freddie Mac (**see Directory 5**) to determine whether a workout Mortgage assumption is an appropriate alternative to foreclosure.

Freddie Mac will not permit a change in the Note Rate upon a Transfer of Ownership of the Mortgaged Premises, except in connection with a simultaneous assumption and modification that meets the requirements set forth in Section 9207.2. A Servicer that intends to modify the Note Rate without meeting the requirements of Section 9207.2 must first repurchase Freddie Mac’s interest in the Mortgage in accordance with Chapter 3602.

## **8406.2: Transfers of Ownership and assumptions of Mortgages insured by the FHA or guaranteed by the VA or RHS (03/02/16)**

The Mortgaged Premises securing Mortgages insured by the FHA or guaranteed by the VA or RHS may be transferred in accordance with applicable FHA, VA or RHS regulations.

The Servicer must comply with all applicable FHA, VA or RHS requirements to ensure that the FHA insurance, or VA or RHS guaranty is maintained and must provide all notices and disclosures required under the Equal Credit Opportunity Act, Truth in Lending Act and any other applicable law or regulation.

Freddie Mac need not be notified of any change of ownership allowed by the FHA, VA or RHS, but the Servicer must ensure that all insurance and guaranty documents reflect the change.

When prior FHA, VA or RHS approval is required and such approval is not granted, the Servicer must provide an adverse action notice to all applicable parties, in addition to any other notice or disclosure required under the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth in Lending Act and any other applicable law or regulation.

The application for assumption of a Mortgage insured by the FHA or guaranteed by the VA or RHS is not complete until the Servicer receives the following:

1. The completed application for approval of a loan assumption
2. An executed copy of the contract of sale or other document reflecting the Transfer of Ownership (e.g., quit claim deed)
3. With regard to (a) the continuation of the mortgage insurance provided by the FHA, the mortgage guaranty provided by the VA or the mortgage guaranty provided by the RHS, as applicable, and (b) the release of the prior Borrower of liability, when applicable, written approval from:
  - The FHA for Mortgages insured by the FHA
  - The VA for Mortgages guaranteed by the VA
  - The RHS for Mortgages insured by the RHS, and
4. All other information the FHA, VA or RHS, as applicable, may require

## 8406.3: Federal restrictions on the exercise of the due-on-transfer clause (03/02/16)

For the following Transfers of Ownership, when the Mortgaged Premises is occupied or is to be occupied by the Borrower, the Servicer may not accelerate the maturity of the indebtedness:

1. The creation of a lien or other encumbrance subordinate to the lender's Security Instrument, which does not relate to a transfer of rights of occupancy in the Mortgaged Premises, provided that the lien or encumbrance is not created pursuant to a contract for deed
2. The creation of a purchase-money security interest for household appliances
3. A transfer by devise, descent or operation of law on the death of a joint tenant or tenant by the entirety
4. The granting of a leasehold interest with a term of three years or less and without an option to purchase
5. A transfer in which the transferee occupies or will occupy the Mortgaged Premises and that is one of the following:
  - A transfer to a relative, resulting from the Borrower's death

**Note:** Freddie Mac will consider waiving the occupancy requirement. The Servicer should submit a recommendation for such a waiver to Freddie Mac (see **Directory 5**).

  - A transfer wherein the spouse, domestic partner or a child of the transferor becomes an owner of the Mortgaged Premises
  - A transfer resulting from a decree of dissolution of a marriage or domestic partnership, a legal separation agreement or from an incidental property settlement agreement by which the spouse or domestic partner becomes an owner of the Mortgaged Premises
6. A transfer into an inter vivos trust in which the Borrower is and remains the beneficiary and occupant of the Mortgaged Premises unless, as a condition precedent to such a transfer, the Borrower refuses to provide the Servicer with reasonable means acceptable to the Servicer by which the Servicer will be assured of timely notice of any subsequent transfer of the beneficial interest or change in occupancy
7. Any other transfer or disposition described in regulations of the Federal Home Loan Bank Board as a basis on which due-on-transfer clauses may not be exercised

Note: Except for the waiver of occupancy requirements for transferees in number 5 above for which Freddie Mac approval is required, Servicers may not evaluate the creditworthiness of a transferee, require a transferee to assume the Mortgage, or otherwise require the Servicer's or Freddie Mac's approval of any of the Transfers of Ownership listed in this section. However, if

the transferee wishes to assume the Mortgage and/or the transferor requests to be released of liability, the Servicer must determine the creditworthiness of the transferee. Refer to Sections 8406.5 and 8406.6 for additional information.

## **8406.4: Additional permitted Transfers of Ownership (03/02/16)**

### **(a) Unrestricted Transfers of Ownership**

In addition to the federal restrictions on the exercise of the due-on-transfer clause provided in Section 8406.3, Freddie Mac will not, and the Servicer may not, restrict a Transfer of Ownership of the Mortgaged Premises in the following situations:

- The Security Instrument does not contain a due-on-transfer clause
- The Security Instrument contains an unenforceable due-on-transfer clause
- The title is acquired by the junior lienholder (that is an institutional counterparty) as the result of a foreclosure or acceptance of a deed-in-lieu of foreclosure of the junior lien. However, Freddie Mac will require acceleration of the indebtedness if the title is further transferred after acquisition by the junior lienholder; or
- The title to the leasehold estate and the improvements are acquired by the fee simple landowner/lessor as the result of the Borrower being evicted from the leasehold estate by court order. However, Freddie Mac will require acceleration of the indebtedness if the title is further transferred to a new lessee after acquisition by the lessor.

In connection with any Transfer of Ownership listed in this Section 8406.4, a Servicer may not evaluate the creditworthiness of a transferee, require a transferee to assume the Mortgage, or otherwise require the Servicer's or Freddie Mac's approval of the transfer. However, if the transferee wishes to assume the Mortgage and/or the transferor requests to be released of liability, the Servicer must determine the creditworthiness of the transferee. Refer to Sections 8406.5 and 8406.6 for additional information.

### **(b) Permitted Transfers of Ownership subject to conditions**

In situations where all of the following conditions are met, Freddie Mac will permit a Transfer of Ownership of the Mortgaged Premises:

- At least 12 months have passed since the Origination Date
- The transfer is to a transferee who occupies or will occupy the Mortgaged Premises as a Primary Residence and is:
  - A parent or child of the transferor, or

- ❑ A grandparent or grandchild of the transferor, or
- ❑ A brother or sister of the transferor, or
- ❑ An original co-Borrower of the transferor under the Note, whether or not related to the transferor, and
- The Servicer has complied with all mortgage insurance requirements applicable to the transfer

In connection with any Transfer of Ownership that meets the conditions of this Section 8406.4, a Servicer may not evaluate the creditworthiness of a transferee, require a transferee to assume the Mortgage or otherwise require the Servicer's or Freddie Mac's approval of the transfer. However, if the transferee wishes to assume the Mortgage and/or the transferor requests to be released of liability, the Servicer must determine the creditworthiness of the transferee. Refer to Sections 8406.5 and 8406.6 for additional information.

**(c) Transfers of Ownership that require a determination of creditworthiness**

In the following situations, the Servicer must determine the creditworthiness of the transferee, even if the transferee is not assuming the Mortgage, and process the Transfer of Ownership in accordance with Sections 8406.5 through 8406.10:

- The Security Instrument contains a due-on-transfer clause that does not allow unrestricted or automatic acceleration of the indebtedness upon transfer of the Mortgaged Premises to a creditworthy transferee, or
- The title is acquired by the junior lienholder (that is *not* an institutional counterparty) as the result of a foreclosure or acceptance of a deed-in-lieu of foreclosure of the junior lien. However, Freddie Mac will require acceleration of the indebtedness if the title is further transferred after acquisition by the junior lienholder.

**(d) Assumptions, releases of liability and determination of creditworthiness**

If the transferee requests an assumption of the Mortgage obligation as part of a Transfer of Ownership, the Servicer must determine the creditworthiness of the transferee in accordance with Topics 5100 through 5500. The Servicer must prepare a written assumption agreement that must be executed by all parties concerned as required in Section 8406.7.

In addition, if the transferor requests to be released of liability, once the Servicer has determined the creditworthiness of the transferee, the Servicer must require a written assumption and release of liability agreement, which then must be executed by all parties concerned in accordance with Section 8406.7.

Servicers must accelerate the Note if title is further transferred by the transferee to someone who is not an eligible transferee under Sections 8406.3 or 8406.4.

## **8406.5: Application for approval of Transfers of Ownership, assumptions and releases of liability (07/06/17)**

For Transfers of Ownership that require the Servicer to first determine the creditworthiness of the transferee, and for all assumptions and releases of liability, the Servicer must obtain the following:

- A Form 65, Uniform Residential Loan Application, completed and executed by the transferee
- A copy of the executed contract of sale or other document reflecting the Transfer of Ownership (e.g., quit claim deed)
- A current credit report for the transferee, as described in Section 5203.1
- Income documentation and asset documentation for the transferee as required by Topics 5100 through 5500
- In accordance with requirements in Chapters 5302 through 5307 and Section 5501.3 for standard documentation
  - Written verification of the transferee's current employment and income from a reliable source and
  - Verification or other acceptable evidence of the source and amount of funds for the Down Payment and payment of prepaid items, as reported in the application

Refer to Section 8406.6 for underwriting requirements to determine whether a transferee is creditworthy.

The Servicer must comply with the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth in Lending Act and any other applicable law or regulation. (See also Section 1301.2 for additional compliance requirements.) The Servicer must also notify the transferee of the decision on the application within 25 days after the Servicer receives all information that constitutes a completed application.

## **8406.6: Reviewing the application and determining eligibility for Transfers of Ownership, assumptions and releases of liability (07/06/17)**

When required to determine the creditworthiness of a transferee for assumptions and releases of liability, and as required for Transfers of Ownership under Section 8406.4, the Servicer must review the application to ensure compliance with Freddie Mac's credit underwriting guidelines



in Topics 5100 through 5500 including, but not limited to, income and employment, source of funds for Down Payment and Closing Costs and credit history. The Servicer's analysis must be documented on Form 1077, Uniform Underwriting Transmittal Summary, or on another document in the Mortgage file, and the following requirements must be met, when applicable:

1. The transferee must be determined to be creditworthy in accordance with Section 5102.2(b)
2. A written assumption and release of liability agreement must be executed by all parties concerned in accordance with Section 8406.7. (Freddie Mac will require acceleration of the indebtedness if title is further transferred by the transferee to someone who is not an eligible transferee under Section 8406.3 or 8406.4.)
3. If the Mortgage is being assumed, the transferee must pay at least 5% of the sale price in addition to all adjustments for real estate taxes, hazard insurance premiums and where applicable, mortgage insurance premiums from cash or other equity as defined in Sections 5501.1 and 5501.3. (The transferee is not required to pay 5% for those Transfers of Ownership protected by federal restrictions on exercise of the due-on-transfer clause as set forth in Section 8406.3 or for those Transfers of Ownership permitted under Sections 8406.4(a) and 8406.4(b), even if, in those cases, the transferee is also assuming the Mortgage.)
4. There must be no changes in the terms of the Security Instrument and the Note other than a change to the name of the transferee, any release and subsequent assumption of personal liability, where applicable, and any change allowed in Section 8103.7
5. Mortgage insurance coverage must be maintained, if applicable

If the Mortgaged Premises to be transferred secures a Mortgage that is covered by a buydown agreement, the Servicer must underwrite the transferee according to the qualification requirements provided in Section 4204.4. See Section 8406.12 for additional information.

## **8406.7: Approval of the application for Transfers of Ownership (06/12/19)**

The Servicer must approve the Transfer of Ownership if, based on its review in accordance with Section 8406.6, it reasonably determines that the security interest in the Mortgaged Premises will not be impaired by this transfer.

The Servicer is not required to notify Freddie Mac of the Transfer of Ownership permitted under Sections 8406.3 and 8406.4, provided the Mortgage is not assumed by the transferee or the transferor is not being released of liability, unless it becomes necessary later to communicate with Freddie Mac concerning this Mortgage.

The Servicer must prepare the necessary documents and have them executed by all parties concerned. In addition, if the transferor requests to be released of liability under the Note and

Security Instrument, a written assumption and release of liability agreement must be executed. If State law requires Freddie Mac to execute the documents, the Servicer warrants that:

- The documents reflect terms that are consistent with the requirements of this chapter
- All statements set forth in the documents are accurate, and
- The documents comply with all applicable State and local requirements

The Servicer must:

1. Deliver the original executed assumption agreement and, as applicable, release of liability agreement, to the Document Custodian; and copies to all other parties concerned. (Note: Per Section 1402.10(b), the Servicer must update the MERS<sup>®</sup> eRegistry (as defined in Section 1402.2) to provide notice of the assumption agreement upon an assumption (with or without a release of liability) of an eMortgage (as defined in Section 1402.2).
2. Retain a copy of the executed assumption agreement and, as applicable, release of liability agreement, in the Mortgage file
3. Arrange for any recordation commonly required by private institutional Mortgage investors or required by law to ensure the priority of the existing lien and assess any related costs to the transferee
4. Provide all notices and disclosures required under the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth in Lending Act and any other applicable law or regulation (see also Section 1301.2 for additional compliance requirements)
5. Ensure that all insurance policies reflect the change of ownership and take any action necessary to continue any required insurance coverage including, mortgage insurance, where applicable
6. Document transferee information on a Post-Fund Data Correction Request (found at [http://www.freddiemac.com/learn/deliver/pubs/dcr\\_form.xls](http://www.freddiemac.com/learn/deliver/pubs/dcr_form.xls)) and submit it to Freddie Mac via e-mail at [Post\\_Fund@freddiemac.com](mailto:Post_Fund@freddiemac.com) along with copies of the settlement statement and assumption agreement

When applicable, the Servicer may cancel mortgage insurance following the Transfer of Ownership of the Mortgaged Premises in accordance with Sections 8203.2 through 8203.4.

## **8406.8: Declination of the application for assumption (03/02/16)**

If the application for a Mortgage assumption is declined, the Servicer must provide an adverse action notice to all applicable parties, or any other notice or disclosure required under the Equal

Credit Opportunity Act, Fair Credit Reporting Act, Truth in Lending Act and any other applicable federal, State or local law. Freddie Mac must not be identified as a creditor in any notice or disclosure that may be required, as Freddie Mac is not participating in the decision on the application.

## **8406.9: File retention for Transfers of Ownership and assumptions (03/02/16)**

The originals of all documents relating to the application must be kept in the Mortgage file.

If the application is approved, the documentation must be maintained in the Mortgage file for at least seven years from the date that Freddie Mac's interest in the Mortgage is satisfied.

If the application is declined, the documentation must be kept for the duration required under the Equal Credit Opportunity Act, Fair Credit Reporting Act or any other applicable law or regulation.

Copies of documents may be scanned and stored as Portable Document Format (PDF), Tagged Image File (TIF) format, Joint Photograph Experts Group (JPEG) format, or other electronic document formats commonly used by the mortgage industry in the regular course of business. Refer to Chapter 3302 for Mortgage file retention requirements including those requirements regarding documents for which the paper originals must be maintained.

## **8406.10: Transfer of Ownership fees (03/02/16)**

Subject to applicable law or regulation, the Servicer may charge and retain a fee for processing a Transfer of Ownership of, or an interest in, the Mortgaged Premises securing a Mortgage purchased by Freddie Mac. Where applicable law or regulation limits the amount of the allowable fee, the Servicer may not charge more than the lesser of:

- The maximum fee allowed under applicable law or regulation, or
- The maximum fee allowed by Freddie Mac as stated below

This fee must be set in accordance with the following provisions:

### **(a) Security Instruments without a due-on-transfer clause**

The fee charged by the Servicer for changing its records for a Transfer of Ownership for which its consent was not required must not exceed \$100.

### **(b) Security Instruments with a due-on-transfer clause**

When the Servicer must determine the creditworthiness of a transferee in connection with a Transfer of Ownership, the Servicer may charge and retain a fee equal to the greater of \$400 or 1% of the UPB, with a maximum fee of \$900. Transfer fees may be exclusive of out-of-pocket expenses paid to independent third parties for services required to comply with the application and approval process contained in Sections 8406.5 through 8406.8 and to record the change of ownership. Any other services (such as surveys, owner's title policies, etc.), requested by the transferee are the sole responsibility of the transferee. Loan discount fees, yield enhancement fees, lost opportunity fees and similar devices designed to circumvent these limitations or increase the effective interest rate or yield of the Mortgage previously sold to Freddie Mac, regardless of the Servicer's retained interest in the Mortgage, are expressly prohibited.

The Servicer may establish a transfer fee schedule that results in charges less than those permitted by Freddie Mac. However, if any fee charged by the Servicer on Mortgages sold to Freddie Mac exceeds the amounts stated above, it will be considered a breach of this Guide and, unless refunded to the Borrower, Freddie Mac may exercise any remedy available under this Guide or applicable law to remediate the violation.

## **8406.11: Assumability provisions and rate cap requirements for ARMs (03/02/16)**

### **(a) Assumability provisions**

The loan instruments used to originate an ARM contain the provisions governing the right of the lender to accelerate the loan, in the event of a Transfer of Ownership. These provisions determine whether or not the ARM is assumable by the party to whom the Mortgaged Premises is transferred, and if it is assumable, the transferee must agree to assume the Mortgage loan obligation. Some loan instruments provide that the ARM is assumable for the life of the loan. Other loan instruments provide that the ARM is assumable only after the initial fixed-rate period has expired or until a specified event has occurred, and is thereafter not assumable.

The Servicer must review the loan instruments to determine the assumption provisions for an ARM. The Servicer must also refer to Sections 8406.6 and 9207.2 through 9207.8 regarding special circumstances in which Freddie Mac requires or permits an ARM to be assumed (e.g., a workout mortgage assumption and a simultaneous assumption and modification), notwithstanding the fact that the loan instruments indicate the ARM is not assumable.

### **(b) Rate cap requirements**

If the Note for an ARM sold to Freddie Mac does not provide for a Lifetime Ceiling, the following provision or substantially similar provision must be included in the Mortgage assumption and release of liability agreement:

*The interest rate I am required to pay after I assume this Mortgage obligation and for the entire term of this Mortgage will never be greater than (see note below) percent.*

**Note:**

To determine the appropriate interest rate to insert in the preceding provision, the Servicer must add six percentage points to the sum of the Margin and the Index value in effect on the date of the Mortgage assumption and release of liability agreement, subject to applicable law, such as the Servicemembers Civil Relief Act. Refer to Chapter 8503.

## **8406.12: Transfers of ownership and buydown accounts (03/02/16)**

Where a Transfer of Ownership is approved, any funds remaining in a related buydown account may continue to be used to reduce the Mortgage payments when:

- The Mortgaged Premises is sold and the Mortgage is assumed by the purchaser and
- The terms of the original buydown plan allow for the continued application of the buydown funds if the Mortgage is assumed

# Chapter 8501: Special Requirements for Servicing Step-Rate Mortgages

## 8501.1: Servicer staff requirements related to Servicing Step-Rate Mortgages (03/02/16)

The Servicer must employ staff, including phone agents for both incoming and outgoing calls, that is adequately trained to discuss interest rate adjustments for Step-Rate Mortgages. Phone agents answering incoming calls must be able to identify potential default situations and promptly refer Borrowers to a default management unit with the ability to advise on default prevention options. Phone agents making outgoing calls must be able to discuss step-rate adjustments when making calls to delinquent Borrowers in accordance with Section 9102.5.

## 8501.2: Communicating upcoming interest rate adjustments (03/02/16)

The Servicer must send two separate written notifications to the Borrower prior to an initial interest step-rate adjustment on a Step-Rate Mortgage. These notifications must be sent in order to ensure that Borrowers are fully prepared for increases to their PITIAS Payment amounts, and have a full understanding of when and why the payment amount will increase. If after the initial step-rate adjustment the Mortgage will be subject to subsequent interest rate adjustments, the Servicer, in accordance with Section 8501.2(c), must send one notification letter prior to the payment due date associated with each subsequent adjustment.

**(a) As early as the 150<sup>th</sup> day and no later than the 90<sup>th</sup> day prior to the first payment due date following the initial interest rate adjustment**

The Servicer must provide the Borrower with a written notice of the initial interest rate adjustment that will occur as a result of a step-rate feature on the Borrower's Step-Rate Mortgage (i.e., at the end of a fixed-rate term).

**(b) As early as the 75<sup>th</sup> day and no later than the 60<sup>th</sup> day prior to the first payment due date following the initial interest rate adjustment**

The Servicer must provide the Borrower with a second written notice of the initial interest rate adjustment.

Each written notice of an upcoming interest rate adjustment sent to the Borrower in accordance with the requirements in Section 8501.2 (a), 8501.2(b) or 8501.2(c) must:

1. Provide the amount and effective date of the interest rate increase, and the amount and due date of the Borrower's first increased monthly payment at the new adjusted level
2. Explain that, pursuant to the terms of the modification agreement, at the end of the initial fixed-rate term, the interest rate will increase according to the schedule in the agreement until it reaches a pre-determined Interest Rate Cap. (Note: As applicable, the Servicer must explain how the Interest Rate Cap was derived, and that once the interest rate reaches its cap, it will remain fixed for the remaining Mortgage term.)
3. Explain that the monthly payment includes an Escrow for property taxes, hazard insurance and other escrowed expenses, which could also increase the monthly payment amount if those amounts are increased
4. Explain how the new payment is determined
5. Include a payment schedule table similar to the one included in the Borrower's modification agreement, which outlines the future interest rates and monthly payment amounts (identifying principal and interest, as well as Escrows), and the effective dates for each; alternatively, the Servicer may explain these terms, dates and amounts;
6. Include the Servicer's contact information and instructions for the Borrower to contact the Servicer if the Borrower has any questions regarding the content of the notice
7. Include the Homeowners HOPE™ Hotline Number (888-995-HOPE)
8. Explain that free budgeting assistance from the HUD-approved housing counseling agencies is available via [HUD.gov](http://HUD.gov); and
9. Provide information regarding the availability of additional information on Freddie Mac's Mortgage Help Resource Center web site (<http://myhome.freddie.com/>.)

**(c) As early as the 120<sup>th</sup> day and no later than the 60<sup>th</sup> day prior to the first payment due date at each subsequent adjusted rate level**

Servicers must provide each Borrower with a written notice of each subsequent interest rate adjustment that will occur as a result of a step-rate feature on a Step-Rate Mortgage.

## **8501.3: Freddie Mac Flex Modification for Step-Rate Mortgages (10/01/17)**

Servicers must refer to Section 9206.5 for complete requirements for a streamlined offer for a Flex Modification to a Borrower with a Step-Rate Mortgage.

# Chapter 8502: Special Servicing and Reporting Requirements for ARMs

## 8502.1: ARM Servicing and reporting (05/01/19)

An ARM has a Note Rate that adjusts periodically based on a specified Index. The specific features of an ARM vary depending upon the terms of the Note.

All ARMs must be accounted for and reported under the net yield accounting reporting method, as described in Section 8301.4, and are reported via the transmission of the Loan-Level Transaction. Under this method, Freddie Mac receives its proportionate share of principal and interest collected each month including any Negative Amortization activity for the period. For purposes of reporting to Freddie Mac, interest is computed by multiplying the **Ending UPB of the current Accounting Cycle** of a loan by the Accounting Net Yield, using a 30-day month/360-day year.

See Chapters 8301 through 8304 for the accounting and reporting requirements for ARMs.

See Chapter 8303 for remittance requirements.

## 8502.2: Rate changes on ARMs (10/09/19)

**Refer to Bulletins 2019-18, 2019-19 and 2019-21, which announced the availability of Freddie Mac Servicing Data Corrections. Servicers may use the application prior to the implementation of the December 9, 2019 version of this section.**

### (a) Determining the new Note Rate

The Servicer must adjust the Note Rate on an ARM in accordance with the provisions set forth in the Note and any applicable Adjustable-Rate Riders. The Note will specify the Index on which any adjustments must be based, as well as other factors that must be used to determine the new Note Rate. These factors include, but are not limited to:

- The dates on which the Note Rate may change (Interest Change Date)
- The date on which the Index value used to calculate the new Note Rate is determined, usually expressed as a number of days (known as the Lookback Period)
- The Margin, which is the number of percentage points that must be added to the current Index value to establish the new Note Rate



- The limitations on the amount that the Note Rate may change at the first adjustment, subsequent adjustments and during the life of the Mortgage (Initial Cap, Periodic Cap and Life Cap) and any associated rounding rules

Upon each Note Rate change, the Servicer must calculate a new monthly payment amount based on the new Note Rate that is sufficient to fully amortize the UPB of the ARM over the remaining term. Prepayments on ARMs will only be accepted if the Index is available for the DDLPI reported that corresponds to the prepayment.

### **(b) Notifying the Borrower**

With respect to each ARM serviced for Freddie Mac, the Servicer must correctly calculate any and all adjustments to the interest rate or the monthly payment and give to the Borrower all notices of adjustment of interest rate and monthly payments in strict accordance with the requirements of applicable law and with the terms of the Note and the Security Instrument.

With respect to LIBOR-Indexed ARMs, in the notices of adjustment in the interest rate and monthly payment provided the Borrower before the effective date of the change, the Servicer must inform the Borrower that the LIBOR Index value used to calculate the new interest rate is the average of the London interbank offered rates for six-month or one-year US dollar denominated deposits, as applicable, as published in the print edition of The Wall Street Journal.

### **(c) Notification of the new Accounting Net Yield (ANY)**

Freddie Mac will notify the Servicer via the ARM notification report of the revised Accounting Net Yield (ANY) that the Servicer will be required to send us on an ARM in accordance with the product requirements set forth at the time of purchase. The ARM notification report will be available through the Freddie Mac Service Loans application at <http://www.freddiemac.com/singlefamily/service>.

The Servicer must verify the rate change notification information. If there are any differences or omissions, the Servicer must note the discrepancies on the bottom of the notification and return it to Freddie Mac (**see Directory 7**). Do not return the notification if the information on it is correct and complete.

The new ANY must be used for the Accounting Cycle date indicated in the notification. In the month of the Interest Change Date, the Servicer must report the forecasted scheduled interest for the next Accounting Cycle based on the new rate. The Servicer will be liable for all net yield interest deficiencies that result from differences in calculations between the ANY that Freddie Mac provides the Servicer and the Servicer's calculations.

Depending on the next Interest Change Date at the time of Mortgage delivery, the Servicer may not receive notification from Freddie Mac prior to the effective date of the new ANY.

## **8502.2: Rate changes on ARMs (Future effective date 12/09/19)**

### **(a) Determining the new Note Rate**

The Servicer must adjust the Note Rate on an ARM in accordance with the provisions set forth in the Note and any applicable Adjustable-Rate Riders. The Note will specify the Index on which any adjustments must be based, as well as other factors that must be used to determine the new Note Rate. These factors include, but are not limited to:

- The dates on which the Note Rate may change (Interest Change Date)
- The date on which the Index value used to calculate the new Note Rate is determined, usually expressed as a number of days (known as the Lookback Period)
- The Margin, which is the number of percentage points that must be added to the current Index value to establish the new Note Rate
- The limitations on the amount that the Note Rate may change at the first adjustment, subsequent adjustments and during the life of the Mortgage (Initial Cap, Periodic Cap and Life Cap) and any associated rounding rules

Upon each Note Rate change, the Servicer must calculate a new monthly payment amount based on the new Note Rate that is sufficient to fully amortize the UPB of the ARM over the remaining term. Prepayments on ARMs will only be accepted if the Index is available for the DDLPI reported that corresponds to the prepayment.

### **(b) Notifying the Borrower**

With respect to each ARM serviced for Freddie Mac, the Servicer must correctly calculate any and all adjustments to the interest rate or the monthly payment and give to the Borrower all notices of adjustment of interest rate and monthly payments in strict accordance with the requirements of applicable law and with the terms of the Note and the Security Instrument.

With respect to LIBOR-Indexed ARMs, in the notices of adjustment in the interest rate and monthly payment provided the Borrower before the effective date of the change, the Servicer must inform the Borrower that the LIBOR Index value used to calculate the new interest rate is the average of the London interbank offered rates for six-month or one-year US dollar denominated deposits, as applicable, as published in the print edition of The Wall Street Journal.

### **(c) Notification of the new Accounting Net Yield (ANY)**

Freddie Mac will notify the Servicer via the ARM notification report of the revised Accounting Net Yield (ANY) that the Servicer will be required to send us on an ARM in accordance with the product requirements set forth at the time of purchase. The ARM

notification report will be available through the Freddie Mac Service [Loan Level Reporting tool](#) (see [Exhibit 88, Servicing Tools](#)).

The Servicer must verify the rate change notification information. If there are any differences or omissions, the Servicer must [notify Freddie Mac of the discrepancy via the Freddie Mac Servicing Data Corrections tool](#) (see [Exhibit 88, Servicing Tools](#)) within the same [Accounting Cycle](#) the ARM notification report is published in the [Freddie Mac Loan Level Reporting tool](#). Do not return the notification if the information on it is correct and complete.

The new ANY must be used for the Accounting Cycle date indicated in the notification. In the month of the Interest Change Date, the Servicer must report the forecasted scheduled interest for the next Accounting Cycle based on the new rate. The Servicer will be liable for all net yield interest deficiencies that result from differences in calculations between the ANY that Freddie Mac provides the Servicer and the Servicer's calculations.

Depending on the next Interest Change Date at the time of Mortgage delivery, the Servicer may not receive notification from Freddie Mac prior to the effective date of the new ANY.

### **8502.3: Negative Amortization (05/01/19)**

Negative Amortization results whenever the amount of monthly interest calculated at the Note rate exceeds the Borrower's scheduled monthly interest payment to the Servicer. Increases and decreases in Negative Amortization are to be accounted for in the calculation of principal due Freddie Mac for each [Accounting Cycle](#) as set forth in Chapter 8301.

# **Chapter 8503: Servicing Requirements for Borrowers who are Servicemembers and their Dependents**

## **8503.1: Definitions related to Servicing loans of Servicemembers (03/02/16)**

As used in this chapter, the following terms shall have the same definitions as those provided in the Servicemembers Civil Relief Act (SCRA) and any applicable regulations as they shall be amended from time to time:

- Dependent
- Military Service
- Period of Military Service
- Servicemember

The term Permanent Change of Station (PCS) shall have the same meaning as that provided by the Joint Federal Travel Regulations, Volume 1, promulgated by the United States Department of Defense, Defense Management Travel Office.

The term “State Military Relief Law” shall mean any State law that provides benefits, protections or relief to members of the armed forces relating to a Mortgage. For example, and not by way of limitation, the New Jersey Soldiers’ and Sailors’ Civil Relief Act (N.J.S.A. §§ 38:23C-1 et seq.), is a State Military Relief Law. State Military Relief Laws generally extend SCRA protections to individuals not covered by the SCRA and therefore afford greater protections than the SCRA provides.

## **8503.2: Relief options exclusive to Servicemembers and their Dependents (10/11/17)**

### **(a) Servicer responsibilities**

Servicers must comply with the SCRA and all State Military Relief Laws as they apply to any Borrower or Mortgage. The Servicer must be familiar and comply with all the provisions of the SCRA and State Military Relief Laws and monitor changes to such laws to ensure continuing compliance.

Note:

- When provisions of the SCRA require a Servicemember to provide a copy of his or her military orders\*, Servicers may accept: (a) official military orders that reflect the start date of the Period of Military Service; (b) a certification, including a certificate obtained from the Defense Manpower Data Center, that delineates the start date of a Servicemember's Period of Military Service; (c) a letter that is on official letterhead from the military unit to which the Servicemember is assigned, is signed by the Servicemember's commanding officer and contains the following: a statement that the letter is intended to be relied upon by creditors for SCRA purposes, the Servicemember's full name and Social Security Number, home address, start and end dates of the Period of Military Service and commander's contact telephone number; or (d) any document the Department of Defense deems a substitute for official orders.

\*References to "military orders" in the Guide include the alternative documentation outlined above that Servicers may accept in lieu of official military orders.

- Servicers may accept written requests for the SCRA interest rate relief via facsimile, U.S. mail, or electronic submission, such as e-mail or transmitting an online form.
- Servicers may, but are not required to, accept an oral request for SCRA interest rate relief if the Servicer has established processes, policies and procedures that, at a minimum, positively identify the requestor and enable the Servicer to record the request and make the recording available to Freddie Mac upon request.
- Servicers must submit a request for SCRA interest reimbursement, in accordance with Section 8503.7, within 24 months of the end date of a Servicemember's Period of Military Service.

Freddie Mac will not reimburse Servicers for SCRA interest rate differential requests when the amount requested exceeds the amount of interest represented by the Note Rate minus 6%.

### **(b) Borrower eligibility for SCRA protection**

The SCRA applies to any Borrower who is a Servicemember during a Period of Military Service if the following conditions are met:

- The Mortgage is the contractual obligation of the Servicemember as the Borrower or co-Borrower under the Note; or as obligee under a written agreement by which the Servicemember assumes the Borrower's liability under the Note and the Borrower is released from such liability, and
- The Servicemember executed the Note or the assumption agreement before the reporting date or effective date of the Servicemember's Period of Military Service as shown in military orders

Refer to Sections 8503.4 through 8503.10 for applying SCRA provisions on Mortgages.

**(c) Foreclosure relief extended to Servicemembers and their Dependents by Freddie Mac in addition to SCRA provisions and State Military Relief Laws**

Freddie Mac offers foreclosure relief in addition to that provided by the SCRA or State Military Relief Laws. Servicers must not initiate or, if already initiated, must not complete foreclosure of a Mortgage where a Servicemember is a Borrower, and the Mortgaged Premises is the Primary Residence of the Servicemember, regardless of when the Mortgage was originated, during his or her Period of Military Service or for one year after the date Military Service ends.

Additionally, Servicers must not initiate or, if already initiated, must not complete foreclosure on a Mortgage, during a Servicemember's Period of Military Service or for one year after the date Military Service ends, when the Borrower:

- Is a Dependent of a Servicemember and the Mortgaged Premises is the Primary Residence of the Servicemember or a Dependent of a Servicemember; or
- Was a Servicemember who died during the Period of Military Service and the Mortgaged Premises continues to serve as the Primary Residence of a Dependent of the Servicemember

For example, if the Borrower is the spouse of a Servicemember who left Military Service on January 1<sup>st</sup>, and the Mortgaged Premises are the Primary Residence of the Servicemember or the spouse, then the Servicer must not initiate or complete foreclosure until after January 1<sup>st</sup> of the following year.

If the Servicer believes that there are unusual circumstances that warrant initiating or completing foreclosure prior to the time allowed by this subsection 8503.2(c), such as the Mortgaged Premises being vacant or abandoned, the Servicer must contact Freddie Mac (**see Directory 5**) to obtain prior written approval to initiate or complete foreclosure proceedings.

The Servicer must report a Servicemember who is receiving relief from Freddie Mac as outlined in this subsection 8503.2(c) as "paying as agreed" to any consumer reporting agency to which the Servicer reports.

### **8503.3: Other relief and workout options for Servicemembers and their Dependents (03/02/16)**

If a Servicemember or Dependent experiences an eligible hardship, such as receipt of PCS orders, and does not qualify for protection under the provisions of the SCRA or State Military Relief Laws, or qualifies but chooses to explore other options, the Servicer must evaluate the

Servicemember for the most appropriate relief or workout option in accordance with Chapter 9102.

If a Servicemember requires additional relief beyond what is currently available in the Guide, Servicers should contact their Freddie Mac representative.

## **8503.4: Applying SCRA provisions (10/11/17)**

### **(a) Interest rate cap**

If the Servicemember and the Mortgage qualify for the SCRA's maximum interest rate protection and the Servicemember has submitted a written request for protection in accordance with the SCRA, Freddie Mac will:

- For a Servicemember who is a member of a reserve component, begin applying the interest rate cap with the first monthly Mortgage payment due after the Servicemember receives his or her orders
- For a Servicemember who is a member of the uniformed services as defined by 10 U.S.C. 101(a)(5) or a Servicemember who belongs to the National Guard, begin applying the interest rate cap with the first monthly Mortgage payment due after the reporting date or effective date of the Servicemember's Period of Military Service
- Reinstate the Mortgage to its contractual rate of interest beginning with the second monthly Mortgage payment due one year after the date the Servicemember's Period of Military Service terminates

If the Borrower is delinquent on his or her monthly payments, the Servicer must contact Freddie Mac (**see Directory 5**) via Form 105, Multipurpose Loan Servicing Transmittal, no later than five Business Days after receiving the request for interest rate relief.

For reinstatement purposes, the contractual rate of interest is defined as follows:

- For a fixed-rate Mortgage, the same rate that was in effect before the reporting date or effective date of Military Service, or the date the Servicemember received orders (for members of a reserve component)
- For an ARM, the rate to be determined or calculated based on the last interest rate that would have been in effect, or the last payment adjustment that otherwise would have taken place, during the rate cap period

If the interest rate cap request is made by the Servicemember in accordance with the SCRA notice provisions and it is received by the Servicer no later than 180 days after the Period of Military Service terminates, the Servicer must apply the interest rate cap retroactively to the first monthly Mortgage payment due after the reporting date, effective date of Military

Service or date the Servicemember received orders (for members of a reserve component). However, Freddie Mac will bear the interest loss only from the first monthly Mortgage payment due after the Funding Date.

**(b) Notice to Servicemember, Freddie Mac**

Within 15 Business Days of receiving an interest rate cap request on a Mortgage that meets the requirements of the SCRA, the Servicer must provide written notice of approval to the Servicemember or the Servicemember's representative, as applicable. Freddie Mac does not prescribe a particular form of notice. The notice must contain the following at a minimum:

1. The amount of the monthly installment of principal and interest calculated at the rate of 6% per year
2. The amount of the monthly installment of Escrow, if any, which remains unchanged unless insurance coverage, property tax rates or other assessments are modified
3. The total amount and first Due Date of the new monthly Mortgage payment
4. The reinstatement of the monthly Mortgage payment to its contractual rate of interest beginning with the second monthly payment due following the date that is one year after the Servicemember is released from Military Service
5. If known at the time, the scheduled date the Servicemember will be released from Military Service and the Due Date of the first monthly payment at the reinstated contractual rate of interest

Within 30 Business Days of receiving the request, the Servicer must:

1. Retain a copy of military orders\* evidencing the Servicemember's military status and start and end dates of his or her Period of Military Service and all other related documentation in the Mortgage file and make it available to Freddie Mac upon request
2. Send a CSV file (see Exhibit 71, CSV File Format to Report Loans Eligible for the SCRA Interest Rate Subsidy) to Freddie Mac (**see Directory 3**) documenting the start and end dates of the Servicemember's Period of Military Service

\*References to "military orders" in the Guide include the alternative documentation outlined in Section 8503.2 that Servicers may accept in lieu of official military orders.

Once the Servicer has received a request from the Borrower (or the Borrower's authorized representative) and a copy of his or her military orders, the Servicer must implement the interest rate cap.

While the rate cap is in effect, the Servicer must report and remit on the Mortgage in accordance with Section 8106.1 and Chapter 8503.



### **(c) Assessing a Servicemember's ability to pay at the Note Rate**

Unless there are unusual circumstances, Freddie Mac does not require the Servicer to assess the material effect of Military Service on a Borrower's ability to continue making payments on the Mortgage at the contractual rate of interest. The Servicer must implement the 6% rate cap, upon request of a Borrower, provided that the Borrower meets the requirements of the SCRA.

If the Servicer becomes aware of unusual circumstances that give it reason to believe the Servicemember's ability to pay at the contractual rate of interest is not materially affected by a call to Military Service, then the Servicer must notify its investor reporting specialist (**see Directory 3**) that Freddie Mac may wish to investigate the Servicemember's financial circumstances. The Servicer must include any facts to support its supposition and copies of the following:

- The military orders evidencing the Servicemember's call to Military Service
- Form 65, Uniform Residential Loan Application
- The Note

Freddie Mac may determine that a Servicemember's request for the interest rate cap should be challenged. If so, Freddie Mac will provide the Servicer with instructions on how to proceed.

Freddie Mac may decline to implement an interest rate cap if the rate cap was improperly granted to a Servicemember or if the Mortgage did not qualify for SCRA protection (for example, the Servicemember was already in a Period of Military Service at the time the Mortgage was originated). If Freddie Mac informs the Servicer that Freddie Mac declines the request, then within five Business Days, the Servicer must advise the Servicemember or the Servicemember's representative in writing, citing the specific reasons the Mortgage does not qualify for the interest rate cap and offer to consider other forms of assistance.

If further guidance is required, the Servicer may contact its investor reporting specialist (**see Directory 3**).

### **(d) Status updates, reinstatements**

While the interest rate cap is in effect, the Servicer must periodically, but no less than every three months, verify that the Servicemember is still in a Period of Military Service or that no changes have been made to the duration/term of the Period of Military Service that may affect the Servicemember's eligibility to receive relief. If the Servicemember informs the Servicer, or if the Servicer learns by other means, that the Servicemember's Period of Military Service has ended, the Servicer must send a written notice to the Servicemember at least 30 days before the reinstatement of the contractual interest rate indicating that the interest rate cap has been terminated and the monthly Mortgage payment has been reinstated.

to its contractual rate of interest. The written notice of reinstatement of the Mortgage should advise the Servicemember of the following:

- The amount of the monthly Mortgage payment when reinstated to its contractual rate of interest, specifying such interest rate
- The date the reinstated monthly payment amount is first due
- That he or she must furnish a copy of military orders showing any extension of the Period of Military Service beyond the originally scheduled release date, if applicable
- That he or she must furnish a copy of DD Form 214 to document his or her release from a Period of Military Service

The Servicer must follow the pertinent instructions in the chart below:

<b>If:</b>	<b>Then the Servicer Must:</b>
<p>The military orders submitted with the interest rate cap request state the end date of the Period of Military Service</p>	<ul style="list-style-type: none"> <li>■ 30 days prior to the release date, query the Defense Manpower Data Center web site (<a href="https://www.dmdc.osd.mil/appj/dwp/index.jsp">https://www.dmdc.osd.mil/appj/dwp/index.jsp</a>) to determine if there has been a change to the duration/term of the Period of Military Service</li> <li>■ If the duration/term of the Period of Military Service has not changed, send the Servicemember or his or her representative a written notice that the Servicer will reinstate the monthly Mortgage payment to its contractual rate of interest, including the effective date of the payment change (which is the second monthly payment due following the date that is one year after the Servicemember's release date), 30 days before the end of the period for which the interest rate is capped at 6%</li> </ul>
<p>The Period of Military Service has been extended based on notice from the Servicemember, his or her representative, or a certificate obtained from the Defense Manpower Data Center</p>	<p>Within 10 Business Days of learning of the extension, notify the Servicer's investor reporting specialist via CSV file (see Exhibit 71) that the end date of the Servicemember's Period of Military Service has changed. Retain a copy of the of military orders evidencing the Servicemember's military status and Period of Military Service and all other related documentation in the Mortgage file and make it available to Freddie Mac upon request.</p>

<b>If:</b>	<b>Then the Servicer Must:</b>
<p>No evidence of extension of the Period of Military Service has been provided by the Servicemember or his or her representative within 30 days of the scheduled release date and a query of the Defense Manpower Data Center web site does not indicate a change to the duration/term of the Period of Military Service</p>	<p>Take the following steps:</p>
	<ul style="list-style-type: none"> <li>■ Send the Servicemember or his or her representative a written notice that the Servicer will reinstate the monthly Mortgage payment to its contractual rate of interest, including the effective date of the payment change (which is the second monthly payment due following the date that is one year after the Servicemember’s release date), and request documentation of the Servicemember’s release from Military Service (for example, DD Form 214)</li> </ul>
	<ul style="list-style-type: none"> <li>■ Reinstate the monthly Mortgage payment to its contractual rate of interest beginning with the second monthly payment due following the date that is one year after the Servicemember’s release date</li> </ul>
	<p>If, as a result of the Servicer’s notification, the Servicemember notifies the Servicer that his or her Period of Military Service has been extended and provides the Servicer with copies of military orders evidencing such extension or a query of the Defense Manpower Data Center web site reveals a change to the duration/term of the Period of Military Service, then the Servicer must notify its investor reporting specialist via CSV file (see Exhibit 71) that the end date of the Servicemember’s Period of Military Service has changed within 10 Business Days of receiving the notification from the Servicemember and the Servicer must notify the Servicemember of the new date the Mortgage will reinstate to its contractual interest rate at least 30 days before the reinstatement of the interest rate occurs.</p> <p>Retain a copy of the of military orders evidencing the Servicemember’s military status and Period of Military Service and all other related documentation in the Mortgage file and make it available to Freddie Mac upon request.</p>

If:	Then the Servicer Must:
<p>The Servicemember's Period of Military Service has ended and a query of the Defense Manpower Data Center Web site does not indicate a change to the duration/term of the Period of Military Service</p>	<p>Take the following steps:</p>
	<ul style="list-style-type: none"> <li>■ Reinstatement the monthly Mortgage payment to its contractual rate of interest beginning with the second monthly payment due following the date that is one year after the Period of Military Service ended</li> </ul>
	<ul style="list-style-type: none"> <li>■ Send the Servicemember or his or her representative written notice of the date the Mortgage will reinstate to its contractual interest rate at least 30 days before the reinstatement of the interest rate occurs</li> </ul>
	<ul style="list-style-type: none"> <li>■ Remove the Mortgage from the Servicer's monthly (or quarterly) Interest Rate Differential text file (see Exhibit 72, Text File Format to Request SCRA Interest Rate Differential) the second month following the date that is one year after the Period of Military Service ended</li> </ul>

**(e) Foreclosure relief**

The Servicer must not foreclose or initiate foreclosure proceedings against a Borrower who is a Servicemember except in accordance with the SCRA and State Military Relief Laws. See Sections 8503.2 and 8503.3 for Freddie Mac-specific foreclosure relief in addition to that provided by the SCRA or State Military Relief Laws.

When foreclosure is allowed to proceed and if a mortgage insurance claim is eventually filed, the Servicer must notify the MI that the Mortgage was subject to SCRA or State Military Relief Laws so that:

- Interest for SCRA-capped payments due, but unpaid by the Servicemember, is claimable at the Note rate, not at the SCRA-capped rate
- Claimable interest will not be curtailed by the MI for a delay that was caused solely by the Servicer's compliance with applicable law

For further guidance on relief or remedies (other than interest rate cap under the SCRA) involving Servicemembers who are serving or have served a Period of Military Service, the Servicer must consult with their legal counsel or contact Freddie Mac (see **Directory 5**).

**(f) Late charges**

The Servicer must waive all late charges or penalties resulting from Mortgage payments deferred, restructured or rate-capped under the SCRA or if required by State Military Relief Laws.

**(g) Credit reporting**

The Servicer must report a Servicemember who is receiving the protection of the SCRA or State Military Relief Laws as “paying as agreed” to the credit repositories.

The Servicer must fully comply with the SCRA and State Military Relief Laws as they relate to credit reports kept on Servicemembers who exercise their statutory rights to military relief.

**(h) Documentation**

The Servicer must maintain records of all communications with, and copies of all correspondence and documentation to or from, Servicemembers seeking Mortgage relief for hardship caused by Military Service in the Mortgage file.

**(i) Transfers of Servicing**

When a Transfer of Servicing includes Mortgages that have any type of military relief, including Mortgages with interest rates capped under the SCRA or with suspended foreclosures, the Transferor must identify each such Mortgage to the Transferee before transferring the Mortgage files to the Transferee. See Chapter 7101 for more information on Transfers of Servicing.

**(j) Monthly reporting to Freddie Mac**

**Default action code 32 – “Military Indulgence”:** Servicers should use only default action code 32 to report default processes that are delayed due to the Borrower being in a Period of Military Service and covered under the SCRA or foreclosure relief provided to Servicemembers and their Dependents in accordance with Section 8503.2. When utilizing default action code 32, Servicers must provide the date default processes were suspended and continue to report each month that the Servicemember is receiving foreclosure protection under the SCRA or Section 8503.2.

**Default reason code 14 – “Military Service”:** When reporting mortgage relief, loan modifications, or liquidation options extended to Servicemembers, Servicers must report the default action code associated with the specific relief, modification, or liquidation option. Servicers must also report the default reason code 14 to indicate the hardship was caused by military service.

For additional information about EDR, refer to Section 9102.7.

## 8503.5: Calculation of new monthly payment for SCRA-capped Mortgages (05/01/19)

If the interest rate on a Mortgage is capped in accordance with Section 8503.4, the Servicer may choose between the following two methods for calculating the new monthly payment amount:

- Reamortization of the Mortgage based on the interest rate of 6%, or
- Implementation of the 6% rate using the original amortization schedule

### (a) Revised interest rate, reamortized Mortgage

This method applies in calculating the principal and interest (P&I) payment amount both at:

- The interest rate of 6%
- The reinstated contractual rate of interest

The Servicer must use the following formula:

$$P\&I = \frac{a \times (b/12)}{1 - (1 + b/12)^{-c}}$$

a = Mortgage UPB

1. For 6% rate: scheduled UPB after application of the last payment made before the Due Date of the first payment at 6%
2. For reinstatement to contractual rate: scheduled UPB after application of the last payment made before the Due Date of the second payment due one year after the Servicemember's Period of Military Service ends

b = interest rate

1. Rate applicable to the rate cap period: 6%
2. Rate applicable when reinstated to contractual rate: for fixed-rate Mortgages, use the original Note rate; for ARMs, use the current applicable index plus margin

c = actual number of remaining payments, using a calculated term to maturity

### (b) 6% rate cap, original amortization schedule

Under this method, the Servicer must calculate the Borrower's monthly P&I at 6% as follows:

$d + e = \text{monthly P\&I}$

$d = \text{scheduled principal as calculated per amortization schedule in effect before rate cap}$

$e = \text{accrued interest} = \text{current cycle Ending UPB} \times (.06/12)$

Upon reinstatement to the contractual rate of interest, the P&I amount will correspond to the amortization schedule in effect before the rate cap.

## **8503.6: Application of payments on SCRA-capped Mortgages (03/02/16)**

Monthly payments made by Servicemembers on SCRA-capped Mortgages must be applied in accordance with Section 8103.4.

## **8503.7: Accounting reports for SCRA-capped Mortgages (06/12/19)**

The Servicer must report each SCRA-capped Mortgage in accordance with Section 8303.28. Net yield interest due must be calculated based on the current Accounting Net Yield rate. The Servicer will receive credit for the interest rate differential, which is defined as follows:

- Interest rate differential = Accounting Net Yield less adjusted interest rate
- Adjusted interest rate or Mortgage with Note Rate higher than net yield = 6% less Servicing fee paid to the Servicer

Each month the Servicer must:

- Continue to report the contractual principal and interest payment in the monthly loan-level transaction for each Mortgage subject to the SCRA interest rate reduction
- Deposit the full contractual monthly payment of each Mortgage subject to the SCRA interest rate reduction into the Servicer's Freddie Mac Custodial Account
- Calculate the interest rate differential reimbursement due to the Servicer for the interest rate differential on each SCRA-capped Mortgage

To effectively manage Mortgages that are eligible for the SCRA interest rate cap, Servicers should take the following steps:

- Notify Freddie Mac via CSV file (see Exhibit 71, CSV File Format to Report Loans Eligible for the SCRA Interest Rate Subsidy) of each new Mortgage that becomes eligible for the SCRA interest rate cap
- Request reimbursement of the interest rate differential on a monthly (or quarterly) basis via text file. (See Exhibit 72, Text File Format to Request SCRA Interest Rate Differential.)
- Remove the loan from the text file (see Exhibit 72) and revert the Mortgage to the normal contractual interest rate 12 months after the end date of the Servicemember's Period of Military Service

Adjustments to each SCRA-capped Mortgage for the previous month must be reported via text file (see Exhibit 72) to Freddie Mac (**see Directory 3**) monthly, or if the Servicer chooses on a quarterly basis, not later than the third Business Day before the end of the month.

Freddie Mac will enter the total credit in the "Adjustment Line" of the Monthly Account Statement (MAS) and will apply the credit against the amount Freddie Mac drafts for that Accounting Cycle and make the appropriate adjustment to the Principal and Interest Custodial Account.

If, prior to the end of the month, an SCRA-capped Mortgage pays off or is involved in a Transfer of Servicing, or if the Servicemember's Period of Military Service ends, the Servicer must complete a separate text file (see Exhibit 72) for the affected Mortgage and submit it to Freddie Mac (**see Directory 3**) within five Business Days.

If the Servicer disagrees with the interest credit Freddie Mac gives the Servicer, the Servicer must notify Freddie Mac (**see Directory 3**) in writing within 30 days of the date of the MAS. The notification must state:

1. The Seller/Servicer number
2. The applicable Freddie Mac loan number(s)
3. A brief description of the problem
4. The unpaid balance for any disputed credit
5. Military orders\* supporting the relief period requested

\*References to "military orders" in the Guide include the alternative documentation outlined in Section 8503.2 that Servicers may accept in lieu of official military orders.

The Internal Revenue Service (IRS) Form 1098, Mortgage Interest Statement, that the Servicer files in accordance with Section 8106.2 should reflect the reduced interest amount paid by the Borrower during the rate cap period.



## **8503.8: Rate changes on SCRA-capped ARMs (03/02/16)**

Freddie Mac notifies the Servicer of Accounting Net Yield changes on ARMs in accordance with Section 8502.2. When monthly net yield interest is reported on the Loan-Level Transaction for an SCRA-capped adjustable Mortgage, the Servicer must calculate the interest based on the new net yield shown in Freddie Mac's Notification of ARMs Group Net Yield Adjustment.

Freddie Mac will calculate the interest credit due to the Servicer in accordance with Section 8503.7.

## **8503.9: Servicing compensation for SCRA-capped Mortgages (06/12/19)**

The Servicer's compensation for Servicing an SCRA-capped Mortgage will be based on a Servicing Spread that remains at the rate in effect before the first month to which the rate cap applies.

## **8503.10: Retroactive rate cap for SCRA-capped Mortgages (03/02/16)**

Retroactive application of the SCRA rate cap under Section 8503.4 must be processed as follows:

### **(a) Reimbursement to the Servicemember**

The Servicer must calculate the difference between the amount of interest paid by the Servicemember at the contractual rate of interest and the amount of interest due at 6%, for the applicable benefit period. At the Servicemember's option, the resulting amount may be credited to the UPB of the Mortgage or to reduce monthly Escrow installments, or refunded to the Servicemember.

### **(b) Reimbursement to the Servicer**

The Servicer must calculate the credit that results from the retroactive interest rate differential and notify Freddie Mac (**see Directory 3**) of the amount of the credit the Servicer is claiming (see Section 8503.7). Freddie Mac will validate the credit amount the Servicer requests and enters it on the "Adjustment Line" of the Servicer's Monthly Account Statement (MAS).

# Chapter 8601: Servicing Requirements for Senior Subordinate Mortgages

## 8601.1: Servicing Senior Subordinate Mortgages (07/13/16)

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

Servicers of Senior Subordinate Mortgages must comply with all Servicing requirements of the Guide, including the additional Servicing requirements specified in this chapter that are applicable only to Senior Subordinate Mortgages. Freddie Mac will provide prior written notice to the Servicer of the date on which a Freddie Mac-Owned Mortgage becomes a Senior Subordinate Mortgage subject to the requirements set forth in this chapter. In any Guide section that requires a Servicer to act in Freddie Mac's best interests, Servicers of a Senior Subordinate Mortgage must continue to do so on behalf of Freddie Mac in its capacity as trustee and/or master servicer of a Senior Subordinate Trust. Except as set forth in Section 8601.12, unless a Servicer receives notification from Freddie Mac that it services a Senior Subordinate Mortgage, the Servicer must not apply any of the requirements set forth in this chapter, but rather, should continue Servicing in accordance with all other Servicing requirements of the Guide and applicable Purchase Documents. If any Servicing requirement in this Chapter 8601 is inconsistent with a Servicing requirement set forth elsewhere in the Guide, the Servicer must comply with the Servicing requirement set forth in this Chapter 8601 with respect to any Senior Subordinate Mortgage or Senior Subordinate Trust.

## 8601.2: Key terms and definitions used in this chapter (03/02/16)

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

A Servicer that receives a notice that it services a Senior Subordinate Mortgage should be familiar with the following terms.

**Senior Subordinate Mortgage** – A Senior Subordinate Mortgage is a Mortgage previously owned by Freddie Mac that Freddie Mac has transferred to a Senior Subordinate Trust.

**Senior Subordinate Trust** – A securitization trust formed by Freddie Mac into which Freddie Mac transfers ownership of certain Freddie Mac-Owned Mortgages, which become Senior

Subordinate Mortgages upon transfer; Freddie Mac may serve as trustee, master servicer, master custodian and, with respect to certain securities issued by the Trust, guarantor of payments owed on those securities.

**Freddie Mac-Owned Mortgage** – Any Mortgage purchased by Freddie Mac that is owned by Freddie Mac, in whole or in part, and which currently is not owned by a securitization trust or deposited into a pool backing participation certificates.

**Freddie Mac Guaranteed Mortgage** – Any Mortgage purchased by Freddie Mac that is then deposited into or transferred to a securitization trust for which Freddie Mac is a guarantor of some or all of the payments owed to holders of the securities issued by that trust.

## 8601.3: Chapter contents (08/01/18)

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This chapter sets forth requirements specific to Senior Subordinate Mortgages.

<b>Topic</b>	<b>Section(s)</b>
Freddie Mac’s rights and Servicer rights, duties and obligations	8601.4
Limited power of attorney	8601.5
Requesting limited power of attorney	8601.6
Servicer use of Servicing Tools	8601.7
Borrower inquiries	8601.8
IRS Form 1099-A, Acquisition or Abandonment of Secured Property	8601.9
IRS Form 1099-C, Cancellation of Debt	8601.10
IRS Form 1099-MISC, Miscellaneous Income	8601.11
Concurrent and Subsequent Transfers of Servicing	8601.12
Declination of the application	8601.13
Modifying Exhibit 93 model letters for Senior Subordinate Mortgages	8601.14
Foreclosure – general requirements	8601.15
Referral to foreclosure documentation requirements	8601.16

Foreclosing in the Servicer's name	8601.17
Expedited foreclosures	8601.18
Deficiency rights	8601.19
Preserving the Mortgaged Premises	8601.20
Expenses that may become First Liens on the Mortgaged Premises	8601.21
Delivery of clear and marketable title	8601.22
Vesting the title and avoiding transfer taxes	8601.23
Non-routine default-related legal matters	8601.24
Counsel retained by Servicers pursuant to Servicer's duty to indemnify Freddie Mac	8601.25
Servicing Mortgages on distressed properties and properties that pose a Risk of Property Ownership	8601.26
Servicing Mortgages on abandoned properties	8601.27
Retention of firm	8601.28
Referral of Freddie Mac Default Legal Matters to firm	8601.29
REO - General Requirements	8601.30
REO - Documentation and reporting requirements	8601.31
REO - Notifying the taxing authority/HOA	8601.32

## **8601.4: Freddie Mac's rights and Servicer rights, duties and obligations (08/17/16)**

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

Freddie Mac retains all rights and remedies set forth in the Guide, including, but not limited to, Section 8101.9, except as modified below with respect to the rights set forth in Sections 9204.3, 7101.2(d), 9301.37 and 9301.38.

Unless otherwise specified in this chapter, a Servicer of a Senior Subordinate Mortgage shall continue to have the same rights, duties and obligations with respect to Freddie Mac as it does as a Servicer of any other Freddie Mac-Owned or Guaranteed Mortgage. Consistent with Section 8101.10, the Servicer shall remain an independent contractor of Freddie Mac. The Servicer may enter into a contract with a Senior Subordinate Trust provided it first obtains written approval

from Freddie Mac. Except as specified in a contract between the Servicer and Senior Subordinate Trust, a Servicer of Senior Subordinate Mortgages will not owe any duties or obligations to a Senior Subordinate Trust nor will it have any rights against the Senior Subordinate Trust.

### **Freddie Mac's rights**

Consistent with Section 9204.3, Freddie Mac's approval or settlement of a workout does not limit its right to review the Mortgage file and invoke its remedies under the Guide. If Freddie Mac determines as a result of its review of the Mortgage file or otherwise discovers any failure by a Servicer to comply with Servicing requirements of the Guide or any other Purchase Documents, Freddie Mac has the right to require the Servicer to:

1. Compensate Freddie Mac and hold it harmless for any loss, damage or expense (including court costs, attorney fees and incentive payments) incurred by Freddie Mac, and/or
2. Repurchase a Mortgage that Freddie Mac repurchased from a Senior Subordinate Trust at any time under any of the circumstances outlined in Section 3602.3

### **Unauthorized Transfer of Servicing**

With respect to the rights set forth in Section 7101.2(d) regarding a Servicer's transfer of its Servicing portfolio (in whole or in part) without Freddie Mac's prior written approval will result in the assessment of a compensatory fee as determined by Freddie Mac not to exceed 1% of the Senior Subordinate Trust's share of the UPB of the Mortgages that are being transferred.

## **8601.5: Limited power of attorney (03/02/16)**

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

Each Senior Subordinate Trust appoints Freddie Mac as attorney-in-fact to act on behalf of each Senior Subordinate Trust for purposes of signing all documents necessary to service the Senior Subordinate Mortgage, pursue foreclosure, release the lien, endorse the Note and execute other instruments and documents in connection with the Senior Subordinate Mortgage, take title to the Mortgaged Premises as a result of a deed-in-lieu of foreclosure or foreclosure sale, sell the Senior Subordinate Trust's REO and take all other necessary actions in connection with the Servicing of a Senior Subordinate Mortgage and for the preservation, maintenance and disposition of REO owned by the Senior Subordinate Trust. Further, each Senior Subordinate Trust authorizes Freddie Mac to further delegate to Servicers Freddie Mac's authority to act as attorney-in-fact on behalf of each Senior Subordinate Trust for the purposes stated above and, in furtherance of such authority, Freddie Mac has provided the Servicer with a limited power of attorney to act as attorney-in-fact on behalf of each Senior Subordinate Trust.

Before exercising the authority delegated by Freddie Mac under the limited power of attorney, the Servicer must determine, in consultation with its retained counsel, whether the Servicer may, under applicable law, rely on the limited power of attorney before pursuing foreclosure on behalf of the Senior Subordinate Trust or otherwise exercising the authority set forth in the limited power of attorney in connection with the Servicer's Servicing of a Senior Subordinate Mortgage and/or taking action in connection with the preservation, management or disposition of the REO. If the Servicer determines that it is unable to rely on the limited power of attorney in connection with its intended exercise of any of the authority granted under the limited power of attorney in connection with its obligations under the Guide, then the Servicer must notify Freddie Mac (see **Directory 5**) and await further instructions.

## **8601.6: Requesting a limited power of attorney (03/02/16)**

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

A Servicer that has determined they are in need of one or more limited powers of attorney in order to properly service one or more Senior Subordinate Mortgages must submit a request to Freddie Mac (see **Directory 5**) that includes the following:

1. The name of the applicable Senior Subordinate Trust, including the associated Series number
2. The legal name of the Servicer
3. A statement, in the subject line of the request, that specifies the request is for a limited power of attorney on behalf of a Senior Subordinate Trust
4. The number of limited powers of attorney requested
5. A shipping label, included as an attachment, listing the name, mailing address, and phone number of the Servicer employee that will receive the limited powers of attorney

## **8601.7: Servicer use of Servicing Tools (06/29/16)**

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

Any license, user agreement, term of use or similar document or requirement set forth in the Guide or other Purchase Document applicable to a Servicer's electronic communications with Freddie Mac or the Servicer's use of any Servicing Tools in connection with the Servicing of Mortgages under the Guide shall govern, and the same terms, conditions, and obligations and requirements shall apply to, a Servicer's electronic communications or use of any Servicing Tools in connection with the Servicing of any Senior Subordinate Mortgage or REO owned by a Senior Subordinate Trust.

If the license, user agreement, terms of use, or similar document in the Purchase Document does not expressly permit the Servicer to use such Servicing Tools in connection with the Servicing of any Senior Subordinate Mortgage or REO owned by a Senior Subordinate Trust, such use is hereby deemed permitted, but subject to and conditioned on all other terms, conditions, obligations and limitations applicable to the Servicer's use of the such Servicing Tools contained in the applicable license, user agreement, terms of use or similar document in the Guide or applicable Purchase Document (including, but not limited to, all "as is" language, all liability limitations, and any restrictions governing use by third parties).

## **8601.8: Borrower inquiries (03/02/16)**

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**This section has been adapted from Section 8101.5 to reflect special Servicing requirements for Senior Subordinate Mortgages.**

The Servicer must respond promptly to any Borrower inquiries about the ownership or assignee of a Senior Subordinate Mortgage. When responding to such inquiries the Servicer may, after verifying the Borrower's identity, inform the Borrower that:

- The Mortgage is owned by the Senior Subordinate Trust designated in the Freddie Mac notice informing the Servicer that the Mortgage became a Senior Subordinate Mortgage
- Freddie Mac is master servicer and trustee to the Senior Subordinate Trust; and
- The Servicer services the Mortgage in accordance with Freddie Mac's Servicing requirements, as required by the Senior Subordinate Trust

If the Servicer is unable, for instance, in a telephone conversation, to verify that it is the Borrower who is requesting the information, the Borrower must request the information in writing. If requested, in addition to the information in the preceding bullets, the Servicer must also provide the Borrower with Freddie Mac's address, telephone number and the Freddie Mac loan number associated with the Borrower's Mortgage.

The address and telephone number that the Servicer must provide to the Borrower are:



[Insert legal name of Senior Subordinate Trust]  
c/o FREDDIE MAC, Trustee  
8200 JONES BRANCH DRIVE  
MCLEAN, VA 22102  
(800) FREDDIE

If the Servicer provides the Borrower with the requested information by telephone, the Servicer must provide the same information to the Borrower in writing.

See Sections 7101.11 through 7101.13 and 8101.8 for additional Servicing obligations related to Borrower inquiries.

## 8601.9: IRS Form 1099-A, Acquisition or Abandonment of Secured Property (11/30/16)

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**This section has been adapted from Section 8106.3 to reflect special Servicing requirements for Senior Subordinate Mortgages.**

The Servicer must provide Internal Revenue Service (IRS) Form 1099-A, Acquisition or Abandonment of Secured Property, to the IRS and the Borrower as required under Section 6050J of the Internal Revenue Code. This reporting must be done whenever a **Senior Subordinate Trust** or a third party acquires an interest in a property in full or partial satisfaction of **the Senior Subordinate Trust's** secured debt or when Freddie Mac or the Servicer knows or has reason to know that a property has been abandoned. For the purposes of filing these reports, the following definitions apply:

- **The Senior Subordinate Trust** acquires an interest in Mortgaged Premises either:
  - On the date of the foreclosure sale or the date the Borrower's right of redemption, if any, expires, whichever occurs later, **and the Senior Subordinate Trust or the Servicer on the Senior Subordinate Trust's behalf is the winning bidder for the Mortgaged Premises, or**
  - At the time a deed-in-lieu of foreclosure is recorded
- A third party acquires an interest at the time of the foreclosure sale
- Abandonment has occurred when Freddie Mac or the Servicer has reason to know from all the facts and circumstances concerning the status of the Mortgaged Premises that the Borrower intended to and has permanently discarded the property from use. If a Servicer



determines that an abandonment has occurred and expects to commence foreclosure proceedings within three months, the reporting obligation generally arises at the end of the three-month period.

The following events trigger the reporting requirement:

- Acquisition **by the Senior Subordinate Trust (the Senior Subordinate Trust acquires the Mortgaged Premises at a foreclosure sale or by deed-in-lieu of foreclosure)**
- Third-party sale (a third-party acquires the Mortgaged Premises at a foreclosure sale)
- HUD, RHS or VA acquisition (the Mortgaged Premises were acquired by HUD, RHS or the VA)
- Abandonment (the Mortgaged Premises have been abandoned, three months have passed and foreclosure proceedings have not begun)

A completed IRS Form 1099-A must be filed electronically with the IRS on or before March 31 of the year following the calendar year in which the reportable event occurred. The Servicer must also furnish the Borrower with an information statement on or before January 31 of that year. The requirement for furnishing such statement to the Borrower can be satisfied by sending a completed IRS Form 1099-A to the Borrower's last known address. The form must name **the Senior Subordinate Trust that owns the Mortgage and identify it as the owner of the Mortgage, name Freddie Mac trustee to that Senior Subordinate Trust, list Freddie Mac's address** and include a statement that the information is being reported to the IRS. On the form, the "account number" should include the nine-digit Freddie Mac loan number, followed by one space and the six-digit Servicer number.

See Section 8601.13 in the event that both IRS Form 1099-A and IRS Form 1099-C, Cancellation of Debt, may be filed as the result of a cancellation of debt in connection with a foreclosure or similar action in the same year for the same Borrower.

**Instructions for completing IRS Form 1099-A are set forth in** Form 1065A, Report of IRS Form 1099-A and Form 1099-C Filing for a Senior Subordinate Trust. Servicers must comply with the IRS's and the various States' requirements, as amended from time to time, for filing IRS Form 1099-A. Servicers should consult with either their tax advisors or the IRS concerning questions on such requirements.

The Servicer must file all IRS Forms 1099-A with the IRS electronically.

#### **(a) Electronic reporting**

Servicers must file their reports with the IRS no later than March 31 of the year following the calendar year in which the reportable event occurred. Even though a Servicer reports to the IRS electronically, the Servicer must provide a copy of the IRS Form 1099-A to the Borrower

(copy B) and to those States that require it (copy C). Copy B must be furnished to the Borrower on or before January 31 of the year following the reportable event.

IRS requirements for filing electronically are set forth in IRS Publication 1220, *Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498 and W2-G*. A Servicer may **obtain** this publication by downloading it from the IRS web site at **www.irs.gov** or by calling the IRS at 1-800-TAX-FORM (1-800-829-3676).

When filing electronically, the Servicer must:

- Insert appropriate header information on the electronic report it files with the IRS in accordance with the following record description:

Field Name	Data Description
<b>“A” Record</b>	
Payer’s TIN	[Insert Senior Subordinate Trust’s TIN as provided in the written notice from Freddie Mac]
First payer name line	[Insert name of Senior Subordinate Trust as provided in the written notice from Freddie Mac]
Payer shipping address	c/o Freddie Mac, Trustee for [insert name of Senior Subordinate Trust]
Payer shipping address	8200 Jones Branch Drive
Payer city, State and zip	McLean, VA 22102-3100
<b>“B” Record</b>	
Payer’s account number	The nine-digit Freddie Mac loan number and the six-digit Seller/Servicer number, separating these two numbers by one space

- Notify Freddie Mac that the Servicer reported to the IRS electronically:
  - When the report is sent to the IRS, the Servicer must submit Form 1065A to Freddie Mac (see **Directory 3**)

- ❑ A Servicer should not send Freddie Mac copies of the report that it filed with the IRS

### **(b) Correcting or voiding previously submitted IRS Forms 1099-A**

To correct or void a previously submitted IRS Form 1099-A, the Servicer must refer to IRS requirements to determine how to report either for electronic corrections, or voids. To avoid or minimize penalties that may be imposed by the IRS, the Servicer must report corrections or voids to the IRS when an error is discovered. When corrections or voids are submitted to the IRS, a copy of Form 1065A must be submitted to Freddie Mac (**see Directory 3**). Form 1065A should indicate the number of corrected or voided IRS Forms 1099-A submitted to the IRS.

### **(c) Filing accuracy and documentation**

Servicers are responsible for completing the IRS Form 1099-A and for providing the information to the IRS and to the Borrower in a timely and accurate manner. The Servicer must maintain copies of all statements and reports that Freddie Mac requires the Servicer to provide directly to the Borrowers and the IRS in compliance with Section 6050J of the Internal Revenue Code. The Servicer must make such copies available for examination by Freddie Mac upon request until Freddie Mac agrees, in writing, that such records may be destroyed.

If the IRS penalizes Freddie Mac **or any Senior Subordinate Trust** or assesses any fee for failure to produce such information or because a Servicer failed to file a return or statement or filed an untimely, incorrect or incomplete return or statement, the Servicer will be required to reimburse Freddie Mac for all costs incurred by Freddie Mac **or any Senior Subordinate Trust** as a result of such penalty or assessment and an amount representing Freddie Mac's **or any Senior Subordinate Trust's** total tax liability resulting from such reimbursement. Such reimbursement will not be required if the Servicer can show that it met the filing requirements.

## **8601.10: IRS Form 1099-C, Cancellation of Debt (12/13/17)**

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**This section has been adapted from Section 8106.4 to reflect special Servicing requirements for Senior Subordinate Mortgages.**

The Servicer must report cancellations of Borrowers' mortgage debt on Internal Revenue Service (IRS) Form 1099-C, Cancellation of Debt, as required under Section 6050P of the Internal Revenue Code for all cancellations of mortgage debt of \$600 or more occurring on or after

January 1, 2005, with respect to any Senior Subordinate Mortgage. IRS Form 1099-C must be filed regardless of whether the Borrower must report the cancellation of debt as income.

Form 1065A, Report of IRS Form 1099-A and Form 1099-C Filing for a Senior Subordinate Trust, includes instructions for completing IRS Form 1099-C.

**(a) Coordination with IRS Form 1099-A, Acquisition or Abandonment of Secured Property**

If, in the same calendar year, the Servicer cancels a debt in connection with a foreclosure or abandonment of the Mortgaged Premises, it is not necessary to file both IRS Form 1099-A, Acquisition or Abandonment of Secured Property (see Section 8601.9), and IRS Form 1099-C for the same Borrower. The Servicer will meet the filing requirement for IRS Form 1099-A by completing boxes 4, 5 and 7 on IRS Form 1099-C. However, the Servicer may complete both IRS Forms 1099-A and 1099-C separately; in that case do not complete boxes 4, 5 and 7 on IRS Form 1099-C. (See Form 1065A for filing instructions for IRS Forms 1099-A and 1099-C.)

**(b) Requesting taxpayer identification numbers (TINs)**

A Servicer must make a reasonable effort to obtain the correct name and TIN of the Borrower whose debt was cancelled. If the Servicer does not obtain the TIN before the debt is cancelled, it must request the Borrower's TIN. Such request must clearly notify the Borrower that the IRS requires the Borrower to furnish the TIN and that failure to furnish such TIN subjects the Borrower to a \$50 penalty imposed by the IRS. Use IRS Form W-9, Request for Taxpayer Identification Number and Certification, to request the TIN. However, a Borrower is not required to certify the TIN under penalties of perjury.

**(c) Exceptions**

The Servicer is not required to report the following on IRS Form 1099-C:

**(i) Certain bankruptcies**

Debt cancelled in bankruptcy is not reported unless the debt was incurred for business or investment purposes. Senior Subordinate Mortgages may be incurred either for personal purposes or for business or investment purposes. Thus, Servicers should only file IRS Form 1099-C for discharges of debt in bankruptcy if they are aware that the Borrower is holding the property for investment and not as a Primary Residence or second home, such as in the case of an Investment Property Mortgage, determined at origination. In that case, report debt cancelled for the later of:

- The year in which the amount of cancelled debt first can be determined, or
- The year in which the debt is cancelled in bankruptcy

**(ii) Interest**

Servicers do not need to include interest as part of the cancelled debt in box 2. However, if interest is reported as part of the cancelled debt in box 2, show the interest separately in box 3.

**(iii) Nonprincipal amounts**

Nonprincipal amounts include penalties, fines, fees and administrative costs. These do not need to be reported.

**(iv) Release of a Borrower**

IRS Form 1099-C does not need to be filed if one of the Borrowers on a **Senior Subordinate Mortgage** is released as long as the remaining Borrowers remain liable for the full amount of the unpaid Mortgage.

**(v) Guarantor or surety**

IRS Form 1099-C does not need to be filed for a guarantor or surety. A guarantor is not a debtor for purposes of IRS Form 1099-C, even if demand for payment is made to the guarantor.

**(vi) Multiple Borrowers**

For **Senior Subordinate Mortgages** originated after 1994 that involve Borrowers who are jointly and severally liable for the Mortgage, report the entire amount of the cancelled debt on each Borrower's IRS Form 1099-C. Multiple Borrowers are jointly and severally liable for a debt if there is no clear and convincing evidence to the contrary. If it can be shown that joint and several liability does not exist, an IRS Form 1099-C is required for each Borrower for whom the Servicer cancelled a debt of \$600 or more.

- For Senior Subordinate Mortgages originated before 1995, the Servicer must file IRS Form 1099-C only for the primary (or first-named) Borrower
- If the Servicer knows or has reason to know that the multiple Borrowers were husband and wife who were living at the same address when the debt was incurred, and it has no information that these circumstances have changed, the Servicer may file only one IRS Form 1099-C
- See the instructions to Form 1065A for the application of these rules to entity borrowers (e.g., estates or trusts)

**(d) Definitions**

For purposes of these reports, the following definitions apply:

- A debt may include all amounts owed, including stated principal, stated interest, fees, penalties, administrative costs, and fines. However, only stated principal is required to be reported. If accrued interest is included in the amount of the stated debt (in box 2), then it must be reported in box 3.
- A debt is cancelled on the date an identifiable event occurs. An identifiable event is:
  1. A discharge in bankruptcy under Title 11 of the U.S. Code (but see exceptions in Subsection 8601.10(c), above)
  2. A cancellation or extinguishment making the debt unenforceable in a receivership, foreclosure or similar proceeding
  3. A cancellation or extinguishment when the statute of limitations for collecting the debt expires, or when the statutory period for filing a claim or beginning a deficiency judgment proceeding expires. Expiration of the statute of limitations is an identifiable event only when the Borrower's affirmative statute of limitations defense is upheld in a final judgment or decision of a court and the appeal period has expired.
  4. A cancellation or extinguishment when deficiency rights were not preserved during the foreclosure process
  5. A cancellation or extinguishment when Freddie Mac (or its vendor per Section 9601.1) makes the determination not to pursue a deficiency action post-foreclosure and notifies the Servicer of such determination
  6. A cancellation or extinguishment when a creditor elects foreclosure remedies that by law end or bar the creditor's right to collect the debt. This event applies if collection is barred by local law after a "power of sale" in the Mortgage or deed of trust is exercised.
  7. A cancellation or extinguishment due to a probate or similar proceeding
  8. A discharge of indebtedness under an agreement with the debtor to cancel the debt at less than full consideration (e.g., a short sale). Freddie Mac will advise the Servicer if such an agreement is reached with a Borrower.
  9. A discharge of indebtedness because of a decision or a defined policy of the creditor to discontinue collection activity and cancel the debt. A creditor's defined policy can be in writing or an established business practice. A practice to stop collection activity and abandon a debt when a particular nonpayment period expires is a defined policy.

Facts and circumstances indicating that a debt was not cancelled include the existence of a lien relating to the debt (up to the value of the security) or the sale or packaging for sale of the debt by the creditor.

In the event of a foreclosure sale where deficiency rights were preserved, the Servicer must not initially file an IRS Form 1099-C. Freddie Mac will determine whether to pursue collection of the deficiency of that Mortgage. If Freddie Mac makes a determination not to pursue collection of the deficiency, we will notify the Servicer in the report described below and the Servicer must then file the IRS Form 1099-C.

Servicers must review [the 1099-C Loan Detail report](#), accessible via the “Default Reporting” tile of the Servicer’s Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools), by the end of January annually, and ensure that an IRS Form 1099-C is filed with the IRS as required in Subsection 8601.10(e) and is provided to the Borrower as required in Subsection 8601.10(f) for all Senior Subordinate Mortgages in which the debt has been discharged in the prior year. This report will list all Freddie Mac-Owned or Guaranteed Mortgages whereby Freddie Mac has determined not to pursue collection of the deficiency on behalf of the Senior Subordinate Trust in the prior year.

To help facilitate this annual review, from February 1 to December 31 each year, Servicers can monitor the [1099-C Loan Detail report in the SPP](#), which also provides a tentative aggregate list of Mortgages for which Freddie Mac has decided to not pursue collection of the deficiency on behalf of the Senior Subordinate Trust for the current year.

Servicers may use [this current year’s list](#) to prepare for the required annual review and any eventual IRS Form 1099-C filings; however, as the status of the Mortgage and/or the cancellation of debt may [subsequently](#) change, any Servicer that chooses to use [this current year’s list](#) in such a manner must, as part of the required annual review, reconcile [the final report](#) against any IRS Form 1099-C filings [already](#) prepared.

#### **(e) Reporting IRS Form 1099-C to IRS**

The Servicer must file IRS Forms 1099-C on [the Senior Subordinate Trust’s](#) behalf. The Servicer must file all IRS Forms 1099-C with the IRS electronically.

IRS Publication 1220, *Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498 and W-2G*, sets forth the IRS requirements for filing electronic reports and corrections. The Servicer can obtain this publication by downloading it from the IRS web site at [www.irs.gov](http://www.irs.gov), or by calling 1-800-TAX-FORM (1-800-829-3676).

When filing electronically through the IRS FIRE System, the Servicer must insert appropriate header information on the report it files with the IRS in accordance with the following record descriptions:

Field Name	Data Description
<b>"A" Record</b>	
Payer's TIN	[Insert Senior Subordinate Trust's TIN as provided in the written notice from Freddie Mac]
First payer name line	[Insert name of Senior Subordinate Trust as provided in the written notice from Freddie Mac]
Payer shipping address	c/o Freddie Mac, Trustee for [insert name of Senior Subordinate Trust]
Payer shipping address	8200 Jones Branch Drive
Payer city, State and zip	McLean, VA 22102-3100
<b>"B" Record</b>	
Payer's account number	The 9-digit Freddie Mac loan number and the 6-digit Seller/Servicer number, separating these two numbers by one space

Each Servicer must file its reports with the IRS not later than March 31 of the year following the calendar year in which the cancellation of debt occurs.

**(f) Reporting to the Borrower**

Even though a Servicer reports to the IRS electronically, the Servicer is still responsible for providing a paper copy of the IRS Form 1099-C to the Borrower (copy B) by January 31 of the year following the calendar year in which the cancellation of debt occurred. The Servicer can satisfy the requirement for furnishing such statement to the Borrower by sending a completed IRS Form 1099-C to the Borrower's last known address. The form must **identify the Senior Subordinate Trust that owns the Senior Subordinate Mortgage, name Freddie Mac as Trustee to the Senior Subordinate Trust, list Freddie Mac's address** and include a statement that the information is being reported to the IRS.

The Servicer is also required to file IRS Form 1099-C with any State that requires this filing in accordance with the State's filing deadlines.



**(g) Notification to Freddie Mac of electronic reporting**

The Servicer must notify Freddie Mac that the Servicer reported IRS Form 1099-C to the IRS. When the electronic report is sent to the IRS, the Servicer must submit Form 1065A to the attention of (see **Directory 3**).

**(h) Correcting or voiding previously submitted IRS Form 1099-C**

To correct or void a previously submitted IRS Form 1099-C, the Servicer must refer to IRS requirements to determine how to report either electronic corrections or voids. To avoid or minimize penalties that may be imposed by the IRS, the Servicer must promptly report corrections or voids to the IRS when an error is discovered. When the Servicer submits corrections or voids to the IRS, the Servicer must also submit a copy of Form 1065A to Freddie Mac (see **Directory 3**). The Servicer must indicate on Form 1065A the number of corrected or voided IRS Forms 1099-C submitted to the IRS.

**(i) Filing accuracy and documentation**

Servicers are responsible for completing the IRS Form 1099-C and for providing the information to the IRS and to the Borrower in a timely and accurate manner. The Servicer must maintain copies of all statements and reports that Freddie Mac requires the Servicer to provide directly to the Borrowers and the IRS in compliance with Section 6050P of the Internal Revenue Code. The Servicer must make such copies available for examination by Freddie Mac upon request until Freddie Mac agrees, in writing, that such records may be destroyed (which will be a minimum of four years).

If the IRS penalizes Freddie Mac **or the Senior Subordinate Trust** or assesses any fees for failure to produce such information, or because the Servicer failed to file a return or statement, or filed an untimely, incorrect, or incomplete return or statement, the Servicer will be required to reimburse Freddie Mac for all costs incurred by Freddie Mac **or any Senior Subordinate Trust** as a result of such penalty or assessment and for the amount representing Freddie Mac's **or any Senior Subordinate Trust's** total tax liability resulting from such reimbursement. Freddie Mac will not require such reimbursement if the Servicer can show that it met the filing requirements.

## **8601.11: IRS Form 1099-MISC, Miscellaneous Income (03/02/16)**

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**This section has been adapted from Section 8106.5 to reflect special Servicing requirements for Senior Subordinate Mortgages.**

Servicers should not prepare or file Internal Revenue Service (IRS) Form 1099-MISC, Miscellaneous Income, using either Freddie Mac's or the Senior Subordinate Trust's names or Taxpayer Identification Numbers. The Servicer should consult with its tax advisor to review its reporting obligations with regard to the filing of IRS Form 1099-MISC.

## **8601.12: Concurrent and Subsequent Transfers of Servicing (08/13/18)**

**The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.**

In addition to the requirements governing Concurrent Transfers of Servicing and Subsequent Transfers of Servicing set forth elsewhere in the Guide, Servicer must inform Freddie Mac and the Transferee Servicer of any Transfers of Servicing with respect to Mortgages that are being sold or were sold to Freddie Mac under any Senior Subordinate Mortgage Purchase Document by designating on Form 960 or in the electronic Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages ("STOS Agreement") in the Freddie Mac Service Loans application, as applicable, whether the Transfer of Servicing involves such Mortgages. In addition, the Seller/Transferor Servicer must, in the list of Mortgages that the Seller/Transferor Servicer provides to the Transferee Servicer and Freddie Mac, indicate the following status of each such Mortgage:

### **If a Mortgage has not yet been transferred to a Senior Subordinate Trust:**

- The Mortgage is subject to a Senior Subordinate Mortgage Purchase Document; and
- Whether the Mortgage is the subject of a notice from Freddie Mac under Section 8601.1 that designates the date on which the Mortgage will become a Senior Subordinate Mortgage

### **If a Mortgage has been transferred to a Senior Subordinate Trust:**

- The Mortgage is subject to a Senior Subordinate Mortgage Purchase Document
- The name of the Senior Subordinate Trust that holds the Mortgage

With respect to each Mortgage transferred to a Senior Subordinate Trust and subject to a Transfer of Servicing, the Seller/Transferor Servicer must promptly provide the Senior Subordinate Mortgage Purchase Document and any notice issued by Freddie Mac under Section 8601.1 to the Transferee Servicer. The Seller/Transferor Servicer also must inform the

Transferee Servicer as to the status of any post-funding quality control review that is underway for Mortgages that have not yet been transferred to a Senior Subordinate Trust.

The Transferee Servicer must comply with any obligations set forth in the Senior Subordinate Mortgage Purchase Document including, but not limited to, specific requirements pertaining to post-funding quality control reviews and Tri-Party Agreement version requirements (e.g., using a version of Form 1035, Form 1035DC, or Form 1035WF revised on or after February 2015).

For purposes of Bulletin 2015-5, a Transferee Servicer's execution of Form 960 or the STOS Agreement constitutes an agreement by the Transferee Servicer with Freddie Mac to service the transferred Mortgages that the Transferor Servicer designated as those that are or may become Senior Subordinate Mortgages in accordance with the requirements of this Chapter 8601.

## **8601.12: Concurrent and Subsequent Transfers of Servicing (Future effective date 12/09/19)**

**The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.**

In addition to the requirements governing Concurrent Transfers of Servicing and Subsequent Transfers of Servicing set forth elsewhere in the Guide, Servicer must inform Freddie Mac and the Transferee Servicer of any Transfers of Servicing with respect to Mortgages that are being sold or were sold to Freddie Mac under any Senior Subordinate Mortgage Purchase Document by designating on Form 960 or in the Electronic Agreement (as defined in Section 1401.2) for Subsequent Transfer of Servicing of Single-Family Mortgages ("STOS Agreement") in the Freddie Mac Servicing Transfer Manager (see Exhibit 88, Servicing Tools), as applicable, whether the Transfer of Servicing involves such Mortgages. In addition, the Seller/Transferor Servicer must, in the list of Mortgages that the Seller/Transferor Servicer provides to the Transferee Servicer and Freddie Mac, indicate the following status of each such Mortgage:

### **If a Mortgage has not yet been transferred to a Senior Subordinate Trust:**

- The Mortgage is subject to a Senior Subordinate Mortgage Purchase Document; and
- Whether the Mortgage is the subject of a notice from Freddie Mac under Section 8601.1 that designates the date on which the Mortgage will become a Senior Subordinate Mortgage

### **If a Mortgage has been transferred to a Senior Subordinate Trust:**

- The Mortgage is subject to a Senior Subordinate Mortgage Purchase Document
- The name of the Senior Subordinate Trust that holds the Mortgage

With respect to each Mortgage transferred to a Senior Subordinate Trust and subject to a Transfer of Servicing, the Seller/Transferor Servicer must promptly provide the Senior Subordinate Mortgage Purchase Document and any notice issued by Freddie Mac under Section 8601.1 to the Transferee Servicer. The Seller/Transferor Servicer also must inform the Transferee Servicer as to the status of any post-funding quality control review that is underway for Mortgages that have not yet been transferred to a Senior Subordinate Trust.

The Transferee Servicer must comply with any obligations set forth in the Senior Subordinate Mortgage Purchase Document including, but not limited to, specific requirements pertaining to post-funding quality control reviews and Tri-Party Agreement version requirements (e.g., using a version of Form 1035, Form 1035DC, or Form 1035WF revised on or after February 2015).

For purposes of Bulletin 2015-5, a Transferee Servicer's execution of Form 960 or the STOS Agreement constitutes an agreement by the Transferee Servicer with Freddie Mac to service the transferred Mortgages that the Transferor Servicer designated as those that are or may become Senior Subordinate Mortgages in accordance with the requirements of this Chapter 8601.

## **8601.13: Declination of the application for assumption (03/02/16)**

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**This section has been adapted from Section 8406.8 to reflect special Servicing requirements for Senior Subordinate Mortgages.**

If the application for a Mortgage assumption is declined, the Servicer must provide an adverse action notice to all applicable parties, or any other notice or disclosure required under the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth-in-Lending Act and any other applicable federal, State or local law. **Neither Freddie Mac nor the Senior Subordinate Trust may be identified as a creditor in any notice or disclosure that may be required, as neither Freddie Mac nor the Senior Subordinate Trust is participating in the decision on the application.**

## **8601.14: Modifying Exhibit 93 model letters for Senior Subordinate Mortgages (03/02/16)**

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**When denying a Borrower for a loan modification of a Senior Subordinate Mortgage based on the First Complete Borrower Response Package, the Servicer must amend the appropriate**

Exhibit 93, Evaluation Model Clauses, model clause language pertaining to the Mortgage Servicing Regulatory Notice and Right of Appeal by adding the following sentence after the phrase “**You were not approved for a loan modification Trial Period Plan**”

*Your Mortgage is owned by [name of Senior Subordinate Trust], which requires your loan to be serviced in accordance with the servicing requirements of Freddie Mac, the Master Servicer of your Mortgage Loan*

and deleting the phrase “**the owner of your Mortgage loan**” after “**Freddie Mac**” in the sentence that currently reads:

*You were evaluated for mortgage payment assistance based on the eligibility requirements of Freddie Mac, the owner of your mortgage loan*

Use of the model clauses in Exhibit 93 is optional, and the Servicer may, instead, choose to use customized equivalent model clauses when meeting this requirement; however, as with Exhibit 93 model clauses, any equivalent model clauses, prior to use by the Servicer, must be modified, where applicable, to identify the appropriate Senior Subordinate Trust as the owner of a Senior Subordinate Mortgage, instead of Freddie Mac, and also identify Freddie Mac as the master servicer of the Senior Subordinate Mortgage, instead of as the owner. Further, these model clauses should inform the Borrower that the Borrower’s Senior Subordinate Mortgage is, as obligated by the Senior Subordinate Trust, serviced in accordance with Freddie Mac’s Servicing requirements and that any eligibility decisions were made in accordance with those requirements.

## **8601.15: General requirements for Freddie Mac Default Legal Matters (03/02/16)**

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**This section has been adapted from Section 9301.2 to reflect special Servicing requirements for Senior Subordinate Mortgages.**

When following the requirements provided in Chapter 9301 while processing Freddie Mac Default Legal Matters, the Servicer must comply with:

1. The terms and conditions of the Mortgage documents, including the Note
2. Applicable federal, State and local laws and customs
3. Requirements of the FHA, VA, RHS or MI, if applicable

4. The Guide and other Purchase Documents
5. The limited power of attorney granted to the Servicer by Freddie Mac on behalf of the Senior Subordinate Trust

## 8601.16: Referral to foreclosure documentation requirements (03/02/16)

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**This section has been adapted from Section 9301.9 to reflect special Servicing requirements for Senior Subordinate Mortgages.**

For a Senior Subordinate Mortgage, appropriate foreclosure documentation includes, but is not limited to, all documents required by the foreclosure counsel to complete the first legal action. The Servicer must continue to comply with applicable law, but at a minimum, must supply the foreclosure counsel with the following:

1. A statement that informs foreclosure counsel that the Senior Subordinate Mortgage is owned by a Senior Subordinate Trust and that also provides counsel with the name of the Senior Subordinate Trust
2. A copy of the limited power of attorney provided to the Servicer by Freddie Mac authorizing the Servicer to pursue foreclosure on behalf of the Senior Subordinate Trust
3. Instructions, given along with the limited power of attorney, requiring foreclosure counsel to inform the Servicer if counsel determines upon referral or at any later time that the limited power of attorney provided to the Servicer by Freddie Mac cannot be relied upon under applicable law\*
4. Copies of the Note (or the original Note if required by applicable law) evidencing the indebtedness along with any intervening assignments, endorsements, or any applicable modifying instrument, such as a modification agreement, a conversion agreement or an assumption of indebtedness and release of liability agreement
5. Mortgage or deed of trust
6. Copy of the original title insurance policy
7. Copy of the breach, acceleration or demand letter sent to the Borrower
8. Military affidavits



9. Executed Substitution of Trustee, as necessary
10. Payoff statement with per diem interest as of the date of the foreclosure referral
11. Send foreclosure counsel the following information by facsimile transmission or other electronic means:
  - Name, mailing address and telephone number of the Borrower(s)
  - Property address (if different from the Borrower's mailing address)
  - A statement that the Senior Subordinate Mortgage is a Freddie Mac Guaranteed Mortgage and include the nine-digit Freddie Mac loan number
  - Name and address of the person to contact in the Servicer's foreclosure department

\*The Servicer must comply with any applicable requirements in Section 8601.7 if the Servicer makes the determination, on advice of foreclosure counsel or otherwise, that the limited power of attorney cannot be relied upon and the Servicer has also determined that a limited power of attorney issued directly by the Senior Subordinate Trust and/or action by Freddie Mac, such as the execution of documents, is necessary to the proper Servicing of the Senior Subordinate Mortgage.

#### **Referral to foreclosure documentation requirements on a **Senior Subordinate Mortgage** secured by a **Manufactured Home****

In addition to the above requirements, if the Mortgage is secured by a Manufactured Home, the Servicer must notify the foreclosure counsel that the property is a Manufactured Home when it submits the case to the foreclosure counsel. The Servicer must also provide the foreclosure counsel with evidence that the property is legally classified as real property under the laws in the State where the property is located.

#### **(a) Evidence that the property is real property in a non-certificate of title State**

The Servicer must provide the foreclosure counsel with copies of the following documentation in non-certificate of title States (see Section 5703.7) evidencing that the Manufactured Home and the land are real property under the laws of the State where the property is located:

- Information stating the legal basis (statutory or common law) for determining that the Manufactured Home is real property that is exempt from certificate of title requirements. This information may be included in the documentation received at origination of the **Senior Subordinate Mortgage** from the title insurance company that the Manufactured Home is real property, and

- Evidence that a certificate of title has not been issued, such as the manufacturer's statement of origin, if the manufacturer's statement of origin is not required to be surrendered to a State agency

**(b) Evidence that the property is real property in a certificate of title surrender State**

The Servicer must provide the foreclosure counsel with copies of the following documentation in certificate of title surrender States (see Section 5703.7) evidencing that the Manufactured Home and the land are real property under the laws of the State where the property is located:

- A certificate of cancellation, notification letter or other acknowledgment from the Department of Motor Vehicles (DMV) or the appropriate State agency to which the certificate of title was surrendered, or a copy of the documents submitted in connection with the surrender along with evidence that the documents were delivered and received by the appropriate State agency, and
- Copies of the documents, such as an affidavit of affixture, recorded in the land records as part of the title surrender procedures to show the Manufactured Home has been converted to real property

**(c) Evidence of clear and marketable title to the Manufactured Home and land in certificate of title States**

The Servicer must provide the foreclosure counsel with the following documentation in certificate of title States (see Section 5703.7) evidencing the Borrower's ownership of both the Manufactured Home and the land on which it is permanently affixed and documentation evidencing that the land is legally classified as real property under the laws in the State where the property is located:

- The original or a copy of the certificate of title showing the Borrower as owner of the Manufactured Home. The certificate of title must have a notation of the original Seller/Servicer's security interest in the Manufactured Home in the name of the Seller and its successors in interest and assigns and have a notation of all intervening assignments from the original mortgagee to each successive Servicer, ending with the current Servicer, and
- A copy of the deed evidencing ownership of the land showing the owner of the land on the deed to be identical to the owner of the Manufactured Home on the certificate of title

This and any other relevant information must be provided within five days of the referral to foreclosure so that the foreclosure counsel has the information necessary to simultaneously enforce the liens (whenever possible) and so as not to unnecessarily lengthen the foreclosure process.



## 8601.17: Foreclosing in the Servicer's name (03/02/16)

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**This section has been adapted from Section 9301.12 to reflect special Servicing requirements for Senior Subordinate Mortgages.**

### (a) Conducting the foreclosure

The Servicer must instruct the foreclosure counsel to process the foreclosure in the Servicer's name and in a manner that would avoid any obligation to pay a transfer tax. However, the Servicer may instruct foreclosure counsel to conduct the foreclosure in **the Senior Subordinate Trust's name** if applicable law:

- Precludes the Servicer from conducting the foreclosure in its name because it owns or services a subordinate Mortgage on the Mortgaged Premises, or
- Requires the foreclosure to be processed in **the Senior Subordinate Trust's name** to avoid any obligation to pay a transfer tax and foreclosure counsel could not otherwise process the foreclosure in a manner that would successfully avoid imposition of the transfer tax obligation

**When Servicing Senior Subordinate Mortgages, the Servicer may not, under any circumstance, foreclose or take title in Freddie Mac's name, even if doing so would be necessary to avoid any obligation to pay a transfer tax.**

For these special circumstances, the Servicer does not need to obtain written approval but must notify Freddie Mac within two Business Days of the Servicer's determination to foreclose in **the Senior Subordinate Trust's name** and record the basis of the decision in the Mortgage file. All notifications must be sent via e-mail (**see Directory 5**). For all other circumstances in which the Servicer may need to instruct foreclosure counsel to conduct the foreclosure in **the Senior Subordinate Trust's name**, the Servicer must obtain written approval from Freddie Mac (refer to Section 8601.24 regarding initiating legal actions on **the Senior Subordinate Trust's behalf**).

When processing the foreclosure in **the Senior Subordinate Trust's name**, all pleadings and related documents must comply with Section 8601.24. The Servicer remains obligated to notify Freddie Mac pursuant to Section 9501.12 in the event that any foreclosure conducted in **the Senior Subordinate Trust's name** evolves into a non-routine litigation matter (see Section 8601.24).

When a Servicer conducts the foreclosure in **the Senior Subordinate Trust's name**, the Servicer is not permitted to have the same foreclosure counsel represent the Servicer or another lien holder in the same proceeding. Freddie Mac, **as master servicer and/or trustee of**

the Senior Subordinate Trust, does not consent to dual representation of the Senior Subordinate Trust and another lien holder on the same property.

#### **(b) Executing documents**

If Freddie Mac needs to execute a document for the Servicer to process the foreclosure, or execute a document related to a foreclosure sale, the Servicer must submit Form 105, Multipurpose Loan Servicing Transmittal, to Freddie Mac (see **Directory 5**) with all supporting documentation, which may include, but is not limited to, the last recorded document in the chain of title, and include the document Freddie Mac needs to execute.

If an assignment of the Security Instrument to the Senior Subordinate Trust has been recorded and the Servicer is conducting the foreclosure in the Servicer's name, then the Security Instrument must be assigned back to the Servicer before the foreclosure counsel files the first legal action. Refer to Section 9301.16 for an explanation of first legal action.

The limited power of attorney provided to the Servicer by Freddie Mac authorizing the Servicer to pursue foreclosure on behalf of the Senior Subordinate Trust should provide the Servicer with the authority to assign the Security Instrument assigned back to the Servicer. The Servicer must comply with any applicable requirements in Section 8601.5 if the Servicer makes the determination that the limited power of attorney granted to the Servicer by Freddie Mac cannot be relied upon under the applicable State or local law.

If the Servicer is foreclosing on a Senior Subordinate Mortgage registered with MERS®, the Servicer must prepare and execute (using the Servicer's employee who is a MERS authorized "signing officer") an assignment of the Security Instrument from MERS to the Servicer. The Servicer must record the prepared assignment where required by State law. State mandated recordings are non-reimbursable by Freddie Mac, are not considered part of the Freddie Mac allowable foreclosure counsel fees and must not be billed to the Borrower.

If the Senior Subordinate Mortgage is an FHA, Section 502 GRH or VA Mortgage, then the Servicer must follow FHA, RHS or VA guidelines to determine in whose name the foreclosure action should be brought.

Refer to Sections 6301.6 and 6301.8 for additional information on Freddie Mac's requirements for assignments of the Security Instrument.

## **8601.18: Expedited foreclosures (03/02/16)**

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**This section has been adapted from Sections 9301.19, 9301.21 and 9301.22 to reflect special Servicing requirements for Senior Subordinate Mortgages.**

Servicers must always consider how to resolve a Freddie Mac Default Legal Matter in a legally-compliant manner that obtains the best result for the **Senior Subordinate Trust**. While Servicers are not required to use expedited methods identified in Chapter 9301 or **corresponding expedited methods in this chapter**, if a Servicer does proceed with an expedited method, it must adhere to the requirements set forth in those chapters.

Chapter 9301 and this section provide requirements for expediting Freddie Mac Default Legal Matters, such as:

- Waiving the **Senior Subordinate Trust's** right to pursue deficiency actions against a Borrower
- Expediting the foreclosure if the Mortgaged Premises is identified as vacant/abandoned
- Obtaining default judgment for an amount less than total amount owed by the Borrower
- State-specific methods for expediting Freddie Mac Default Legal Matters

**(a) Expedited foreclosures – Illinois**

In Illinois, Servicers may obtain a consent judgment from a Borrower and take title to the Mortgaged Premises **in the name of the Senior Subordinate Trust** instead of selling the Mortgaged Premises at foreclosure sale. **In doing so, Servicers must follow the requirements of Section 9301.21.**

**(b) Expedited foreclosures – New York**

**Servicers may use the New York Foreclosure Inquest Program, as a method to expedite foreclosure actions on Senior Subordinate Mortgages in accordance with the requirements of Section 9301.22.**

## **8601.19: Deficiency rights (03/02/16)**

**The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.**

In implementing the requirements of Sections 9301.23, 9301.24, 9601.1 and 9601.2, all references concerning the right to pursue a deficiency are the right of the Senior Subordinate Trust with respect to Senior Subordinate Mortgages. In addition, the Servicer must ensure that any consent judgment in Illinois results in title to the Mortgaged Premises being conveyed to the Senior Subordinate Trust and not to Freddie Mac or the Servicer.

## 8601.20: Preserving the Mortgaged Premises (03/02/16)

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

The Servicer must comply with the requirements of Section 9301.26, except that, with respect to Senior Subordinate Mortgages, either the Servicer or the Senior Subordinate Trust would be the mortgagee, and not Freddie Mac.

## 8601.21: Expenses that may become First Liens on the Mortgaged Premises (03/02/16)

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

With respect to the Servicing of Senior Subordinate Mortgages, the Servicer must protect the Senior Subordinate Trust's interest in the property and its First Lien Position to the same extent that it is obligated under Section 9301.27, with respect to Freddie Mac-Owned or Guaranteed Mortgages to protect "Freddie Mac's interest in the property" and "Freddie Mac's First Lien Position."

## 8601.22: Delivery of clear and marketable title (03/02/16)

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**This section has been adapted from Section 9301.40 to reflect special Servicing requirements for Senior Subordinate Mortgages.**

### (a) Property located in a State without a redemption or confirmation period

When the Servicer is the purchaser of the property at a foreclosure sale, it must ensure that the foreclosure counsel provides **the Senior Subordinate Trust** with clear and marketable title to the property after the foreclosure sale. The title must be free of any liens, claims, defects and encumbrances. The title must be marketable so Freddie Mac can sell the property freely to others **on behalf of the Senior Subordinate Trust**.

The Servicer must instruct the foreclosure counsel to:

1. Submit the foreclosure deed for recordation within one Business Day after receipt of the deed
2. Obtain the recorder's receipt as evidence that the deed was presented for recordation
3. Send the Servicer the recorder's receipt within three Business Days after receiving it from the recorder
4. Provide the recorded deed to the Servicer within three Business Days after receiving the deed from the recorder's office. The Servicer must retain the deed in the Mortgage file.

**(b) Property located in a State with a redemption or confirmation period**

After the redemption period has expired or the foreclosure sale has been confirmed, the Servicer must ensure that clear and marketable title is obtained as stated in this Section 8601.22.

**Executing documents**

If Freddie Mac **or the Senior Subordinate Trust** needs to execute a document for the Servicer to process the foreclosure, or execute a document related to a foreclosure sale, the Servicer must submit Form 105, Multipurpose Loan Servicing Transmittal, to Freddie Mac (**see Directory 5**) with all supporting documentation, which may include, but is not limited to, the last recorded document in the chain of title, and include the document Freddie Mac **or the Senior Subordinate Trust** needs to execute.

## **8601.23: Vesting the title and avoiding transfer taxes (03/02/16)**

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**This section has been adapted from Section 9301.41 to reflect special Servicing requirements for Senior Subordinate Mortgages.**

After the foreclosure sale, or when closing a deed-in-lieu of foreclosure transaction, the Servicer must ensure that title to the foreclosed property **purchased by the Senior Subordinate Trust** is vested to the appropriate party. (See Section 9209.8 regarding closing, reporting and remittance requirements for a deed-in-lieu of foreclosure transaction.)

## (a) Conventional Mortgages

After the foreclosure sale, or when closing a deed-in-lieu of foreclosure transaction, the Servicer must ensure that title to the foreclosed property is vested in **the legal name of the Senior Subordinate Trust** if the property is not purchased by a third party. **The property may not at any time vest in the Servicer's or Freddie Mac's name, even when doing so would provide additional benefits to the Senior Subordinate Trust.**

Freddie Mac will not reimburse the Servicer for any transfer taxes, unless:

- Local authorities require the Servicer to pay the transfer tax to record a deed and ensure that title vests appropriately
- The transfer tax is paid under protest
- The Servicer submits the request for written pre-approval (RPA) for reimbursement of the transfer tax via the Freddie Mac Reimbursement System (see Section 9701.15), and
- Counsel could not process the foreclosure and/or deed-in-lieu of foreclosure transaction in a manner that would successfully avoid the imposition of the transfer tax obligation

Servicers will not be reimbursed for transfer taxes if any of the above conditions and requirements do not exist or are not met.

If the foreclosure involves a Manufactured Home in a certificate of title State, the Servicer must conduct the replevin or other legal action necessary to repossess the home in the Servicer's name and have the new certificate of title issued in **the Senior Subordinate Trust's name.**

## (b) Mortgages insured by the FHA or guaranteed by the VA or RHS

The Servicer must follow FHA, VA or RHS guidelines for conveying title to the foreclosed property to the applicable agency.

# 8601.24: Non-routine default-related legal matters (07/13/16)

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**This section has been adapted from Section 9402.2 to reflect special Servicing requirements for Senior Subordinate Mortgages.**

Freddie Mac reserves the right to direct and control all litigation involving a **Senior Subordinate Mortgage**, regardless of whether Freddie Mac or the **Senior Subordinate Trust** is a named party. The Servicer and any law firm handling the litigation must cooperate fully with Freddie Mac in the prosecution, defense and handling of the matter.

**(a) Definition of routine and non-routine litigation**

- **Routine litigation** generally is a contested action in which the Borrower alleges case-specific defenses or issues which, if successful, would not create negative legal precedent beyond the immediate case
- **Non-routine litigation** generally is a contested action in which the Borrower alleges case-specific defenses or issues, which, if successful, would create negative legal precedent beyond the immediate case

Examples of non-routine litigation that must be reported to Freddie Mac as non-routine litigation include, but are not limited to, the following:

- Actions that name Freddie Mac **and/or the Senior Subordinate Trust** as a party
- Action that seeks monetary relief against Freddie Mac **and/or the Senior Subordinate Trust**, including any claim (including counterclaims, cross-claims, or third-party claims in foreclosure or bankruptcy actions) for damages against Freddie Mac or its officers, directors, or employees **and/or the Senior Subordinate Trust**
- Actions that challenge the validity, priority, or enforceability of a **Senior Subordinate Mortgage** or seek to impair Freddie Mac's **and/or the Senior Subordinate Trust's** interest in an REO including, by way of example:
  1. An action seeking to demolish a structure on the property or the property as a result of a code violation
  2. An action seeking to avoid a lien based on a failure to comply with a law or regulation
  3. An attempt by a junior lienholder to assert priority over a **Senior Subordinate Mortgage** or extinguish Freddie Mac's **or the Senior Subordinate Trust's** interests
  4. A quiet title action seeking to declare **the Senior Subordinate Trust's** lien void, and
  5. An attempt by a Borrower to effect a cramdown of a **Senior Subordinate Mortgage** in bankruptcy as to which Freddie Mac has not delegated authority to the Servicer or law firm to address
- Actions that present an issue that may pose significant legal or reputational risk to Freddie Mac include, by way of example:



1. Any issue involving Freddie Mac’s conservatorship, its conservator (FHFA), Freddie Mac’s status as a federal instrumentality, or an interpretation of Freddie Mac’s charter
2. Any assertion that Freddie Mac is a federal agency or otherwise part of the United States Government
3. Any “due process” or other constitutional challenge
4. Any challenge to the methods by which Freddie Mac does business
5. Any putative class actions involving a **Senior Subordinate Mortgage**
6. Challenges to the standing of the Servicer or **the Senior Subordinate Trust** to conduct foreclosures or bankruptcies which, if successful, could create negative legal precedent with an impact beyond the immediate case
7. Challenges to the methods by which MERS® does business or its ability to act as nominee under a Mortgage
8. Any “show cause orders” or motions for sanctions relating to a **Senior Subordinate Mortgage**, whether against a **Senior Subordinate Trust**, Freddie Mac, the Servicer, a law firm, or a vendor of the Servicer or law firm
9. **Any appellate or other action for post-judgment relief in any foreclosure, bankruptcy or legal action in which Freddie Mac and/or the Senior Subordinate Trust is a named party**
10. Foreclosures on HUD-Guaranteed Section 184 Native American Mortgages
11. Any environmental litigation relating to a **Senior Subordinate Mortgage**
12. A need to foreclose judicially in a State where non-judicial foreclosures predominate
13. Any claim invoking Home Affordable Modification Program<sup>SM</sup> (HAMP®) as a basis to challenge a foreclosure
14. Any claim brought by a governmental body
15. Cross-border insolvency proceedings under Chapter 15 of the Bankruptcy Code
16. Any claim of predatory lending or discrimination in Mortgage origination or Servicing, and
17. Any claim implicating the interpretation of the terms of the Fannie Mae/Freddie Mac Uniform Mortgage Instruments



Given the evolving nature of default-related litigation, it is not possible to provide an exhaustive list of non-routine litigation. Each contested action presents unique circumstances, and the Servicer should evaluate each action on a case-by-case basis to determine whether a contested action is routine or non-routine.

**(b) Legal actions and strategies initiated by the Servicer**

A Servicer **must** obtain written approval (see **Directory 5**) from the Freddie Mac Legal Division **prior to initiating the following legal actions and strategies:**

- **Filing a new legal action, other than a Freddie Mac Default Legal Matter, on behalf of Freddie Mac and/or the Senior Subordinate Trust**
- **Filing a motion to intervene in a pending legal action on behalf of Freddie Mac and/or the Senior Subordinate Trust**
- **Appealing or otherwise challenging a judgment in any foreclosure or bankruptcy proceeding, or any legal action in which Freddie Mac and/or the Senior Subordinate Trust is a named party**
- **Filing a notice of removal to federal district court for any legal action in which Freddie Mac and/or the Senior Subordinate Trust is a named party**
- **Asserting any position in a legal action that relates to Freddie Mac’s status as a Government Sponsored Enterprise (GSE), its conservatorship, or its conservator, FHFA**
- **Propounding discovery requests or otherwise serving or providing any discovery responses on behalf of Freddie Mac and/or the Senior Subordinate Trust**

**(c) Referring to Freddie Mac in litigation**

Freddie Mac must be described in legal proceedings as “Federal Home Loan Mortgage Corporation (“Freddie Mac”), a corporation organized and existing under the laws of the United States of America.” Freddie Mac may not be referred to as a “government agency.”

**(d) Referring to the Senior Subordinate Trust in litigation**

The Senior Subordinate Trust must be described in legal proceedings as “[insert legal name], an entity organized and existing under the laws of the United States of America.” Servicers and counsel must not refer to any Senior Subordinate Trust as a “government agency.”

**(e) MERS-registered Mortgages**

See Section 8101.12 for additional requirements relating to notices from MERS and MERS-registered Mortgages.

## 8601.25: Counsel retained by Servicers pursuant to Servicer's duty to indemnify Freddie Mac (07/13/16)

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**This section has been adapted from Section 9402.4 to reflect special Servicing requirements for Senior Subordinate Mortgages.**

From time to time, the Servicer may retain counsel to represent Freddie Mac, **the Senior Subordinate Trust** and the Servicer, **or any combination thereof**, with respect to litigation involving, related to, or arising out of allegations which, if true, could subject the Servicer to liability to Freddie Mac for a failure to comply with any selling or Servicing representation or warranty or requirement of the Guide or other Purchase Documents. When the Servicer retains counsel for this purpose, the Servicer remains liable for legal fees and costs incurred in the defense of any litigation, as well as any and all losses, judgments, damages and expenses, including fees and costs entered against and incurred on behalf of Freddie Mac. Freddie Mac will reimburse the Servicer for **the Senior Subordinate Trust's** proportionate share of expenses for responding to Borrower defenses.

Counsel retained and paid by Servicers pursuant to Section 8601.24 and this section do not need to be selected and engaged pursuant to Chapter 9501. **In all other Freddie Mac Default Legal Matters**, the Servicer must use counsel selected and engaged pursuant to Chapter 9501.

Servicers must notify Freddie Mac (**see Directory 5**) of its retention of counsel **not selected and engaged pursuant to** Chapter 9501 and are required to comply with the reporting requirements in Section 9402.3(b).

The Servicer must ensure that the law firm to which the **Freddie Mac Default Legal Matter** was originally referred **is updated on the current** status of the **litigation either by the Servicer or its new** counsel. Once the **litigation** for which **new** counsel is retained **concludes, unless the entire legal matter or action** is resolved, the Servicer is responsible for transitioning the **Freddie Mac Default Legal Matter** back to the law firm to which it was originally referred for any required further proceedings **no later than one Business Day after the resolution of the litigation matter.**

In instances in which the Security Instrument provides for the Borrower to reimburse any legal fees and costs incurred by the Servicer, the Servicer should instruct its counsel to notify the Borrower about his or her responsibility for such expenses. The Servicer's counsel should attempt to handle such matters by stipulation or any other expeditious manner that will reduce the fees and costs that the Borrower has to pay.

## 8601.26: Servicing Mortgages on distressed properties and properties that pose a Risk of Property Ownership (08/01/18)

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**This section has been adapted from Section 8403.1 to reflect special Servicing requirements for Senior Subordinate Mortgages.**

Servicers are responsible for acting without delay, and in an efficient and responsible manner to protect the Servicer, Freddie Mac and the Senior Subordinate Trust's interests when the Servicer becomes aware of a Mortgaged Premises that becomes a distressed property. Refer to Section 9401.2 for information regarding Freddie Mac's rights when the Servicer becomes aware of a distressed property and fails to act to protect the Servicer's, Freddie Mac's and the Senior Subordinate Trust's interests as required by this section.

A distressed property is real property subject to a Mortgage that may or may not pose a Risk of Property Ownership (see Section 9202.5) to Freddie Mac or the Senior Subordinate Trust, and is a property that:

- Requires substantial repairs
- Has sustained significant physical deterioration; or
- Has been condemned by a local authority

Even if the owner has abandoned the Mortgaged Premises, a Servicer must report all Senior Subordinate Mortgages on distressed properties that are 30 or more days delinquent via an EDR transmission within the first three Business Days of the month following the month in which the Servicer identified the problem using default reason code 011 (Property problem) and the applicable occupancy code. If the problem identified is contaminated drywall the Servicer should report default reason code 032 (Contaminated Drywall) rather than default reason code 011 (Property problem).

If a property is distressed, the Servicer must conduct a search of the records of the local code authority to determine if there are any outstanding health or safety violations filed against either the Borrower or the property. If a Servicer discovers any code violations on a distressed property, the Servicer must report them to Freddie Mac (see Directory 5) within three Business Days of identifying the violation. The Servicer must attach a copy of the code violation and copies of the most recent six consecutive months (or less, depending on the level of Delinquency) of Form 1013, 1-4 Unit Property Inspection Report.

In addition to any reporting requirement set forth above for distressed properties, the Servicer must:

1. Maintain a record of when the condition was discovered and take all necessary actions to protect the property from waste, damage and vandalism and prevent any loss
2. Inspect the property monthly until the condition is resolved
3. Ensure that property insurance coverage is maintained. This includes taking all actions required in the mortgage clause of all applicable property insurance policies, including, but not limited to, providing all notices to the insurer required under such clause, in order to preserve the coverage and its maximum benefits for the Servicer and/or the Senior Subordinate Trust, as mortgagee.
4. File a claim with the applicable property insurer on the Senior Subordinate Trust's behalf if the property is damaged and the Borrower has not filed a claim
5. Comply with the requirements of the VA, RHS, FHA or MI, if applicable

Servicers must obtain Freddie Mac's written pre-approval before incurring expenses on distressed properties that exceed the limits contained in Exhibit 57, 1- to 4-Unit Property Approved Expense Amounts, by submitting a request for pre-approval via the Freddie Mac Reimbursement System. If unusual or emergency circumstances do not allow a Servicer to request Freddie Mac's prior written approval, then the Servicer must notify Freddie Mac via the Reimbursement System by the next Business Day after the Servicer incurred the expense. If the Servicer's determination to incur the expense was reasonable, as determined in Freddie Mac's sole discretion, Freddie Mac will reimburse the expense.

Servicers must obtain Freddie Mac's prior written approval to initiate foreclosure of a Senior Subordinate Mortgage on a distressed property as required in Section 9301.13.

If a property securing a Senior Subordinate Mortgage has been identified as posing a Risk of Property Ownership, the Servicer must contact and report the Senior Subordinate Mortgage to Freddie Mac (see Directory 5), even if the Senior Subordinate Mortgage is not delinquent, within three Business Days of identifying the risk. In such instances, the Servicer must attach copies of the most recent six consecutive months (or less, depending on the level of Delinquency) of Form 1013 and any other relevant information when reporting the Risk of Property Ownership to Freddie Mac.

## 8601.27: Servicing Mortgages on abandoned properties (03/02/16)

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

The Servicer must comply with the requirements of Section 8403.2, except that, with respect to Senior Subordinate Mortgages, either the Servicer or the Senior Subordinate Trust would be the mortgagee, and not Freddie Mac.

## 8601.28: Retention of firm (03/02/16)

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**This section has been adapted from Section 9501.5 to reflect special Servicing requirements for Senior Subordinate Mortgages.**

### (a) Servicer contract with firm

Unless the Servicer has entered into a contract with a selected firm and Freddie Mac has provided a “no objection” determination, then the Servicer must enter into a contract with the firm. The Servicer must notify Freddie Mac when the contract has been executed by updating the Servicer Attorney Tracking System (SATS) via <https://www.freddiemacsats.com>, and must provide a copy of the contract to Freddie Mac, upon request.

### (b) Freddie Mac limited retention agreement with firm

Freddie Mac, **on its behalf and on behalf of each Senior Subordinate Trust that Freddie Mac creates**, will enter into a limited retention agreement that sets forth certain key retention provisions with each selected firm for each State in which the firm has received a “no objection” determination.

### (c) Conflict between Servicer’s contract and limited retention agreements; Servicer’s respective consent

The Servicer acknowledges that the limited retention agreement recognizes and reflects a joint attorney-client relationship between the law firm, Freddie Mac, **each Senior Subordinate Trust**, and the Servicer, and the Servicer consents to such joint representation. The Servicer consents, in advance, to the selected firm’s representation of Freddie Mac, **the Senior Subordinate Trust, or both**, in any Freddie Mac Default Legal Matter that is or might be adverse to the Servicer, and further agrees that the firm can use in such representation any

information the firm gained in the course of jointly representing the Servicer, Freddie Mac and the Senior Subordinate Trust. In the event of any inconsistency or conflict between the terms and conditions of the Servicer's contract with the selected firm and the terms and conditions of Freddie Mac's limited retention agreement with the firm, Freddie Mac's limited retention agreement shall control.

## **8601.29: Referral of Freddie Mac Default Legal Matters to firm (03/02/16)**

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**This section has been adapted from Section 9501.7 to reflect special Servicing requirements for Senior Subordinate Mortgages.**

### **(a) Requirements prior to referral**

Prior to referring a Freddie Mac Default Legal Matter to a firm, the Servicer must confirm that the firm is eligible to receive a referral by ensuring that:

- The firm meets the Firm Minimum Requirements, as specified in Section 9501.3
- Freddie Mac has provided a “no objection” determination, as specified in Section 9501.4
- The firm has executed a contract with the Servicer requiring the firm to comply with all applicable Freddie Mac requirements, as specified in Section 8601.28
- The firm has executed a limited retention agreement with Freddie Mac, as specified in Section 8601.28(b)
- The firm has completed Freddie Mac training and any additional Servicer training, as specified in Section 9501.6
- There are no conflicts of interest with respect to the retention of the firm and referral of Freddie Mac Default Legal Matters to the firm

### **(b) Diversification of referrals**

The Servicer must diversify its referrals of Freddie Mac Default Legal Matters to an appropriate number of firms in each State to protect the interests of Freddie Mac and to mitigate the risks related to a high concentration of Freddie Mac files. In selecting firms for referrals, the Servicer must consider firm capacity and management of staff to file ratios.

### **(c) Bankruptcy and foreclosure matters**

The Servicer must not refer foreclosure matters directly to trustees listed on deeds of trust.

Refer to Section 9401.10(b) for additional referral requirements.

### **(d) Providing documentation to firm**

The Servicer must identify a file as a Freddie Mac Default Legal Matter when sending the file to a firm. **In this file, the Servicer must also include the name of the Senior Subordinate Trust that owns the delinquent Senior Subordinate Mortgage that prompted the referral and identify the Senior Subordinate Trust as owner of the Senior Subordinate Mortgage and Freddie Mac as both master servicer and trustee to the Senior Subordinate Trust.**

When referring a file to a firm, the Servicer must provide all documentation required to initiate a foreclosure. If the firm requests any additional information and/or documentation at any time, the Servicer must provide such requested information and/or documents within three Business Days after receipt of the request, or within such earlier time frame if necessary to comply with timing requirements under applicable law or court orders and procedures.

For any **Mortgage** that the Servicer refers for foreclosure **that is subsequently repurchased by Freddie Mac from the Senior Subordinate Trust and/or** subsequently repurchased by the Servicer from Freddie Mac, whether voluntarily or involuntarily, the Servicer must notify foreclosure and/or bankruptcy counsel within two Business Days of the completed repurchase. (See Chapter 3602 for additional information about repurchases.)

### **(e) Contingency plan**

All Servicers must have a contingency plan in place, either in the form of a stand-alone document or incorporated into policies and procedures, to redirect new foreclosure and bankruptcy referrals.

## **8601.30: REO – General requirements (07/15/19)**

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**This section has been adapted from Section 9603.1 to reflect special Servicing requirements for Senior Subordinate Mortgages.**

Once the **Senior Subordinate Trust** has acquired a property as an REO, **and after the Servicer has successfully reported the foreclosure sale or deed-in-lieu of foreclosure via the Freddie Mac Service Loans application pursuant to Section 9603.9, the Servicer will no longer be responsible**



for the following REO activities, including for properties located in States that have a redemption, confirmation process or ratification of sale:

1. Securing, maintaining, inspecting and winterizing the property
2. Making advances to superior lienholders, including condominium/homeowners association (HOA) assessments, Planned Unit Development (PUD) assessments, ground rent, co-op corporation assessments and leasehold payments required under the lease
3. Evicting the occupants in the property
4. Marketing and rehabilitating the REO

Servicers are responsible for the following activities pending the sale of the REO by Freddie Mac, the MI, FHA, RHS or VA:

1. Filing and concluding FHA, RHS and VA claims, if applicable. (Freddie Mac will file MI claims.)
2. Filing and concluding property insurance claims, if applicable, and applying for premium refunds in accordance with Section 9603.11. The Servicer is required to cancel any existing property insurance policies no later than 14 days after the completed foreclosure sale or deed-in-lieu of foreclosure has been successfully reported to Freddie Mac. Freddie Mac may instruct the Servicer to maintain property insurance (even if the property is vacant and has no claimable damage). If Freddie Mac makes this request, the Servicer must continue the insurance coverage until Freddie Mac notifies the Servicer that Freddie Mac has sold the REO.
3. Referring all inquiries and offers regarding purchase of the REO to Freddie Mac (**see Directory 6**) within one Business Day of the inquiry or offer
4. Fulfilling all requests made by Freddie Mac, including attorney selection. If the Servicer requires the assistance of an attorney in fulfilling any of the obligations set forth in this chapter, the Servicer must use an attorney who meets the criteria in Section 9501.3. (See Exhibit 88, Servicing Tools).
5. Taking such action that Freddie Mac may request regarding a property

Servicers may review the REO Overview report, assessible via the “REO” tile of the Servicer’s Servicer Performance Profile (SPP) (see Exhibit 88) for the property status. The Servicer may also call the Customer Support Contact Center at 800-FREDDIE to obtain this information. Freddie Mac will not send the Servicer a written notice of the sale of the REO.



## 8601.30: REO – General requirements (Future effective date 12/09/19)

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**This section has been adapted from Section 9603.1 to reflect special Servicing requirements for Senior Subordinate Mortgages.**

Once the **Senior Subordinate Trust** has acquired a property as an REO, and after the Servicer has successfully reported the foreclosure sale or deed-in-lieu of foreclosure via the Freddie Mac **Foreclosure Sale Reporting tool** (see Exhibit 88, **Servicing Tools**) pursuant to Section 9603.9, the Servicer will no longer be responsible for the following REO activities, including for properties located in States that have a redemption, confirmation process or ratification of sale:

1. Securing, maintaining, inspecting and winterizing the property
2. Making advances to superior lienholders, including condominium/homeowners association (HOA) assessments, Planned Unit Development (PUD) assessments, ground rent, co-op corporation assessments and leasehold payments required under the lease
3. Evicting the occupants in the property
4. Marketing and rehabilitating the REO

Servicers are responsible for the following activities pending the sale of the REO by Freddie Mac, the MI, FHA, RHS or VA:

1. Filing and concluding FHA, RHS and VA claims, if applicable. (Freddie Mac will file MI claims.)
2. Filing and concluding property insurance claims, if applicable, and applying for premium refunds in accordance with Section 9603.11. The Servicer is required to cancel any existing property insurance policies no later than 14 days after the completed foreclosure sale or deed-in-lieu of foreclosure has been successfully reported to Freddie Mac. Freddie Mac may instruct the Servicer to maintain property insurance (even if the property is vacant and has no claimable damage). If Freddie Mac makes this request, the Servicer must continue the insurance coverage until Freddie Mac notifies the Servicer that Freddie Mac has sold the REO.
3. Referring all inquiries and offers regarding purchase of the REO to Freddie Mac (**see Directory 6**) within one Business Day of the inquiry or offer
4. Fulfilling all requests made by Freddie Mac, including attorney selection. If the Servicer requires the assistance of an attorney in fulfilling any of the obligations set forth in this

chapter, the Servicer must use an attorney who meets the criteria in Section 9501.3. (See Exhibit 88, Servicing Tools).

#### 5. Taking such action that Freddie Mac may request regarding a property

Servicers may review the REO Overview report, assessible via the “REO” tile of the Servicer’s Servicer Performance Profile (SPP) (see Exhibit 88) for the property status. The Servicer may also call the Customer Support Contact Center at 800-FREDDIE to obtain this information. Freddie Mac will not send the Servicer a written notice of the sale of the REO.

## 8601.31: REO – Documentation and reporting requirements (07/15/19)

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**This section has been adapted from Section 9603.8 to reflect special Servicing requirements for Senior Subordinate Mortgages.**

This section details Freddie Mac’s requirements for submitting documentation and reporting information during the REO holding period.

The Servicer **may review the REO Overview** report, accessible via the “REO” tile of the Servicer’s Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools) **for the property status, including the Property Condition Certificate (PCC) completion date.** The Servicer **may** also call the Customer Support Contact Center at 800-FREDDIE to obtain **this** information. **Freddie Mac will not send the Servicer a written notice of the sale of the REO.**

## 8601.32: REO – Notifying the taxing authority/HOA (07/15/19)

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**This section has been adapted from Section 9603.10, to reflect special Servicing requirements for Senior Subordinate Mortgages.**

Within **five days of reporting the foreclosure sale or deed-in-lieu of foreclosure via the Freddie Mac Service Loans application**, the Servicer must notify the taxing authority and homeowners

association (HOA), if applicable, of the Senior Subordinate Trust's ownership of the property and Freddie Mac's management of the property on behalf of the Senior Subordinate Trust.

When the Servicer contacts these organizations, the Servicer must have the REO titled as follows:

[Legal Name of Senior Subordinate Trust]  
c/o Green River Capital, LLC  
7730 South Union Park Avenue, Suite 400  
Midvale, UT 84047

**Important:** Freddie Mac will pay the real estate taxes, condominium assessments, HOA dues and leasehold estate payments as they become due after the Servicer reports the foreclosure sale or the settlement of a deed-in-lieu of foreclosure. Freddie Mac may retain a vendor to conduct such activities.

There are special requirements for REO located in California. California taxing authorities reassess properties for supplemental taxes from the foreclosure sale date to the sale date of the REO. Also, taxing authorities often generate a supplemental tax statement long after the REO sale date. Therefore, the Servicer must notify the taxing authority in writing to send any supplemental tax bills to the Senior Subordinate Trust in care of the address above within five days following the foreclosure sale or the deed-in-lieu of foreclosure date.

## 8601.32: REO – Notifying the taxing authority/HOA (Future effective date 12/09/19)

The **brown font text** used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

**This section has been adapted from Section 9603.10, to reflect special Servicing requirements for Senior Subordinate Mortgages.**

Within five days of reporting the foreclosure sale or deed-in-lieu of foreclosure via the Freddie Mac Foreclosure Sale Reporting tool (see Exhibit 88, Servicing Tools), the Servicer must notify the taxing authority and homeowners association (HOA), if applicable, of the Senior Subordinate Trust's ownership of the property and Freddie Mac's management of the property on behalf of the Senior Subordinate Trust.

When the Servicer contacts these organizations, the Servicer must have the REO titled as follows:

[Legal Name of Senior Subordinate Trust]  
c/o Green River Capital, LLC

7730 South Union Park Avenue, Suite 400  
Midvale, UT 84047

**Important:** Freddie Mac will pay the real estate taxes, condominium assessments, HOA dues and leasehold estate payments as they become due after the Servicer reports the foreclosure sale or the settlement of a deed-in-lieu of foreclosure. Freddie Mac may retain a vendor to conduct such activities.

There are special requirements for REO located in California. California taxing authorities reassess properties for supplemental taxes from the foreclosure sale date to the sale date of the REO. Also, taxing authorities often generate a supplemental tax statement long after the REO sale date. Therefore, the Servicer must notify the taxing authority in writing to send any supplemental tax bills to **the Senior Subordinate Trust** in care of the address above within five days following the foreclosure sale or the deed-in-lieu of foreclosure date.

# Chapter 8701: Servicing Requirements for Community Land Trust Mortgages

## 8701.1: Servicing Community Land Trust Mortgages (11/05/18)

### (a) Key terms used in this chapter

Key terms and definitions used in this Chapter 8701 (e.g., Community Land Trust and Community Land Trust Mortgage) can be found in the Glossary. Servicers of Community Land Trust Mortgages should be familiar with such key terms and definitions found therein.

Refer to Chapter 4502 for specific requirements for selling Community Land Trust Mortgages to Freddie Mac including, but not limited to, requirements for the specified form of ground lease (the “Community Land Trust Ground Lease”) and Form 490, Community Land Trust Ground Lease Rider. References to “ground lease, as amended” in this chapter refer to the executed and recorded Community Land Trust Ground Lease, as amended by Form 490.

### (b) Servicers of Community Land Trust Mortgages

To be authorized to service a Community Land Trust Mortgage under the requirements of this Chapter 8701, a Servicer must be a Seller/Servicer approved to sell Community Land Trust Mortgages to Freddie Mac in accordance with Chapter 4502.

An authorized Servicer may engage in a Transfer of Servicing involving Community Land Trust Mortgages provided the Transferee Servicer is also a Seller/Servicer approved to sell Community Land Trust Mortgages to Freddie Mac. See Section 8701.3 regarding Concurrent and Subsequent Transfers of Servicing with respect to Community Land Trust Mortgages.

Subject to Chapter 8102, a Servicer authorized to service Community Land Trust Mortgages may, as a Master Servicer, engage a Servicer as its Servicing Agent to service such Community Land Trust Mortgages, including Servicing Agents that are not separately approved or authorized as Sellers or Servicers of Community Land Trust Mortgages.

### (c) Tracking Community Land Trust Mortgages

Servicers of Community Land Trust Mortgages must implement policies, procedures and systems to identify and track Community Land Trust Mortgages to ensure that such Community Land Trust Mortgages are serviced in accordance with the Servicing requirements of the Guide and this chapter.

In addition, Servicers of Community Land Trust Mortgages must maintain contact information necessary to service such Community Land Trust Mortgages (e.g., address of the Community Land Trust or its duly authorized representative) so that all disclosures and notices required under the ground lease, as amended (see Section 8701.1(e)), are provided on a timely basis.

**(d) Servicing requirements applicable to Community Land Trust Mortgages**

Servicers of Community Land Trust Mortgages must service Community Land Trust Mortgages in accordance with the Servicing requirements of the Guide and this chapter. The Servicing requirements of this chapter are applicable only to the Servicing of Community Land Trust Mortgages. If any Servicing requirement in this chapter is inconsistent with a Servicing requirement set forth elsewhere in the Guide (except for requirements to comply with applicable law, which supersede any other Servicing requirement in the Guide), the Servicer must comply with the Servicing requirement set forth in this chapter with respect to any Community Land Trust Mortgage.

Servicers must not apply any of the requirements set forth in this chapter to a non-Community Land Trust Mortgage, but rather, should continue Servicing such Mortgages in accordance with all other Servicing requirements of the Guide and other applicable Purchase Documents.

**(e) Community Land Trust Ground Lease Rider**

In accordance with Section 4502.10, a Community Land Trust Mortgage must be originated using Form 490, completed and executed by both the lessor (Community Land Trust or its duly authorized representative) and each lessee (Borrower), and recorded in the land records along with the Community Land Trust Ground Lease and applicable Security Instrument.

A Servicer must comply with the provisions of Form 490 when Servicing the Community Land Trust Mortgage including, but not limited to, provisions related to the following:

- A Borrower's written consent to the Servicer's disclosure of certain information to the lessor (e.g., the Community Land Trust or its duly authorized representative) in the event of Borrower default or when evaluating the Borrower for workout or relief options
- The Servicer's obligation to provide to the lessor (at the lessor's address provided for in Form 490, subject to any change of address notifications) all notices and disclosures required under the ground lease, as amended
- Upon delivery of required notices and disclosures to the lessor, the Servicer must honor the lessor's timely exercise of certain rights available to it under the ground lease, as amended

- The termination of any resale restrictions contained in the ground lease, as amended upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure
- For a Borrower being considered for an alternative to foreclosure, the Servicer is not required to obtain the lessor’s approval of any proposed workout or relief options

**(f) Leasehold Mortgages**

Unless inconsistent with a Servicing requirement set forth in this Chapter 8701, all Servicing requirements of the Guide governing Mortgages secured by leasehold estates (leasehold Mortgages) apply to Community Land Trust Mortgages.

Refer to Sections 9301.26, 9401.3 and 9701.10(c) for requirements for Servicing leasehold Mortgages, if termination of the lease will jeopardize Freddie Mac’s lien position or interest in the property. Refer to Sections 9206.4(a) and 9206.5(b) for requirements to negotiate the extension of the current term of a lease (or applicable renewal options) in the event the current term of a lease (or applicable renewal options) terminate earlier than five years after the maturity date of the proposed modification of a leasehold Mortgage.

**(g) Resale restrictions**

As described in Chapter 4502, the Community Land Trust Ground Lease includes resale restrictions. Unless inconsistent with a Servicing requirement set forth in this Chapter 8701, all Servicing requirements of the Guide governing resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure apply to Community Land Trust Mortgages.

Refer to Sections 9208.2(c) and 9208.5 for the Freddie Mac Standard Short Sale (“short sale”) evaluation requirements for Mortgages secured by Mortgaged Premises with resale restrictions, unless inconsistent with a Servicing requirement set forth in this Chapter 8701.

Refer to Section 9301.31 for foreclosure sale bidding requirements on Mortgaged Premises with resale restrictions.

**(h) General notice, disclosure and foreclosure requirements**

In addition to any disclosures and notices required by applicable law, the Servicer must provide to the Borrower, the lessor, or, as applicable, the lessor’s administrator (the Community Land Trust’s duly authorized representative), all disclosures and notices required under the ground lease, as amended, on a timely basis. The Servicer must retain copies of all such disclosures and notices in the Mortgage file.

Regardless of the additional Servicing requirements specified in this chapter that are applicable only to Community Land Trust Mortgages, in the event a foreclosure sale occurs, the Servicer’s performance will be measured against Freddie Mac’s State foreclosure



timelines (refer to Exhibit 83, Freddie Mac State Foreclosure Timelines). Any delays in foreclosure as a result of a lessor's failure to cure a Borrower's event of default following a lessor's submission of a notice of intent to cure in accordance with Form 490 will not be considered an allowable delay for purposes of Freddie Mac's State foreclosure timeline calculations. Servicers may seek recourse against the lessor for such delays in accordance with the provisions of Form 490.

## **8701.1: Servicing Community Land Trust Mortgages (Future effective date 03/01/20)**

### **(a) Key terms used in this chapter**

Key terms and definitions used in this Chapter 8701 (e.g., Community Land Trust and Community Land Trust Mortgage) can be found in the Glossary. Servicers of Community Land Trust Mortgages should be familiar with such key terms and definitions found therein.

Refer to Chapter 4502 for specific requirements for selling Community Land Trust Mortgages to Freddie Mac including, but not limited to, requirements for the specified form of ground lease (the "Community Land Trust Ground Lease") and Form 490, Community Land Trust Ground Lease Rider. References to "ground lease, as amended" in this chapter refer to the executed and recorded Community Land Trust Ground Lease, as amended by Form 490.

### **(b) Servicers of Community Land Trust Mortgages**

To be authorized to service a Community Land Trust Mortgage under the requirements of this Chapter 8701, a Servicer must be a Seller/Servicer approved to sell Community Land Trust Mortgages to Freddie Mac in accordance with Chapter 4502.

An authorized Servicer may engage in a Transfer of Servicing involving Community Land Trust Mortgages provided the Transferee Servicer is also a Seller/Servicer approved to sell Community Land Trust Mortgages to Freddie Mac. See Section 8701.3 regarding Concurrent and Subsequent Transfers of Servicing with respect to Community Land Trust Mortgages.

Subject to Chapter 8102, a Servicer authorized to service Community Land Trust Mortgages may, as a Master Servicer, engage a Servicer as its Servicing Agent to service such Community Land Trust Mortgages, including Servicing Agents that are not separately approved or authorized as Sellers or Servicers of Community Land Trust Mortgages.

### **(c) Tracking Community Land Trust Mortgages**

Servicers of Community Land Trust Mortgages must implement policies, procedures and systems to identify and track Community Land Trust Mortgages to ensure that such



Community Land Trust Mortgages are serviced in accordance with the Servicing requirements of the Guide and this chapter.

In addition, Servicers of Community Land Trust Mortgages must maintain contact information necessary to service such Community Land Trust Mortgages (e.g., address of the Community Land Trust or its duly authorized representative) so that all disclosures and notices required under the ground lease, as amended (see Section 8701.1(e)), are provided on a timely basis.

#### **(d) Servicing requirements applicable to Community Land Trust Mortgages**

Servicers of Community Land Trust Mortgages must service Community Land Trust Mortgages in accordance with the Servicing requirements of the Guide and this chapter. The Servicing requirements of this chapter are applicable only to the Servicing of Community Land Trust Mortgages. If any Servicing requirement in this chapter is inconsistent with a Servicing requirement set forth elsewhere in the Guide (except for requirements to comply with applicable law, which supersede any other Servicing requirement in the Guide), the Servicer must comply with the Servicing requirement set forth in this chapter with respect to any Community Land Trust Mortgage.

Servicers must not apply any of the requirements set forth in this chapter to a non-Community Land Trust Mortgage, but rather, should continue Servicing such Mortgages in accordance with all other Servicing requirements of the Guide and other applicable Purchase Documents.

#### **(e) Community Land Trust Ground Lease Rider**

In accordance with Section 4502.10, a Community Land Trust Mortgage must be originated using Form 490, completed and executed by both the lessor (Community Land Trust or its duly authorized representative) and each lessee (Borrower), and recorded in the land records along with the Community Land Trust Ground Lease and applicable Security Instrument.

A Servicer must comply with the provisions of Form 490 when Servicing the Community Land Trust Mortgage including, but not limited to, provisions related to the following:

- A Borrower's written consent to the Servicer's disclosure of certain information to the lessor (e.g., the Community Land Trust or its duly authorized representative) in the event of Borrower default or when evaluating the Borrower for workout or relief options
- The Servicer's obligation to provide to the lessor (at the lessor's address provided for in Form 490, subject to any change of address notifications) all notices and disclosures required under the ground lease, as amended
- Upon delivery of required notices and disclosures to the lessor, the Servicer must honor the lessor's timely exercise of certain rights available to it under the ground lease, as amended

- The termination of any resale restrictions contained in the ground lease, as amended upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure
- For a Borrower being considered for an alternative to foreclosure, the Servicer is not required to obtain the lessor’s approval of any proposed workout or relief options

**(f) Leasehold Mortgages**

Unless inconsistent with a Servicing requirement set forth in this Chapter 8701, all Servicing requirements of the Guide governing Mortgages secured by leasehold estates (leasehold Mortgages) apply to Community Land Trust Mortgages.

Refer to Sections 9301.26, 9401.3 and 9701.10(c) for requirements for Servicing leasehold Mortgages, if termination of the lease will jeopardize Freddie Mac’s lien position or interest in the property. Refer to Sections 9206.4(a) and 9206.5(b) for requirements to negotiate the extension of the current term of a lease (or applicable renewal options) in the event the current term of a lease (or applicable renewal options) terminate earlier than five years after the maturity date of the proposed modification of a leasehold Mortgage.

**(g) Resale restrictions**

As described in Chapter 4502, the Community Land Trust Ground Lease includes resale restrictions. Unless inconsistent with a Servicing requirement set forth in this Chapter 8701, all Servicing requirements of the Guide governing **Mortgages secured by properties subject to** resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure apply to Community Land Trust Mortgages.

Refer to Sections 9208.2(c) and 9208.5 for the Freddie Mac Standard Short Sale (“short sale”) evaluation requirements for Mortgages secured by **properties subject to** resale restrictions, unless inconsistent with a Servicing requirement set forth in this Chapter 8701.

Refer to Section 9301.31 for foreclosure sale bidding requirements on **properties subject to** resale restrictions.

**(h) General notice, disclosure and foreclosure requirements**

In addition to any disclosures and notices required by applicable law, the Servicer must provide to the Borrower, the lessor, or, as applicable, the lessor’s administrator (the Community Land Trust’s duly authorized representative), all disclosures and notices required under the ground lease, as amended, on a timely basis. The Servicer must retain copies of all such disclosures and notices in the Mortgage file.

Regardless of the additional Servicing requirements specified in this chapter that are applicable only to Community Land Trust Mortgages, in the event a foreclosure sale occurs, the Servicer's performance will be measured against Freddie Mac's State foreclosure timelines (refer to Exhibit 83, Freddie Mac State Foreclosure Timelines). Any delays in foreclosure as a result of a lessor's failure to cure a Borrower's event of default following a lessor's submission of a notice of intent to cure in accordance with Form 490 will not be considered an allowable delay for purposes of Freddie Mac's State foreclosure timeline calculations. Servicers may seek recourse against the lessor for such delays in accordance with the provisions of Form 490.

## **8701.2: Cancellation of Borrower-paid mortgage insurance (11/05/18)**

For the purpose of canceling Borrower-paid mortgage insurance based on the original value, for a Community Land Trust Mortgage, "value" is determined in accordance with the requirements of Section 4502.7 (see also Section 4203.1).

## **8701.3: Concurrent and Subsequent Transfers of Servicing with respect to Community Land Trust Mortgages (11/05/18)**

In addition to the requirements governing Concurrent Transfers of Servicing and Subsequent Transfers of Servicing set forth elsewhere in the Guide, so long as a Transfer of Servicing involving Community Land Trust Mortgages is not prohibited under an applicable Purchase Document, the Transferor Servicer must inform the Transferee Servicer whether the Transfer of Servicing involves Community Land Trust Mortgages, and, upon request, must provide a list of such Community Land Trust Mortgages (identified, at a minimum, by Transferor Servicer loan number and Freddie Mac loan number) to the Transferee Servicer.

Additionally, to ensure the Transferee Servicer provides all disclosures and notices required under the ground lease, as amended (see Section 8701.1(e)), on a timely basis, all data and any correspondence with the lessor (Community Land Trust or its duly authorized representative) related to such Community Land Trust Mortgages including, but not limited to, contact information and any change of address notifications, must be delivered to the Transferee Servicer when transferring Community Land Trust Mortgage records and related data pursuant to Section 7101.8.

## 8701.4: Delinquency management for Community Land Trust Mortgages (11/05/18)

### (a) Special Servicing and Early Delinquency Counseling

Unless otherwise noted below, the requirements for special Servicing and Early Delinquency Counseling as described in Sections 9101.2 and 9102.4, as applicable, apply to Community Land Trust Mortgages, regardless of the Mortgage product type.

If the Servicer has knowledge or reason to believe that a lessor (Community Land Trust or its duly authorized representative) has established program requirements to offer early delinquency counseling (e.g., analyzing the Borrower's financial situation during a counseling session and developing a plan of action for solving the Delinquency) and/or has offered early delinquency counseling to a delinquent Borrower on a Community Land Trust Mortgage, then the Servicer is not required to offer Early Delinquency Counseling.

If the Servicer is not required to offer Early Delinquency Counseling, as noted above, the Servicer must document the basis for not offering such counseling in the Mortgage file.

### (b) Pre-foreclosure referral account review

In addition to the requirements in Section 9301.4 regarding the pre-foreclosure referral account review, prior to referral to foreclosure, the Servicer must review the Mortgage file to verify that:

- All disclosures and notices, required to be provided during Delinquency and prior to foreclosure referral under the ground lease, as amended (see Section 8701.1(e)), were provided on a timely basis; and
- Following any disclosure or notice provided to the lessor from the Servicer during Delinquency and prior to foreclosure referral, as required under the ground lease, as amended:
  - The lessor did not express via written notice to the Servicer of its intention to exercise certain rights available to it under the ground lease, as amended, and the time frame to notify the Servicer of such intent has expired; or
  - Via written notice to the Servicer, the lessor timely expressed its intention to exercise certain rights available to it under the ground lease, as amended, but failed to exercise such rights prior to the expiration of the applicable time frame to exercise such rights as set forth in the ground lease, as amended

In the event the Servicer finds that not all disclosures and notices were provided on a timely basis, or the time frames mentioned above have not yet expired, then the Servicer must not

refer the Community Land Trust Mortgage to foreclosure until such time the Servicer provides all disclosures and notices on a timely basis and the time frames have expired.

The Servicer must document the results of its review in its Mortgage file or Servicing system and make such information available to Freddie Mac upon request.

**(c) Delinquency management process for Community Land Trust Mortgages**

The steps below describe the process that Servicers must follow, in addition to other Servicing requirements of the Guide, when a Borrower obligated under a Community Land Trust Mortgage is delinquent in his or her Mortgage payments:

**(i) Step 1 – Servicing requirements for Community Land Trust Mortgages during Delinquency**

**(A) Early Delinquency Counseling**

Pursuant to Section 8701.4(a), if applicable, Servicers of Community Land Trust Mortgages must offer Early Delinquency Counseling as described in Sections 9101.2 and 9102.4, as applicable.

**(B) Disclosures and notices during Delinquency**

Upon mailing a breach letter on a Community Land Trust Mortgage per Section 9101.2(b) or Section 9102.4(b), as applicable, to the Borrower, a copy of the breach letter must be provided to the lessor by the Servicer, unless prohibited by applicable law. (Note: Form 490 provides for the Borrower’s written consent to disclosure to the lessor of such notices and other default- and loss mitigation-related information of the Borrower). The copy of the breach letter must be sent to the lessor’s address provided in the ground lease, as amended, subject to any change of address notifications. Such copy of the breach letter must be accompanied by information that describes to the lessor how it may, via written notice to the Servicer, express its intention to exercise certain rights available to it under the ground lease, as amended, as well as the prescribed time frame for doing so (as described in more detail below).

Note: Certain rights available to the lessor under the ground lease, as amended, include, but are not limited to, curing the Delinquency on behalf of the Borrower, or, if curing the Delinquency on behalf of the Borrower is determined by the lessor not to be a viable solution to the Delinquency, paying off the Community Land Trust Mortgage (e.g., by finding a new potential lessee to purchase the property from the Borrower for an amount that pays off the total debt).

Upon delivery of the copy of the breach letter to the lessor, in accordance with the ground lease, as amended, the lessor has 60 days or until the 120th day of Delinquency, whichever is later, to give written notice to the Servicer of its intention to exercise certain rights available to it under the ground lease, as amended. If such

written notice is given to the Servicer timely, upon receipt, the Servicer must not refer the Mortgage to foreclosure for 60 days or until the 181st day of Delinquency, whichever is later, to allow the lessor to exercise certain rights available to it under the ground lease, as amended.

In the event the lessor timely expressed its intention to exercise certain rights available to it under the ground lease, as amended, and the time frame to exercise such rights expired with the lessor having failed to do so, the Servicer may seek reimbursement from the lessor for any holding costs incurred due to delays in foreclosure as set forth in the ground lease, as amended.

**(ii) Step 2 – Servicing requirements for Community Land Trust Mortgages prior to referral to foreclosure**

Servicers of Community Land Trust Mortgages must complete a pre-foreclosure referral account review in accordance with Section 8701.4(b) in addition to the requirements in Section 9301.4.

The Servicer must refer a Community Land Trust Mortgage to foreclosure if nothing in the Servicer's pre-foreclosure referral account review prevents the Servicer from referring the Community Land Trust Mortgage to foreclosure.

**(iii) Step 3 – Servicing requirements for Community Land Trust Mortgages post-referral to foreclosure**

During the foreclosure process, the Servicer may, but is not obligated to, provide notice to the lessor that describes how it may, via written notice to the Servicer, express its intention to exercise certain rights available to it under the ground lease, as amended.

Upon delivery of such notice to the lessor, if applicable, the lessor must give written notice to the Servicer of its intention to exercise certain rights available to it under the ground lease, as amended, within the time frame specified by the Servicer. If such written notice is given to the Servicer timely, upon receipt, the Servicer may suspend foreclosure proceedings to allow the lessor to exercise such rights. If a foreclosure sale date is scheduled, the Servicer may, to the extent possible and in accordance with applicable law, extend the foreclosure sale date.

In the event the lessor timely expressed its intention to exercise certain rights available to it under the ground lease, as amended, and the time frame specified by the Servicer to exercise such rights expired with the lessor having failed to do so, the Servicer may seek reimbursement from the lessor for any holding costs incurred due to delays in foreclosure as set forth in the ground lease, as amended.

# **Chapter 9101: Delinquency Management for Mortgages Secured by Primary Residences**

## **9101.1: Delinquency management for Mortgages secured by Primary Residences (03/02/16)**

This chapter sets forth Servicing requirements relating to collection efforts, Borrower communications, foreclosure postponement and management of an appeals process in connection with a denial of a Trial Period Plan for Mortgages secured by Primary Residences. Except as otherwise noted in this chapter, Servicers must refer to Chapters 9102 through 9401 and Chapter 8404 for all other Delinquency management requirements.

## **9101.2: Servicer collection efforts for Mortgages secured by Primary Residences (03/01/19)**

### **(a) All collection efforts**

The Servicer must treat each Delinquency individually by varying the collection techniques to fit the individual circumstances. The Servicer must avoid establishing a fixed routine; this is particularly ineffective when dealing with chronically delinquent Borrowers.

All collection efforts must be based on the extent of the Delinquency and the Servicer's knowledge of the following factors:

1. Borrower's prior payment history
2. Borrower's credit history
3. Borrower's employment situation
4. Borrower's reason for default
5. Borrower's willingness and ability to repay
6. Borrower is deceased or the property is included as part of the Borrower's estate
7. Mortgaged Premises' condition
8. Mortgaged Premises' occupancy status

If there is a known potential risk of loss or ownership to Freddie Mac, the Borrower must be referred for loss mitigation immediately.

## **Borrowers on Automatic Withdrawal (Automated Clearing House (ACH))**

Servicers should encourage Borrowers to set up ACH payment arrangements. If a Borrower agreed to have his or her monthly payments automatically withdrawn from a bank account, the Servicer must ensure that the correct monthly payment is withdrawn (especially after an Escrow analysis has taken place) and processed timely. If the ACH payment cannot be processed on the specified date the Borrower has agreed to, the Servicer must begin efforts to contact the Borrower within 48 hours to determine the reason for the missed payment.

### **(b) Minimum collection efforts**

The Servicer must, at a minimum:

- Be readily available to the Borrower to offer financial counseling and advice on curing the Delinquency and explaining alternatives to foreclosure
- Make personal contact with the Borrower as early and often as necessary to promptly cure the Delinquency. (Mortgages in bankruptcy or litigation may be excluded if necessary under applicable law, rules of professional responsibility or court rules.)

Servicers are authorized to use alternative outreach methods to contact the Borrower as permitted by applicable law including, but not limited to, e-mail, text messaging or voice response unit (VRU) technology.

- Continue to contact the Borrower if satisfactory arrangements have not been made to cure the Delinquency or until the Servicer determines foreclosure is appropriate
- Issue the breach letter (may also be referred to as the “notice of acceleration” or “demand letter”) for all Mortgages no later than the 75th day of Delinquency. If State law requires the breach letter (or any other pre-breach letter or notice) to be sent prior to the 75th day of Delinquency in order to be able to refer the Mortgage to foreclosure as required in Sections 9301.6 and 9301.7, the Servicer must send the breach letter on such earlier date.

If the Servicer determines the property is vacant or abandoned pursuant to Section 9202.14, then the Servicer must:

- Issue a breach letter within 10 days of the determination, provided the Mortgage is greater than 30 days delinquent; and
- Refer all Mortgages secured by Primary Residences to foreclosure after expiration of the breach letter, but no earlier than 151 days from the DDLPI (121st day of Delinquency). Refer to Sections 9301.6 and 9301.7 for additional requirements related to foreclosure referral.



- Contact the lessor for leasehold Mortgages and any lender with a prior lien on the fee simple landowner/lessor's fee simple interest
- Continue skip trace efforts until all reasonable sources have been attempted or contact numbers and addresses have been verified

Servicers that maintain a call center must meet minimum call center performance standards as set forth in Section 9201.5.

The following chart lists the minimum collection efforts that must be made in an attempt to bring a delinquent Mortgage secured by a Primary Residence current.

Note: If the day a Servicer is required to call a Borrower is not a Business Day and the Servicer is not open on such day to conduct loss mitigation and collection activities, the Servicer may call the Borrower on the next Business Day.

<b>Days after Due Date</b>	<b>Action required</b>
<b>17</b>	Mail late notices/reminder letters to delinquent Borrowers by the 17th day after the Due Date or the next Business Day if the 17th day after the Due Date is not a Business Day
<b>36</b>	<p>Initiate contact with each delinquent Borrower as early in the delinquency cycle as possible to secure a payment or payment arrangement but no later than the 36th day after the Due Date of an unpaid monthly installment unless ACH payment arrangements or other arrangements to cure the Delinquency have been established. The Servicer may tailor its contact attempts appropriately based on the risk characteristics of the Mortgage, each Borrower's level of Delinquency and previous payment habits and the minimum contact requirements set forth in this section.</p> <p>Borrower contact must continue at least every seventh day at varying times throughout the day until the earlier of the 210th day after the Due Date of an unpaid monthly installment or quality right party contact is achieved and:</p> <ul style="list-style-type: none"> <li>■ The Servicer determines that the Borrower does not want to pursue an alternative to foreclosure</li> <li>■ The Delinquency is cured, the Servicer achieves quality right party contact and has obtained from the Borrower a promise to pay the delinquent amount by a specified date (not to exceed 30 days)</li> <li>■ A complete Borrower Response Package is received in accordance with Section 9102.5; or</li> </ul>

Days after Due Date	Action required
	<ul style="list-style-type: none"> <li>■ The Borrower enters into a relief or workout option with the Servicer</li> </ul>
<p><b>45</b></p>	<p>If a Servicer has not achieved quality right party contact and a resolution to the Delinquency, the Servicer must send at least one Borrower Solicitation Package to the delinquent Borrower no later than the 45th day after the Due Date of an unpaid monthly installment.</p> <p>If a Servicer has achieved quality right party contact and has obtained from the Borrower a resolution to the Delinquency, the Servicer is not required to send the Borrower Solicitation Package. However, in such instance, the Servicer must comply with any early intervention notice that may be required under applicable law. If the Borrower fails to perform under the conditions of a relief or workout option, the Servicer must resume collection efforts, including sending the Borrower Solicitation Package.</p> <p>Generally, the Borrower Solicitation Package must include a Borrower Solicitation Letter (see Exhibit 1145), Form 710, Mortgage Assistance Application, frequently asked questions (FAQs) and foreclosure rescue scam information. However, a Servicer may choose to send only the Borrower Solicitation Letter and elect to send Form 710, FAQs and foreclosure rescue scam information upon establishing quality right party contact. In addition, the Servicer may provide the FAQs and foreclosure rescue scam information on its web site and provide a link to that information in the Borrower Solicitation Letter. See also Section 9102.5(c) for specific information on what must be included in the solicitation to the Borrower.</p> <p>Note: When sending the Borrower Solicitation Package, Servicers are authorized to edit Form 710, if permitted by applicable law, to exclude references to IRS Form 4506-T and IRS Form 4560T-EZ; or, to the extent required by applicable law, to indicate that such forms may be required to complete the application and the circumstances when such forms must be obtained or processed in accordance with Section 9102.5(b)(2).</p>

Days after Due Date	Action required
<b>60-75</b>	<p>Send the Freddie Mac Flex Modification® Solicitation Cover Letter and Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP as set forth in Section 9102.5 to Borrowers with Step-Rate Mortgages who are eligible for a streamlined offer for a Freddie Mac Flex Modification in accordance with Section 9206.5.</p> <p>Send 60-75 days after the Due Date of an unpaid monthly installment for an eligible Borrower with a Step-Rate Mortgage.</p> <p>Servicers must continue to make efforts to complete an incomplete Borrower Response Package to the extent required by applicable law and regulations.</p> <p>Order the initial property inspection on or after day 60 and obtain a complete property inspection report no later than day 75 unless: (i) the Servicer has established quality right party contact or (ii) a full monthly Mortgage payment has been received within the last 30 days.</p> <p>If the property is found to be vacant or tenant-occupied, property inspections must continue as long as the Mortgage remains 60 or more days delinquent, regardless of whether the Servicer achieves quality right party contact.</p> <p>Contact each known superior lienholder, if applicable.</p>
<b>75</b>	<p>Mail the breach letter for all Mortgages, including First Lien Mortgages and modified Mortgages no later than the 75th day of Delinquency (i.e., 90 days after the DDLPI).</p> <p>If State law requires the breach letter (or any other pre-breach letter or notice) to be sent prior to the 75th day of Delinquency in order to be able to refer the Mortgage to foreclosure as required in Sections 9301.6 and 9301.7, the Servicer must send the breach letter on such earlier date.</p>
<b>90-105</b>	<p>Send the Freddie Mac Flex Modification® Solicitation Cover Letter and Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP as set forth in Section 9102.5 to Borrowers eligible for a streamlined offer for a Freddie Mac Flex Modification in accordance with Section 9206.5.</p> <p>Send <b>90 -105</b> days after the Due Date of an unpaid monthly installment for all eligible Borrowers. Servicers are not required to re-solicit Borrowers with Step-Rate Mortgages who were previously solicited between day 60 and 75 of Delinquency.</p>

<b>Days after Due Date</b>	<b>Action required</b>
	Servicers must continue to make efforts to complete an incomplete Borrower Response Package to the extent required by applicable law and regulations.
<b>106 and greater</b>	Within 15 days prior to foreclosure referral, the Servicer must review the Mortgage file to ensure that: it made every attempt to achieve quality right party contact in accordance with Section 9102.3, the breach letter has been issued and expired, at least one Borrower Solicitation Package has been sent by the 45th day after the Due Date of an unpaid monthly installment and the response period has expired without an affirmative Borrower response and there is neither an approved payment arrangement nor an alternative to foreclosure offer pending for which the Borrower response period has not expired.
<b>121 and greater</b>	Refer all Mortgages secured by Primary Residences to foreclosure after expiration of the breach letter, but no earlier than 151 days from the DDLPI (121st day of Delinquency). Refer to Sections 9301.6 and 9301.7 for additional requirements related to foreclosure referral.
<b>211</b>	After the 210th day after the Due Date of an unpaid monthly installment, the Servicer has discretion on continuation and frequency of contact attempts with a delinquent Borrower. However, the Servicer must discontinue all contact attempts 60 days prior to a foreclosure sale date for a judicial foreclosure or 30 days prior to a foreclosure sale date for a non-judicial foreclosure, unless the Servicer is required to continue contact attempts by applicable law.

### **Use of a Collection and Loss Mitigation Tool**

Servicers may use their own methodology or a tool that uses statistical models to predict worsening Delinquency and use the results of the tool to tailor its collection efforts (“Collection and Loss Mitigation Tool”), to determine when contact attempts should begin. Regardless of the methodology or tool employed, Servicers must comply with the minimum collection time frames in this section even if a Collection and Loss Mitigation Tool is used, including initiating contact attempts no later than 36 days after the Due Date of an unpaid monthly installment. Servicers using a Collection and Loss Mitigation Tool when managing contact attempts must make model specifications and code available to Freddie Mac upon request.

Servicers must conduct periodic reviews to ensure the effectiveness of the Collection and Loss Mitigation Tool, including compliance with applicable laws, such as anti-discriminatory laws. Freddie Mac reserves the right to require a Servicer to discontinue the use of a Collection and Loss Mitigation Tool for Freddie Mac Mortgages.

### **(c) Special Servicing and Early Delinquency Counseling**

The requirements for special Servicing and Early Delinquency Counseling, as described in this section, apply to Home Possible<sup>®</sup> Mortgages (see Chapter 4501).

#### **1. Special Servicing — Welcome Letter**

Servicers must send the Borrower a letter, shortly after closing and before the first Mortgage payment is due, stressing the importance of making timely payments and advising the Borrower to contact the Servicer if he or she experiences any financial problems. The letter may be incorporated into the welcome letter sent to Borrowers after closing. The letter must include the following:

- Instructions on how to contact the Servicer if the Borrower is having difficulty making the Mortgage payment on time
- The Servicer's business hours
- A toll-free telephone number to reach the Servicer

#### **2. Early Delinquency Counseling**

The following provisions apply to Early Delinquency Counseling:

- Early Delinquency Counseling is counseling provided to a delinquent Borrower by a nonprofit third-party homeownership-counseling agency or an eligible Servicer that involves identifying the reason(s) a Borrower did not make a Mortgage payment on time and working with the Borrower to resolve any financial problems so that future Mortgage payments can be made on a timely basis. The counseling includes a personal and interactive relationship with the Borrower that deals with money management, budgeting and debt management counseling.
- Applicable Time Periods. Servicers must offer Early Delinquency Counseling including household budget management counseling at no charge to delinquent Borrowers for each Delinquency that occurs during the first year following the Note Date. In addition, if at any time during the life of the Mortgage, the Borrower is having difficulty making Mortgage payments, the Servicer should advise the Borrower to speak with the Servicer or contact a counseling agency for further assistance.

- Counseling. The Servicer must provide counseling in accordance with at least one of the following options:
  - A nonprofit third-party homeownership counseling agency
  - A Servicer. The Servicer may conduct the counseling provided the Servicer has policies and procedures in place to offer the same kind of comprehensive counseling, budgeting and advising capabilities as a counseling agency.
  - A HUD-approved national counseling agency specified by Freddie Mac. The Servicer may use this option to refer delinquent Borrowers with Home Possible Mortgages to Freddie Mac for counseling services provided by a national counseling agency, without charge to the Servicer.

To refer a delinquent Borrower for counseling services provided by an agency, the Servicer must complete the “Counseling Agency-Servicer Referral” template in accordance with the instructions provided in the template and send the referral via secure e-mail to Freddie Mac at [FM\\_Counseling\\_Outreach@Freddiemac.com](mailto:FM_Counseling_Outreach@Freddiemac.com). The template is accessible at [http://www.freddiemac.com/singlefamily/docs/counseling\\_servicer\\_referral.xls](http://www.freddiemac.com/singlefamily/docs/counseling_servicer_referral.xls). The template contains instructions for carrying out referrals to the agencies and for identifying Mortgages that are ineligible for referral. After Freddie Mac receives the referral, Freddie Mac and the agency will contact the Borrower to offer counseling services to the Borrower.

For more information about the network of national counseling agencies, Servicers should visit <http://myhome.freddiemac.com/mortgage-help/trusted-advisors.html>.

If a Servicer relies on a counseling agency, it must be fully aware of the status or outcome of all counseling efforts the counseling agency undertakes with a specific Borrower.

- Initial contact with delinquent Borrower. If the Borrower is experiencing a Delinquency, the Servicer must:
  - Send a letter advising the Borrower of the availability of free counseling
  - Contact the delinquent Borrower to determine the Borrower’s current financial situation and the reason for the Delinquency
- Counseling Process and Actions. The counseling must include the following:
  - Analyzing the Borrower’s financial situation and developing a plan of action for solving the Delinquency, which in most cases will be a budget worksheet or workout plan giving priority to the Mortgage payment

- ❑ Developing a budget and debt repayment plan enabling the Borrower to meet his or her financial obligations
  - ❑ Reviewing the budget worksheet or workout plan with the Borrower and the Servicer, if applicable, so a decision can be made on how to proceed
- In addition to minimum collection efforts set forth in this section, the Servicer must offer Early Delinquency Counseling no later than the 30th day after the Due Date and schedule or conduct the initial counseling session with the Borrower no later than the 45th day after the Due Date.
- Mortgage file. Regardless of whether the Servicer or a counseling agency provides the counseling, the Servicer must include in the Mortgage file:
  - ❑ A copy of the “Welcome Letter” as described in Section 9102.4(c)(i)
  - ❑ The date(s) that counseling was offered
  - ❑ The Borrower’s response(s)
  - ❑ The name of the counseling agency providing the counseling (if not the Servicer)
  - ❑ A brief summary of the results of the counseling
- Transfer of Servicing. If the Mortgage is included in a Transfer of Servicing before the end of the one-year period during which Early Delinquency Counseling is required, the transferee Servicer must be informed of the requirement and must be able to provide the required counseling or make arrangements for a counseling agency, as necessary.

### **9101.3: Evaluation requirements and appeals process in response to the First Complete Borrower Response Package (01/01/19)**

This section describes the requirements a Servicer must undertake to facilitate an appeals process when the Borrower is denied a Trial Period Plan based on the Servicer’s evaluation of the First Complete Borrower Response Package. The appeals process described in this section does not apply to evaluation decisions that are offered based on a review of an incomplete or no Borrower Response Package.

**(a) Evaluation timing and communication to Borrower**

1. Within five days of an evaluation decision, but no later than 30 days following receipt of the First Complete Borrower Response Package, the Servicer must provide the appropriate Borrower Evaluation Notice as set forth in Section 9101.3(a)(3).
2. If the Servicer receives a complete Borrower Response Package 90 or more days before a scheduled foreclosure sale date or prior to the sale date being set, the Servicer must provide the appropriate Borrower Evaluation Notice, which informs the Borrower of:
  - The option to either accept or reject an offer of an alternative to foreclosure, and the additional option to appeal within 14 days of the date of the evaluation notice
  - The right to accept an offer of an alternative to foreclosure and simultaneously appeal a denial of a Trial Period Plan
  - The right to accept any offer of an alternative to foreclosure for which the Borrower is approved as a result of the appeal or to accept or indicate an intent to accept any original offer of an alternative to foreclosure, which will still be available as an option up to 14 days after the appeal decision has been sent to the Borrower
  - Any determination of ineligibility for the Freddie Mac Flex Modification<sup>®</sup> upon review of a complete Borrower Response Package; and
  - The right to appeal a denial of a Trial Period Plan and the process and timeline including:
    - The address to which the Borrower must submit the appeal, which must be in writing and must include the Borrower's name, property address and mortgage loan number
    - A statement that the Servicer's appeal determination is not subject to further appeal
    - A statement that the foreclosure process will be suspended during the appeals process
3. The Servicer must send the Borrower the appropriate Borrower Evaluation Notice communicating the decision with one of the following outcomes:
  - Offer reinstatement
  - Offer a repayment plan (with or without a partial reinstatement offer)\*
  - Offer a forbearance plan
  - Offer a Trial Period Plan as set forth in Chapter 9206 (e.g., Flex Modification)



- Offer a short sale as set forth in Chapter 9208 (i.e., Freddie Mac Standard Short Sale)
- Offer a deed-in-lieu of foreclosure as set forth in Chapter 9209 (i.e., Freddie Mac Standard Deed-in-Lieu of Foreclosure)
- Non-Approval, Ineligible for Mortgage Assistance – Mortgage is Current
- Non-Approval, Ineligible for Mortgage Assistance – Mortgage is Delinquent

Model letters describing each of these responses are included in Exhibit 93, Evaluation Notices. Use of the model letters is optional; however, they illustrate the level of specificity that is deemed to be in compliance with the requirements of this section. The model letters may be altered at the Servicer’s discretion to meet the requirements of this chapter and Chapters 8404, 9203, 9206, 9208 and 9209 and must be altered by the Servicer as necessary to comply with applicable federal, State and local law.

Servicers must ensure that the model letters are revised as necessary to include denial reasons and information about the Borrower’s right to appeal the Servicer’s decision when the Borrower is denied a Trial Period Plan based on an evaluation of the First Complete Borrower Response Package. Exhibit 93 includes a list of denial reasons for use with the model letters. As a reminder, impermissible denial reasons include, but are not limited to, the following:

- Full lender recourse or indemnification – In situations where the Servicer chose not to repurchase the Mortgage from Freddie Mac or, in the case of indemnification, chose not to modify the Mortgage, the Servicer must disclose the reason it will not modify the Mortgage, which must be based on its own requirements. Servicers are reminded that they may repurchase any Mortgage subject to full lender recourse or indemnification in accordance with the requirements set forth in Bulletin 2012-10, and may choose to modify a Mortgage subject to indemnification in accordance with the requirements in Bulletins 2016-5 and 2017-1.
- FHA, RHS or VA Mortgage – The Servicer must determine eligibility for a loan modification under applicable agency requirements

\*Note: A Servicer may combine the relevant contents of the Borrower Evaluation Notice for a reinstatement offer with the contents of the notice for a repayment plan offer when offering the Borrower a partial reinstatement of the Mortgage coupled with a repayment plan in accordance with the requirements of Chapter 9203. Further, if the offer for a foreclosure alternative is made 37 days or less prior to a scheduled foreclosure sale as set forth in Section 9301.28, a Borrower’s intent to accept the offer may not be communicated verbally, but must be in writing, at this late stage in the foreclosure process. Therefore, the Servicer must delete the reference “at [SERVICER PHONE NUMBER] or” and otherwise amend the Evaluation Notice as appropriate.

Servicers must comply with applicable law when obtaining a complete Borrower Response Package. Refer to Chapters 8404, 9203, 9204, 9206, 9208 and 9209 for requirements related to forbearance, modifications, short sales and deeds-in-lieu of foreclosure.

**(b) Managing the Borrower’s response to an evaluation decision**

The Servicer may only accept and review a valid appeal of the denial of any Trial Period Plan based on the evaluation of the First Complete Borrower Response Package within 14 days from the date of the Servicer’s offer or denial notice. A valid appeal requires the Borrower to provide the following:

- An appeal of the denial for a Trial Period Plan in writing with his or her name
- Property address; and
- Mortgage loan number

Any Borrower appeal must be reviewed by different Servicer personnel than those responsible for the initial evaluation decision. The Borrower may, but is not required to, submit any supporting documentation at the time he or she notifies the Servicer of an appeal.

If the Borrower submits supporting documentation within 14 days of the date the Servicer sent the Borrower Evaluation Notice, the Servicer must evaluate the supporting documentation during the appeal review. If documentation presented causes the Borrower to no longer be eligible for an original alternative to foreclosure, then the Servicer must inform the Borrower that the Borrower is no longer eligible for that original alternative to foreclosure. The model clauses in Exhibit 93 include language that conditions the offers on continuing eligibility based on information known to the Servicer.

If the Borrower submits new information or documentation after the 14-day Borrower response period, the new information or documentation is not subject to the right of appeal process in this section and must be evaluated in accordance with Section 9201.2. However, the Servicer may consider such new information as part of the appeal process within the time frames described in this section if it is feasible to do so.

The Servicer must have a policy applied consistently to all Mortgages to determine whether any new information received after the appeal decision is a material change in circumstance that warrants another review. Servicers must treat any new information and documentation received after the 14-day Borrower response period as a new Borrower Response Package.

If the Servicer concludes that a review of the updated complete Borrower Response Package is warranted, the Servicer must provide a decision to the Borrower within 30 days of receipt of the new information as provided under Section 9102.5(c).

The Servicer must provide the Borrower with an appeal decision notice within 30 days of receipt of the Borrower’s appeal. The appeal decision must include the original offer, if any, provided the Borrower remains eligible for the original offer. If the Borrower is eligible for a

Trial Period Plan with different terms or that was not part of the original offer, the Servicer must provide the new Trial Period Plan to that Borrower. The Servicer must provide the Borrower with 14 days (from the date the Servicer sends the appeal decision notice) to accept either the original offer, if the Borrower remains eligible, or indicate an intent to accept the new Trial Period Plan offer. If a payment is required under an offer, then the Servicer must follow the relevant requirements under Chapters 9203, 9205, 9206, 9208 and 9209 concerning legal acceptance for that offer. However, the Servicer must continue to suspend foreclosure until the deadline for submission of the first payment under that offer has passed.

### ***Borrower acceptance of an original offer after an appeal decision***

If the Borrower accepts the original offer after receiving the appeal decision and remains eligible for the original offer, the Servicer must:

- Reissue the original offer extended in the initial Borrower Evaluation Notice
- Reissue the original offer with a new first Trial Period Plan due date, if applicable and
  - Inform the Borrower that unpaid interest and other amounts that continue to accrue during the appeal, such as Escrows for taxes and insurance, will result in the Mortgage becoming more delinquent; and
  - Inform the Borrower that if the Trial Period Plan is successfully completed, then, at the time of modification, any additional arrearages will be capitalized into the modified UPB, if permitted by applicable law

When the original offer is reissued to the Borrower, the Servicer may either revise the Trial Period payment amount or keep it the same provided it applies the same method consistently to all similarly situated Borrowers for the Freddie Mac Mortgages it services. However, the Servicer must ensure the final terms of the modification reflect all arrearages, including any additional delinquent amounts accrued during the appeal review process.

### ***Trial Period payment due date***

If a new Trial Period Plan offer is made with the appeal decision, the Trial Period payment due date must be set in accordance with Section 9206.11, assuming that there is a new Trial Period Plan offer being made. The period for the Borrower to indicate an intent to accept the new Trial Period Plan offer is extended until 14 days following the new Trial Period Plan offer, and legal acceptance via payment, as required under the Trial Period Plan, remains unchanged.

The Trial Period payment due date of a new Trial Period Plan offer, or revised payment due date for an original Trial Period Plan offer, is based on when the appeals decision is sent by the Servicer to the Borrower. The Servicer must determine the Trial Period Plan Effective Date and the due date of the first Trial Period payment in accordance with the following instructions:

- If the Servicer sends the appeal decision on or before the 15th of the month, then the Trial Period Plan Effective Date and the due date of the first Trial Period payment is the first day of the next month
- If the Servicer sends the appeal decision after the 15th of the month, then the Trial Period Plan Effective Date and the due date of the first Trial Period payment is the first day of the month after the next month

For example, if the Servicer sends the appeal decision notice to the Borrower between June 1 and June 15, the Trial Period Plan Effective Date and first Trial Period payment due date are both July 1. If the Servicer sends the appeal decision notice to the Borrower between June 16 and June 30, the Trial Period Plan Effective Date and the first Trial Period payment due date are both August 1.

In response to the Servicer's decision, the Borrower's notification to the Servicer that he or she intends to accept an offer may be demonstrated as follows:

- Verbal notification, as permitted in Sections 9101.4 and 9301.28
- Written notification; or
- Remittance of payment due under the offer of an alternative to foreclosure that requires payment (e.g., a Trial Period Plan)

(See also foreclosure postponement requirements in Section 9101.4 in response to an evaluation decision.)

### **(c) Document retention**

The Servicer must maintain in the Mortgage file documentation of all communications relating to appeals. The Servicer must provide appeal case files or aggregated information to Freddie Mac for review upon request.

## **9101.4: Foreclosure suspension obligations and additional short sale and deed-in-lieu of foreclosure requirements once the First Complete Borrower Response Package is received (03/02/16)**

### **(a) General foreclosure suspension obligations**

Servicers must comply with the following foreclosure suspension requirements for the First Complete Borrower Response Package received more than 37 days prior to a scheduled

foreclosure sale. However, existing foreclosure suspension requirements set forth in Section 9301.28 still apply when:

- The First Complete Borrower Response Package is received 37 days or less prior to a scheduled foreclosure sale date; or
- The Mortgage is not secured by a Primary Residence; or
- The Mortgage is secured by a Primary Residence and the Servicer is reviewing a complete Borrower Response Package received after the First Complete Borrower Response Package

The Servicer must delay or ensure that foreclosure counsel delays filing the first legal action (as defined in Section 9301.19), the motion for judgment or order of sale, or if the motion has been filed, request the court to delay a hearing or ruling as permitted under State or local law, unless:

- The First Complete Borrower Response Package was received 90 or more days prior to a scheduled foreclosure sale, or received at any time prior to a foreclosure sale date being set, and (i) the Servicer has reviewed the First Complete Borrower Response Package, (ii) the Servicer notified the Borrower of its decision, and (iii) the Borrower has not requested an appeal within 14 days of the Servicer's evaluation decision or the Borrower's appeal has been denied
- The Servicer has reviewed the First Complete Borrower Response Package received less than 90 days prior to the foreclosure sale date and notified the Borrower of a denial decision. In this instance, the Servicer's decision is not subject to an appeal
- The Borrower rejects an alternative to foreclosure offered by the Servicer; or
- The Borrower fails to perform under the terms of an alternative to foreclosure, such as missing a Trial Period Plan payment

### ***To accept an offer***

A Borrower's notification to the Servicer that he or she intends to accept an offer may be demonstrated as follows:

- Verbal notification
- Written notification

Additionally, if a payment is required to accept an alternative to foreclosure offer, and the Borrower does not communicate a verbal or written rejection of the offer, the Servicer must postpone foreclosure actions where legally permitted until after the last day of the month in which the first payment is due under the terms of the alternative to foreclosure offer. If the Servicer receives the first payment timely in accordance with the terms of a Trial Period

Plan, repayment plan or forbearance plan, the Servicer must delay the next legal action unless the Borrower breaches the plan.

**(b) Freddie Mac Standard Short Sale (“short sale”) evaluations and foreclosure suspension obligations**

The following requirements describe the actions a Servicer must take when the First Complete Borrower Response Package is received more than 37 days prior to a scheduled foreclosure sale and results in an offer to proceed with a short sale.

- The Servicer must provide a decision to the Borrower within five days of an evaluation decision but no later than 30 days from the Servicer’s receipt of the complete Borrower Response Package
- The Servicer must include in the evaluation notice a date by which the Borrower must respond to the short sale offer (including a counteroffer to the purchase offer received), which must be 14 days from the date of the Borrower Evaluation Notice
- If a purchase offer was not submitted with the First Complete Borrower Response Package:
  - The Servicer must require the Borrower to provide a purchase offer no later than 45 days from the date of the Borrower Evaluation Notice, or the date of an appeal decision if applicable, for purposes of delaying the next legal action in the foreclosure process
  - The Servicer must communicate to the Borrower that if a purchase contract is not received by the due date, which is 45 days from the date of the Borrower Evaluation Notice, the Borrower can continue to market the property after the expiration of the due date; however, foreclosure legal actions will commence or recommence
  - Once a purchase offer is received within 45 days from the date of a Borrower Evaluation Notice, the Servicer must complete its review and provide a decision to the Borrower within 15 days of receipt of the purchase offer and, if the Servicer sends a counteroffer, it must require the Borrower to respond to the counteroffer within five Business Days of the date the Borrower receives the counteroffer

The Servicer must delay, or ensure that foreclosure counsel delays, filing the first legal action, the motion for judgment or order of sale, or if the motion has been filed, request the court to delay a hearing or ruling as permitted under State or local law during the following:

- The evaluation of the First Complete Borrower Response Package
- The Borrower response period to the Servicer’s evaluation decision (i.e., 14 days from the date of the Borrower Evaluation Notice)

- The 45-day response period in which the Borrower must provide a purchase offer to the Servicer, provided the Borrower responded timely to the Servicer’s evaluation decision
- The Servicer review period (up to 15 days) to provide a decision on a purchase offer received within 45 days from the date of a Borrower Evaluation Notice
- The appeal period, if applicable, if the Borrower exercises his or her right to appeal a denial of a loan modification. The Servicer must delay the next legal action during its review of the Borrower’s appeal and up to an additional 14 days for the Borrower to respond to the appeal decision. In cases where a purchase offer was not submitted with the First Complete Borrower Response Package, the Servicer must adjust the time frame in which the purchase offer must be submitted, which is 45 days from the date of the appeal decision.

If the Servicer approves a purchase offer received within 45 days of the date of the Borrower Evaluation Notice, it must continue to delay filing the first legal action, the motion for judgment or order of sale, or foreclosure sale to permit settlement of the short sale.

If the purchase offer is rejected and the Borrower does not assert his or her right to appeal for a loan modification, or the purchase offer is not received within 45 days from the date of the Borrower Evaluation Notice, the Servicer must proceed with the next legal action in the foreclosure process. However, the Borrower may continue to market the property while foreclosure legal actions commence or recommence. If a purchase offer is eventually received, the Servicer must provide a decision within 30 days of receipt.

Refer to Sections 9208.2 through 9208.9 for additional requirements for completing a short sale and requirements specific to situations where the Servicer is not evaluating the First Complete Borrower Response Package received more than 37 days prior to a scheduled foreclosure sale date.

**(c) Freddie Mac Standard Deed-in-lieu of foreclosure (“DIL”) evaluations and foreclosure suspension obligations**

The following requirements describe the actions a Servicer must take when the First Complete Borrower Response Package is received more than 37 days prior to a scheduled foreclosure sale and results in an offer to proceed with a DIL.

- The Servicer must provide a decision to the Borrower within five days of an evaluation decision but no later than 30 days from the Servicer’s receipt of the complete Borrower Response Package
- The Servicer must include in the evaluation notice a date by which the Borrower must respond to the DIL offer, which must be 14 days from the date of the Borrower Evaluation Notice
- If the Borrower is approved to proceed with the DIL and accepts the offer, the Servicer must receive all necessary approvals (e.g., title, secondary lien(s), MI) and execute the

DIL within 60 days of the date the Borrower's communication to accept the offer was received by the Servicer

The Servicer must ensure that foreclosure counsel delays filing the first legal action, the motion for judgment or order of sale, or if the motion has been filed, request the court to delay a hearing or ruling as permitted under State or local law, during:

- The evaluation of the complete Borrower Response Package in which the Servicer must provide a decision within five days of an evaluation decision but no later than 30 days from receipt of the Borrower Response Package
- The Borrower response period to the Servicer's evaluation decision (14 days from the date of the Borrower Evaluation Notice)
- The appeal period, if applicable, if the Borrower exercises his or her right to appeal for a loan modification. The Servicer must delay the next legal action during its review of the Borrower's appeal (up to 30 days) and up to an additional 14 days for the Borrower to respond to the appeal decision. The Servicer must adjust the time frame in which to delay foreclosure actions for up to 60 days to complete the DIL, to be based on the date of the Borrower acceptance of an offer after an appeal decision has been communicated.
- Completion of the DIL transaction within 60 days of the date the Borrower communicated acceptance of the DIL offer. The Servicer must continue to delay the next legal action in the foreclosure process to complete the DIL provided that the Borrower did not previously accept a short sale offer that was not viable and then subsequently accepts the DIL offer.

If the Servicer is unable to complete the DIL transaction within 60 days of the date of Borrower acceptance, the Servicer must proceed with the next legal action in the foreclosure process. The Servicer will be allocated an additional 30 days to complete the DIL transaction and must only delay the next legal action in the foreclosure process upon receipt of the executed deed and all required DIL documents.

In addition, if the Borrower was previously approved for a short sale and transitioned to a DIL because the short sale transaction was not successful, the Servicer must not delay the next legal action in the foreclosure process until the Servicer has received the executed deed and all required DIL documents.

Refer to Sections 9209.2 through 9209.8 for additional requirements related to the completion of a DIL, and requirements specific to situations where the Servicer is not evaluating the First Complete Borrower Response Package received more than 37 days prior to a scheduled foreclosure sale date.



# Chapter 9102: Delinquencies

## 9102.1: General requirements for Servicing delinquent Mortgages (02/06/19)

### (a) Servicer responsibilities

The Servicer must develop, follow and maintain prudent and efficient written procedures that meet Freddie Mac requirements for promptly curing Delinquencies and comply with all applicable laws.

The Servicer must employ staff that is experienced and skilled in financial counseling and Mortgage collection techniques. The Servicer's staff must assist a Borrower in bringing a Mortgage current, while protecting the Borrower's equity and credit rating and protecting Freddie Mac's interests. The Servicer must also employ staff that is adequately trained to discuss interest rate adjustments for Step-Rate Mortgages, in accordance with the requirements in Chapter 8501.

Freddie Mac encourages Servicers to develop a Borrower Delinquency management model that allows a Borrower to contact one individual or a dedicated team of individuals in the Servicer's organization to obtain accurate information on the various alternatives to foreclosure available to the Borrower.

If the Servicer develops a Borrower Delinquency management model, the individual or dedicated team of individuals should also be able to handle and resolve Borrower issues throughout the Delinquency management process and provide updates on the status of any request for an alternative to foreclosure and the status of pending foreclosure proceedings.

### (b) Delinquency rates

The Servicer's continued eligibility to service Mortgages for Freddie Mac is contingent on maintaining Delinquency rates that are acceptable to Freddie Mac. Freddie Mac may disqualify or suspend a Servicer if the Servicer's 30-, 60- or 90+-day Delinquency rate or REO rate is more than 50% higher than the average 30-, 60- or 90+-day Delinquency rate or REO rate for all Mortgages owned or guaranteed by Freddie Mac nationally or in the same geographical area (which may include Standard Metropolitan Statistical Area, county or State) in which the Mortgaged Premises that secure the Mortgages serviced by the Servicer are located and with similar Mortgage and Borrower characteristics such as origination year, loan-to-value ratio and documentation type (e.g., full documentation, reduced documentation).

**(c) Collection records**

The Servicer must maintain records of all collection efforts and make the records available for Freddie Mac’s inspection on request. The Servicer’s collection records must evidence:

- Dates that letters and notices were mailed
- Dates and results of personal contacts with the Borrower via telephone, e-mail, face-to-face or other responsible collection techniques
- Reasons for prior and current defaults
- Terms of any repayment arrangements
- Documentation of property inspections, as required in Section 9202.11

**(d) Buydown accounts**

Funds in a buydown account should not automatically be used to bring a delinquent Mortgage current. Such funds may be applied for this purpose if permissible under the terms of the applicable buydown agreement and the Servicer has determined that, despite the reduction of funds in the buydown account, there is a reasonable prospect that the Borrower will be able to maintain the Mortgage current after the application of buydown funds to cure the Delinquency.

**(e) FHA, RHS, VA and MI requirements**

The Servicer must be familiar with and satisfy all applicable requirements of the FHA, RHS, VA or MI. The Servicer is required to file on a timely basis all notices to the FHA, RHS, VA or MI. Copies of routine notices sent to the FHA, RHS, VA, MI or the Borrower must be maintained in the Mortgage file but need not be sent to Freddie Mac, unless specifically requested.

Each notice to the MI must state that Freddie Mac is the owner of each related Mortgage.

**(f) Freddie Mac rights**

Freddie Mac retains the right in its discretion to:

- Impose additional Servicing requirements as Freddie Mac deems appropriate
- Direct the Servicer to transfer Servicing of any delinquent Mortgage serviced for Freddie Mac that has two or more payments outstanding as of a date in the month specified by Freddie Mac (the “Determination Date”) to a Servicer designated by Freddie Mac. The Transfer of Servicing of delinquent Mortgages will occur monthly, effective as of a date in the month specified by Freddie Mac (the “Transfer Date”). Any Mortgage identified as two or more payments in arrears on the Determination Date will transfer on the Transfer

Date, regardless of whether the loan becomes current before the Transfer Date. Freddie Mac will provide the Servicer (the Transferor Servicer) with written notice at least 90 days in advance of the first Transfer of Servicing date for such Mortgages. With respect to such a Transfer of Servicing:

- The Servicing compensation for the Mortgages being transferred shall be determined by Freddie Mac and shall be payable to the new Servicer
- No compensation will be paid to the Transferor Servicer
- The Transferor Servicer will be responsible for any transfer-related expenses (see Section 3603.1(a)(i) for a description of such expenses)
- Such Mortgages will remain with the Transferee Servicer, whether or not they become current after the Determination Date

The Transfer of Servicing does not relieve the Transferor Servicer of any of its obligations under the Purchase Documents with respect to the Mortgages for which Servicing is transferred.

Freddie Mac may discontinue the monthly transfer of delinquent Mortgages at any time upon written notice to the Transferor Servicer, and may provide up to 180 days' notice prior to the discontinuation of the monthly transfer of delinquent Mortgages if requested by the Servicer.

The Transferor Servicer must cooperate with Freddie Mac and is responsible for:

- Facilitating, at its expense, the transfer of the Mortgage file, payment history, escrow account, copies of all correspondence with the Borrower and any other information, records or documentation pertaining to the Mortgages requested by Freddie Mac
- Providing the Borrower with any notice of the change with respect to the servicing activities as may be required by Freddie Mac
- Informing any necessary third parties, such as tax and insurance services, attorneys, and vendors of the change with respect to the servicing activities

**(g) Remitting compensatory and other fees**

Servicers may be assessed compensatory and other fees associated with its failure to comply with certain Freddie Mac requirements as provided under the Guide. For example, Servicers may be assessed fees for failing to comply with Freddie Mac's EDR requirements, late foreclosure sale reporting compensatory fees or State foreclosure timeline compensatory fees. Such fees will be billed to the Servicer on the Servicer's monthly Servicer Non-Performing Loans Invoice.

Servicers must remit payment of Servicer Non-Performing Loans Invoices via an Automated Clearing House (ACH) draft initiated by Freddie Mac. Freddie Mac will initiate the ACH draft on the last Business Day of the month in which the Servicer receives the Servicer Non-Performing Loans Invoice.

To authorize ACH drafting of Servicer Non-Performing Loans Invoices or to make changes to ACH draft account instructions previously provided, Servicers must complete, execute and submit a Form 1132, Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH), no later than 15 Business Days before the last Business Day of the first month in which the Servicer owes any compensatory and other fees to Freddie Mac reflected on the Servicer Non-Performing Loans Invoice.

The Servicer must deliver Form 1132 to Freddie Mac as either:

- A paper document, signed in pen and ink by an Authorized Employee, by regular mail or overnight delivery service in accordance with the mailing instructions contained in Form 1132; or
- An Electronic Record (as defined in Section 1401.2) copy, using a Portable Document Format (PDF) (or other Electronic Record format commonly used in the mortgage industry), that has been completed and contains the copy or representation of the pen and ink signature of the Servicer's Authorized Employee (such copy or representation of the Authorized Employee's signature shall be such Authorized Employee's adopted Electronic Signature as defined in Section 1401.2) attached to an e-mail and delivered to Freddie Mac at the following e-mail address: **cashcollections@freddiemac.com**.

Freddie Mac and the Servicer agree that the delivery of Electronic Records with Electronic Signatures are eligible Electronic Transactions (as defined in Section 1401.2) and are governed by the applicable provisions of Chapter 1401.

The employee authorized to execute Form 1132 on the Servicer's behalf must be designated as an "Authorized Employee" on the Servicer's Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, or Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable.

The account the Servicer designates as the ACH draft account must not be a Custodial Account. Servicers may establish one ACH account for the payment of invoices for both the Performing Loans monthly Servicer Billing Statement and the Servicer Non-Performing Loans Invoice, or establish two separate accounts. Servicers may submit billing inquires or billing-related requests to **Servicer\_Billing@freddiemac.com**.

See Sections 8303.6 and 8303.35 concerning Performing Loans remittances.

The term "Performing Loans Invoices" on Form 1132 includes, but is not limited to, "Performing Loans monthly Servicer Billing Statements" and "PL001 (Performing Loans)."

The term “Nonperforming Loans Invoices” on Form 1132 includes, but is not limited to, “Servicer Non-Performing Loans Invoices” and “NPL01 (Non Performing Loans).”

**(h) Receiving reimbursement of expenses/payment of incentives via ACH credit entries**

To be reimbursed for expenses and paid incentives (see Section 9204.6 regarding Servicer compensation for alternatives to foreclosure), Servicers must authorize Freddie Mac to make such payments via ACH credit entries into their commercial checking accounts. See Section 2405.1 for information on authorizing receipt of ACH credit entries or making changes to ACH credit account instructions previously provided.

Servicers may submit ACH credit-related questions or concerns to:  
**104\_Expense@freddiemac.com.**

Servicers should refer to Chapter 9701 for detailed information related to the reimbursement of expenses and the use of the Freddie Mac Reimbursement System.

Note: Before a Servicer may receive expense reimbursements and incentive payments via ACH credit entries, the Servicer must have completed the certificate of incumbency (“COI”) process requirements in Section 2201.1, and Freddie Mac must have accepted the Servicer’s COI and all other required forms and documents. The employee authorized to execute Exhibit 98, Expense Reimbursement/Incentive Payment Authorization for ACH Credits (the “ACH Authorization”), on the Servicer’s behalf must be designated as an “Authorized Employee” on the Servicer’s Form 988SF or Form 989SF as applicable.

## **9102.2: Late charges (03/02/16)**

**(a) Late charge assessment**

The Servicer must not assess a late charge in an amount greater than 5% of the principal and interest payment. On an FHA or VA Mortgage, a late charge may be assessed and collected in accordance with the applicable program terms. The Servicer is responsible for collecting from the Borrower any recording or similar costs incidental to the granting of relief.

The Servicer may not impose a late charge if the Mortgage is a Home Mortgage and the installment is received within 15 days\* after the Due Date.

\* If this date is a Saturday, Sunday or federal holiday, it is extended to the next Business Day. The Servicer may retain any late charge collected as additional Servicing compensation if the charge is allowed under the Note.

**(b) Late charge collection**

Regardless of any provision to the contrary in the Note or the Security Instrument, the Servicer may not collect a late charge by any of the following methods:

1. Charging the Borrower's Escrow or impound account
2. Deducting from a regular monthly installment
3. Deducting from a payment made to partially or fully cure a Delinquency
4. Adding to the outstanding principal balance of the Mortgage
5. Causing a Mortgage to become delinquent or be placed in foreclosure because of an unpaid late charge

For payment application requirements, refer to Sections 8103.4 through 8103.7.

## **9102.3: Establishing Borrower contact during Delinquency (03/01/19)**

### **(a) Collection techniques**

Servicing of a delinquent Mortgage must be based upon personal contact, either by telephone, e-mail or face-to-face interviews with a Borrower. Form letters and notices, while having a place in any Servicing program, generally are not as effective as personal contact and must not be used exclusively.

The Servicer's collection techniques must include the use of:

1. Telephone contacts or face-to-face interviews
2. Written communications such as notices and letters
3. Other responsible collection techniques as permitted under applicable law including, but not limited to, e-mail, text messaging, voice response unit (VRU) technology or a Servicer's web portal.

If the Servicer discovers that the Borrower's contact information (phone number or mailing address) is invalid, then it should initiate skip trace activities to obtain alternate phone numbers or mailing addresses.

### **(b) Quality right party contact**

A Servicer's objective in contacting a delinquent Borrower is to establish quality right party contact.

Quality right party contact occurs when a Servicer establishes contact with the Borrower and discusses with the Borrower, co-Borrower or trusted advisor, such as a housing counselor, the

most appropriate options for Delinquency resolution. A Servicer must make every attempt to achieve quality right party contact by:

- Determining the reason for the Delinquency and whether the reason is temporary or permanent in nature
- **Determining the occupancy status of the property**
- Determining the Borrower's ability to repay the debt
- Setting payment expectations and educating the Borrower on the availability of alternatives to foreclosure as appropriate
- Obtaining a commitment from the Borrower to either resolve the Delinquency through traditional methods (paying the total delinquent amount) or engaging in an alternative to foreclosure solution

The Servicer must notify Freddie Mac that it achieved quality right party contact with the Borrower via an EDR transmission within the first three Business Days of the month as follows:

- Report default action code AW and the date of the first quality right party contact established with the Borrower. Report the date one time in the month following the month that quality right party contact was established with the Borrower.
- Report default action code AX if any subsequent quality right party contact was made with the Borrower after the initial contact was established. Report the date of the last quality right party contact one time in the month following the month that the action occurred. Default action code AX may be reported in the same month as default action code AW if a Servicer establishes a subsequent quality right party contact with the Borrower in the same month that initial contact was achieved. If the Servicer is working with the Borrower over a period of several months to resolve the Delinquency, it must continue to report default action code AX with the date of the last quality right party contact for each month in which the action applies.

For additional information about EDR, refer to Section 9102.7 and Exhibit 82, Electronic Default Reporting Transmission Code List.

A Servicer will be measured on its effectiveness in achieving quality right party contact. Borrowers in bankruptcy are excluded from the quality right party contact performance standard.

Refer to Section 9201.5 for additional information on the quality right party contact performance standard.

The Borrower outreach and solicitation requirements specified in this chapter represent the minimum required effort a Servicer must make to reach Borrowers early in the Delinquency

process and throughout the Delinquency cycle to more efficiently mitigate default. Freddie Mac encourages and fully supports Servicers that have or will implement additional processes, such as a single point of contact model, not currently required under the Guide or Servicers' other Purchase Documents for purposes of achieving contact continuity throughout the Delinquency process. If the Servicer elects to have a process supporting a single point of contact model and is using a team approach, the Servicer should provide the Borrower the ability to request and speak to a specific person from the assigned personnel team and leave a message. However, the Servicer may not use any additional processes that are not compliant with applicable law or otherwise adverse to Freddie Mac.

## **9102.4: Servicer collection efforts (03/01/19)**

### **(a) All collection efforts**

The Servicer must treat each Delinquency individually by varying the collection techniques to fit the individual circumstances. The Servicer must avoid establishing a fixed routine; which is particularly ineffective when dealing with chronically delinquent Borrowers.

All collection efforts must be based on the extent of the Delinquency and the Servicer's knowledge of the following factors:

1. Borrower's prior payment history
2. Borrower's credit history
3. Borrower's employment situation
4. Borrower's reason for default
5. Borrower's willingness and ability to repay
6. Borrower is deceased or the property is included as part of the Borrower's estate
7. Mortgaged Premises' condition
8. Mortgaged Premises' occupancy status

If there is a known potential risk of loss or ownership to Freddie Mac, the Borrower must be referred for loss mitigation immediately.

### **Borrowers on Automatic Withdrawal (Automated Clearing House (ACH))**

Servicers should encourage Borrowers to set up ACH payment arrangements. If a Borrower agreed to have his or her monthly payments automatically withdrawn from a bank account, the Servicer must ensure that the correct monthly payment is withdrawn (especially after an Escrow analysis has taken place) and processed timely. If the ACH payment cannot be



processed on the specified date the Borrower has agreed to, the Servicer must begin efforts to contact the Borrower within 48 hours to determine the reason for the missed payment.

**(b) Minimum collection efforts**

The Servicer must, at a minimum:

- Be readily available to the Borrower to offer financial counseling and advice on curing the Delinquency and explaining alternatives to foreclosure
- Make personal contact with the Borrower as early and often as necessary to promptly cure the Delinquency. (Mortgages in Bankruptcy or litigation may be excluded if necessary under applicable law, rules of professional responsibility or court rules.)

Servicers are authorized to use alternative outreach methods to contact the Borrower as permitted by applicable law including, but not limited to, e-mail, text messaging or voice response unit (VRU) technology.

- Continue to contact the Borrower if satisfactory arrangements have not been made to cure the Delinquency or until the Servicer determines foreclosure is appropriate
- Issue the breach letter (may also be referred to as the “notice of acceleration” or “demand letter”) for all Mortgages no later than the 75th day of Delinquency. If State law requires the breach letter (or any other pre-breach letter) to be sent prior to the 75th day of Delinquency in order to be able to refer the Mortgage to foreclosure by the 120th day of Delinquency (i.e., 150 days after the DDLPI), the Servicer must send the breach letter on such earlier date.

If the Servicer determines the property is vacant or abandoned pursuant to Section 9202.14, then the Servicer must:

- Issue a breach letter within 10 days of the determination, provided the Mortgage is greater than 30 days delinquent; and
- Refer the Mortgage to foreclosure after expiration of the breach letter, unless the Servicer establishes quality right party contact with the Borrower to resolve the Delinquency. Regardless of whether quality right party contact is achieved, the Mortgage must be referred to foreclosure no later than the 120th day of Delinquency unless one of the exceptions to postpone foreclosure referral described in Sections 9301.6 and 9301.7 applies.
- Contact the lessor for leasehold Mortgages and any lender with a prior lien on the fee simple landowner/lessor’s fee simple interest
- Continue skip trace efforts until all reasonable sources have been attempted or contact numbers and addresses have been verified

Servicers that maintain a call center must meet minimum call center performance standards as set forth in Section 9201.5.

The following chart lists the minimum collection efforts that must be made in an attempt to bring a delinquent Mortgage current.

Note: If the day a Servicer is required to call a Borrower is not a Business Day and the Servicer is not open on such day to conduct loss mitigation and collection activities, the Servicer may call the Borrower on the next Business Day.

<b>Days after Due Date</b>	<b>Action required</b>
<b>17</b>	Mail late notices/reminder letters to delinquent Borrowers by the 17th day after the Due Date or the next Business Day if the 17th day after the Due Date is not a Business Day
<b>36</b>	<p>Initiate contact with each delinquent Borrower as early in the delinquency cycle as possible to secure a payment or payment arrangement but no later than the 36th day after the Due Date of an unpaid monthly installment, unless ACH payment arrangements or other arrangements to cure the Delinquency have been established. The Servicer may tailor its contact attempts appropriately based on the risk characteristics of the Mortgage, each Borrower’s level of Delinquency and previous payment habits and the minimum contact requirements set forth in this Section 9102.4.</p> <p>Borrower contact must continue at least every <b>seventh</b> day at varying times throughout the day until the earlier of the 210th day after the Due Date of an unpaid monthly installment or quality right party contact is achieved and:</p> <p>The Servicer determines that the Borrower does not want to pursue an alternative to foreclosure or the Delinquency is cured;</p> <p>The Servicer achieves quality right party contact and has obtained from the Borrower a promise to pay the delinquent amount by a specified date (not to exceed 30 days);</p> <p>A complete Borrower Response Package is received in accordance with Section 9102.5(c); or</p> <p>The Borrower enters into a relief or workout option with the Servicer.</p>

<b>Days after Due Date</b>	<b>Action required</b>
<b>45</b>	<p>If a Servicer has not achieved quality right party contact and a resolution to the Delinquency, the Servicer must send at least one Borrower Solicitation Package to the delinquent Borrower no later than the 45th day after the Due Date of an unpaid monthly installment.</p> <p>If a Servicer has achieved quality right party contact and has obtained from the Borrower a resolution to the Delinquency, the Servicer is not required to send the Borrower Solicitation Package. However, in such instance, the Servicer must comply with any early intervention notice that may be required under applicable law. If the Borrower fails to perform under the conditions of a relief or workout option, the Servicer must resume collection efforts, including sending the Borrower Solicitation Package.</p> <p>Generally, the Borrower Solicitation Package must include a Borrower Solicitation Letter (see Exhibit 1145), Form 710, Mortgage Assistance Application, frequently asked questions (FAQs) and foreclosure rescue scam information. However, a Servicer may choose to send only the Borrower Solicitation Letter and elect to send Form 710, FAQs and foreclosure rescue scam information upon establishing quality right party contact. In addition, the Servicer may provide the FAQs and foreclosure rescue scam information on its web site and provide a link to that information in the Borrower Solicitation Letter. See also Section 9102.5(c) for specific information on what must be included in the solicitation to the Borrower.</p> <p>Note: When sending the Borrower Solicitation Package, Servicers are authorized to edit Form 710, if permitted by applicable law, to exclude references to IRS Form 4506-T and IRS Form 4560T-EZ; or, to the extent required by applicable law, to indicate that such forms may be required to complete the application and the circumstances when such forms must be obtained or processed in accordance with Section 9102.5(b)(2).</p>

<b>Days after Due Date</b>	<b>Action required</b>
<b>60-75</b>	<p>Send the Freddie Mac Flex Modification<sup>®</sup> Solicitation Cover Letter and Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP as set forth in Section 9102.5 to Borrowers eligible for a streamlined offer for a Freddie Mac Flex Modification in accordance with Section 9206.5.</p> <p>Send 60-75 days after the Due Date of an unpaid monthly installment for an eligible Borrower with a Step-Rate Mortgage.</p> <p>Servicers must continue to make efforts to complete an incomplete Borrower Response Package to the extent required by applicable law and regulations.</p> <p>Order the initial property inspection on or after day 60 and obtain a complete property inspection report by day 75 unless: (i) the Servicer has established quality right party contact or (ii) a full monthly Mortgage payment has been received within the last 30 days.</p> <p>If the property is found to be vacant or tenant-occupied, property inspections must continue as long as the Mortgage remains 60 or more days delinquent, regardless of whether the Servicer achieves quality right party contact.</p> <p>Contact each known superior lienholder, if applicable.</p>
<b>75</b>	<p>Mail the breach letter for all Mortgages, including First Lien Mortgages and modified Mortgages no later than the 75th day of Delinquency (i.e., 105 days after the DDLPI).</p> <p>If State law requires the breach letter (or any other pre-breach letter or notice) to be sent prior to the 75th day of Delinquency in order to be able to refer the Mortgage to foreclosure as required in Sections 9301.6 and 9301.7, the Servicer must send the breach letter on such earlier date.</p>
<b>90-105</b>	<p>Send Freddie Mac Flex Modification<sup>®</sup> Solicitation Cover Letter and Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP as set forth in Section 9102.5 to Borrowers eligible for a streamlined offer for a Flex Modification in accordance with Section 9206.3.</p> <p>Send 90-105 days after the Due Date of an unpaid monthly installment for all other eligible Borrowers who did not receive a solicitation between day</p>

<b>Days after Due Date</b>	<b>Action required</b>
	60 and 75 of Delinquency (i.e., certain Borrowers with Step-Rate Mortgages).
<b>105 and greater</b>	Within 15 days prior to foreclosure referral, the Servicer must review the Mortgage file to ensure that: the Servicer made every attempt to achieve quality right party contact in accordance with Section 9102.3, the breach letter has been issued and expired, at least one Borrower Solicitation Package or Borrower Solicitation Letter has been sent by the 45th day after the Due Date of an unpaid monthly installment and the response period has expired without an affirmative Borrower response, and there is neither an approved payment arrangement nor an alternative to foreclosure offer pending for which the Borrower response period has not expired.
<b>120</b>	Refer all Mortgages secured by properties other than Primary Residences and Mortgages secured by Primary Residences when permitted by applicable law, including First Lien Mortgages and modified Mortgages with expired breach letters to foreclosure no later than the 120th day of Delinquency ( <b>150 days after the DDLPI</b> ) unless one of the exceptions in Sections 9301.6 and 9301.7 applies
<b>121 and greater (or earlier if referral to foreclosure occurs prior to day 120)</b>	Refer all Mortgages secured by Primary Residences to foreclosure after expiration of the breach letter, but no earlier than 151 days from the DDLPI (121st day of Delinquency). Refer to Sections 9301.6 and 9301.7 for additional requirements related to foreclosure referral.
<b>211</b>	After the 210th day after the Due Date of an unpaid monthly installment, the Servicer has discretion on the continuation and frequency of contact attempts with a delinquent Borrower. However, the Servicer must discontinue all contact attempts 60 days prior to a foreclosure sale date for a judicial foreclosure or 30 days prior to a foreclosure sale date for a non-judicial foreclosure, unless the Servicer is required to continue contact attempts by applicable law.

### **Use of a Collection and Loss Mitigation Tool**

Servicers may use their own methodology or a tool that uses statistical models to predict worsening Delinquency and use the results of the tool to tailor its collection efforts

(“Collection and Loss Mitigation Tool”), to determine when contact attempts should begin. Regardless of the methodology or tool employed, Servicers must comply with the minimum collection time frames in this section even if a Collection and Loss Mitigation Tool is used, including initiating contact attempts no later than 36 days after the Due Date of an unpaid monthly installment. Servicers using a Collection and Loss Mitigation Tool when managing contact attempts must make model specifications and code available to Freddie Mac upon request.

Servicers must conduct periodic reviews to ensure the effectiveness of the Collection and Loss Mitigation Tool, including compliance with applicable laws, such as anti-discriminatory laws. Freddie Mac reserves the right to require a Servicer to discontinue the use of a Collection and Loss Mitigation Tool for Freddie Mac Mortgages.

**(c) Special Servicing, Early Delinquency Counseling and NextJob<sup>®</sup> re-employment services**

The requirements for special Servicing, Early Delinquency Counseling and NextJob<sup>®</sup> re-employment services, as described in this section, apply to Freddie Mac Home Possible<sup>®</sup> Mortgages (see Chapter 4501).

**(i) Special Servicing — Welcome Letter**

Servicers must send the Borrower a letter, shortly after closing and before the first Mortgage payment is due, stressing the importance of making timely payments and advising the Borrower to contact the Servicer if he or she experiences any financial problems. The letter may be incorporated into the welcome letter sent to Borrowers after closing. The letter must include the following:

- Instructions on how to contact the Servicer if the Borrower is having difficulty making the Mortgage payment on time
- The Servicer’s business hours
- A toll-free telephone number to reach the Servicer

**(ii) Early Delinquency Counseling**

The following provisions apply to Early Delinquency Counseling:

- Early Delinquency Counseling is counseling provided to a delinquent Borrower by a nonprofit third-party homeownership-counseling agency or an eligible Servicer, that involves identifying the reason(s) a Borrower did not make a Mortgage payment on time and working with the Borrower to resolve any financial problems so that future Mortgage payments can be made on a timely basis. The counseling includes a personal and interactive relationship with the Borrower that deals with money management, budgeting and debt management counseling.

- **Applicable Time Periods.** Servicers must offer Early Delinquency Counseling including household budget management counseling at no charge to delinquent Borrowers for each Delinquency that occurs during the first year following the Note Date. In addition, if at any time during the life of the Mortgage, the Borrower is having difficulty making Mortgage payments, the Servicer should advise the Borrower to speak with the Servicer or contact a counseling agency for further assistance.
- **Counseling.** The Servicer must provide counseling in accordance with at least one of the following options:
  - A nonprofit third-party homeownership counseling agency
  - A Servicer. The Servicer may conduct the counseling provided the Servicer has policies and procedures in place to offer the same kind of comprehensive counseling, budgeting and advising capabilities as a counseling agency.
  - A HUD-approved national counseling agency specified by Freddie Mac. The Servicer may use this option to refer delinquent Borrowers with Home Possible Mortgages to Freddie Mac for counseling services provided by a national counseling agency, without charge to the Servicer.

To refer a delinquent Borrower for counseling services provided by an agency, the Servicer must complete the “Counseling Agency-Servicer Referral” template in accordance with the instructions provided in the template and send the referral via secure e-mail to Freddie Mac at **FM\_Counseling\_Outreach@Freddiemac.com**. The template is accessible at **[http://www.freddiemac.com/singlefamily/docs/counseling\\_servicer\\_referral.xls](http://www.freddiemac.com/singlefamily/docs/counseling_servicer_referral.xls)**. The template contains instructions for carrying out referrals to the agencies and for identifying Mortgages that are ineligible for referral. After Freddie Mac receives the referral, Freddie Mac and the agency will contact the Borrower to offer counseling services to the Borrower.

For more information about the network of national counseling agencies, Servicers should visit Freddie Mac’s My Home web site at **<http://myhome.freddiemac.com/mortgage-help/trusted-advisors.html>**.

If a Servicer relies on a counseling agency, it must be fully aware of the status or outcome of all counseling efforts the counseling agency undertakes with a specific Borrower.

- **Initial Contact with delinquent Borrower.** If the Borrower is experiencing a Delinquency, the Servicer must:
  - Send a letter advising the Borrower of the availability of free counseling

- ❑ Contact the delinquent Borrower to determine the Borrower’s current financial situation and the reason for the Delinquency
- Counseling Process and Actions. The counseling must include the following:
  - ❑ Analyzing the Borrower’s financial situation and developing a plan of action for solving the Delinquency, which in most cases will be a budget worksheet or workout plan giving priority to the Mortgage payment
  - ❑ Developing a budget and debt repayment plan enabling the Borrower to meet his or her financial obligations
  - ❑ Reviewing the budget worksheet or workout plan with the Borrower and the Servicer, if applicable, so a decision can be made on how to proceed
- In addition to minimum collection efforts set forth in this section, the Servicer must offer Early Delinquency Counseling no later than the 30th day after the Due Date and schedule or conduct the initial counseling session with the Borrower no later than the 45th day after the Due Date.
- Mortgage file. Regardless of whether the Servicer or a counseling agency provides the counseling, the Servicer must include in the Mortgage file:
  - ❑ A copy of the “Welcome Letter” as described in Section 9102.4(c)(i)
  - ❑ The date(s) that counseling was offered
  - ❑ The Borrower’s response(s)
  - ❑ The name of the counseling agency providing the counseling (if not the Servicer)
  - ❑ A brief summary of the results of the counseling
- Transfer of Servicing. If the Mortgage is included in a Transfer of Servicing before the end of the one-year period during which Early Delinquency Counseling is required, the transferee Servicer must be informed of the requirement and must be able to provide the required counseling or make arrangements for a counseling agency, as necessary.

**(iii) NextJob re-employment services**

Increasing homeownership opportunities in underserved markets across the nation, including in rural and high-needs areas, is a key component of Freddie Mac’s Duty to Serve plan. High-needs areas include middle Appalachia, the lower Mississippi Delta and colonias and other tracts located in areas subject to persistent poverty. As part of our Duty to Serve plan, we are providing an opportunity for distressed Borrowers with a Home



Possible Mortgage who reside in a high-needs area to receive re-employment services through NextJob. NextJob is a re-employment services company that assists Borrowers with job search skills and training to increase the Borrower’s likelihood of re-employment after the loss of a job, reduced hours or other employment challenges that threaten the Borrower’s ability to make timely mortgage payments.

NextJob will contact the Borrower and offer re-employment services, which include:

- One-on-one job coaching
- Access to “Job Talk” webinars, and
- Access NextJob’s proprietary online job search training program

Servicers are encouraged to refer Borrowers with Home Possible Mortgages in Duty to Serve high-needs areas (refer to Exhibit 40, Duty to Serve High-Needs Areas) who have suffered a loss of income due to unemployment or underemployment to Freddie Mac for referral to NextJob.

The Borrower qualifications appear in the table below:

<b>NextJob Re-employment Services Eligibility Requirements</b>	
<b>Borrower eligibility</b>	<p>The Borrower must have:</p> <ul style="list-style-type: none"> <li>■ Suffered a loss of income due to unemployment or underemployment, and</li> <li>■ Requested loss mitigation assistance from the Servicer</li> </ul>
<b>Mortgage eligibility</b>	<p>The Mortgage must be:</p> <ul style="list-style-type: none"> <li>■ Located in a designated Duty to Serve high-needs area listed in Exhibit 40</li> <li>■ A Home Possible Mortgage</li> </ul>

## NextJob Re-employment Services Eligibility Requirements

### Eligibility exclusions

The following Borrowers are not eligible for NextJob re-employment services:

- Borrowers who are 12 months or more delinquent at the time of Servicer evaluation
- Borrowers in active repayment plans
- Borrowers in active modification Trial Period Plans
- Borrowers approved for short sales or deeds-in-lieu of foreclosure
- Borrowers with Mortgages:
  - Subject to active non-routine litigation
  - Subject to active bankruptcy proceedings
  - That are FHA, VA or RHS insured
  - With a foreclosure sale scheduled within the next 60 days, or
  - That have been referred to foreclosure if the parties are in mediation

If a Borrower meets the eligibility criteria above, Servicers participating in the NextJob program must provide the following information to Freddie Mac on a Microsoft Excel<sup>®</sup> spreadsheet for each Borrower the Servicer is referring, in the format provided in Exhibit 41, NextJob Referral Template for Borrowers with Home Possible Mortgages, which includes the following information:

- Freddie Mac loan number
- Borrower name
- Borrower phone number
- Borrower State of residence, and
- Servicer contact name and e-mail address

The Servicer must send the Excel spreadsheet to

**Rural\_Borrower\_Help@FreddieMac.com** up to twice per month only on the 15th or 30th day of the month. Servicers with no eligible Borrowers for a particular month are not required to make a submission.

Three to six Business Days after receiving the submission, Freddie Mac will e-mail the Servicer a list of Borrowers who were referred to NextJob.

NextJob will contact Borrowers by phone and work with them to complete the “Homeowner Re-employment Registration” and “Waiver Agreement” to initiate the re-employment services. NextJob will attempt to contact the Borrowers for 20 days.

NextJob will provide job skills services and ask the Borrower to complete a survey at the end of the skills training.

Freddie Mac will e-mail the Servicer monthly updates in a report entitled “Disposition of NextJob Referrals.”

## **9102.5: Borrower solicitation and communication (08/14/19)**

This section sets forth Servicer communication, solicitation, and notification requirements during a Borrower’s Delinquency or upon receipt of a Borrower’s request for an alternative to foreclosure.

Servicers should be familiar with Freddie Mac’s definitions for the following terms as they relate to Borrower solicitation and communication:

- Borrower Evaluation Notice
- Borrower Response Package
- Borrower Solicitation Package

### **(a) Borrower solicitation**

#### **Borrower solicitation –pre-foreclosure**

A Servicer may not solicit a Borrower whose Mortgage is current or less than 31 days delinquent (i.e., no more than one payment past due) for an alternative to foreclosure described in Section 9201.2.

In addition to the minimum collection efforts set forth in Section 9102.4, Servicers may begin soliciting Borrowers who are 31 or more days delinquent in accordance with the processes and timelines set forth below in order to determine the reason for Delinquency and solicit them for possible alternatives to foreclosure.

If a Servicer previously determined that a Borrower who was less than 60 days delinquent did not qualify for any alternative to foreclosure and the Borrower subsequently becomes 60 days delinquent, then the Servicer must continue its solicitation and collection efforts with the Borrower in accordance with the requirements of this chapter. Continued solicitation may include sending another Borrower Solicitation Package if documentation needs to be refreshed in order to perform the subsequent evaluation of the Borrower for alternatives to foreclosure.

**i) No later than the 45th day after the Due Date**

Servicers must send at least one Borrower Solicitation Package or solicitation letter to the Borrower with information, including but not limited to, the availability of alternatives to foreclosure as set forth in Section 9102.5(b) below. See Section 9102.5(c) below for specific information that must be included in the Borrower Solicitation Package.

If the Servicer has not achieved quality right party contact and a resolution to the Delinquency, the Servicer is required to send at least one Borrower Solicitation Package or solicitation letter to the delinquent Borrower no later than the 45th day after the Due Date of an unpaid monthly installment.

The Servicer may send either:

- A Borrower Solicitation Package, which includes a Borrower Solicitation Letter (see Exhibit 1145), Form 710, Mortgage Assistance Application, frequently asked questions (FAQs) and foreclosure rescue scam information;

OR

- A Borrower Solicitation Letter (see Exhibit 1145) and elect to send Form 710, FAQs and foreclosure rescue scam information upon establishing quality right party contact. The Servicer may also provide the FAQs and foreclosure rescue scam information on its web site and provide a link to that information in the Borrower Solicitation Letter.

If a Servicer has achieved quality right party contact and has obtained from the Borrower a resolution to the Delinquency, the Servicer is not required to send the Borrower Solicitation Package. However, in such instance, the Servicer must comply with any early intervention notice that may be required under applicable law. If the Borrower fails to perform under the conditions of a relief or workout option, the Servicer must resume collection efforts, including sending the Borrower Solicitation Package.

**ii) As early as the 90th day and no later than the 105th day after the Due Date, or, for a Borrower with a Step-Rate Mortgage who becomes 60 days delinquent within 12 months following the first payment due date resulting from an interest rate adjustment, as early as the 60th day and no later than the 75th day after the Due Date**

When a Borrower becomes 90 days delinquent, or when a Borrower has a Step-Rate Mortgage and becomes 60 days delinquent within the 12 months following the first payment due date resulting from an interest rate adjustment, the Servicer must determine if the Borrower is eligible for a streamlined offer for a Flex Modification in accordance with Section 9206.5(c) and, if eligible, solicit the Borrower for such modification. The Servicer must send an initial Exhibit 1191, Freddie Mac Flex Modification<sup>®</sup> Solicitation Cover Letter, and a Flex Modification Trial Period Plan Solicitation Offer – Not Based on

an Evaluation of a BRP, included in Exhibit 93, Evaluation Notices, on or before the 105th day of Delinquency to a Borrower who becomes 90 days delinquent and is otherwise eligible. For a Borrower with a Step-Rate Mortgage who becomes 60 days delinquent and is otherwise eligible, the Servicer must send an initial Exhibit 1191B, Freddie Mac Flex Modification<sup>®</sup> Solicitation Cover Letter for Day 60 Rate Reset, and a Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP on or before the 75th day of Delinquency.

If the Borrower has been approved for a streamlined offer for a Flex Modification in accordance with the special requirements for Borrowers impacted by an Eligible Disaster described in Section 9206.5(e), the Servicer must send Exhibit 1191A, Freddie Mac Flex Modification<sup>®</sup> Post-Disaster Forbearance Solicitation Cover Letter, in place of Exhibit 1191. The Servicer must amend the applicable letter template as necessary to conform to the Flex Modification terms and requirements.

The Flex Modification Solicitation Cover Letter and the Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP may be altered at the Servicer's discretion as it deems necessary to meet the requirements of this section and Chapter 9206, and to comply with disclosure and other requirements under applicable law.

If the Servicer fails to send the streamlined offer for a Flex Modification by the 105th day of Delinquency to a Borrower who becomes 90 days delinquent and is otherwise eligible, or by the 75th day of Delinquency to a Borrower with a Step-Rate Mortgage who becomes 60 days delinquent and is otherwise eligible, the Servicer must solicit eligible Borrowers as soon as possible to minimize the impacts of the delay. If the Borrower does not respond to the initial Flex Modification solicitation and otherwise remains eligible, then the Servicer may continue to solicit the Borrower for a Flex Modification at its discretion, in accordance with the “continuation of solicitation efforts” requirements in this section.

#### *Continuation of solicitation efforts*

The Servicer must continue to try to contact and solicit the Borrower for alternatives to foreclosure throughout the foreclosure process. After the 210th day after the Due Date of an unpaid monthly installment, the Servicer has discretion to continue contact attempts and must discontinue all contact attempts 60 days prior to a foreclosure sale date for a judicial foreclosure or 30 days prior to a foreclosure sale date for a non-judicial foreclosure, unless the Servicer is required to continue contact attempts by applicable law.

Attempts to solicit for alternatives to foreclosure while the Mortgage is in foreclosure must be communicated to and coordinated with the foreclosure attorney, as appropriate. A Servicer must keep the attorney informed of the status of relevant alternative to foreclosure negotiations and must notify the attorney within two Business Days after arrangements for an alternative to foreclosure have been agreed to or within two Business Days after the Mortgage is fully reinstated.

## **Borrower solicitation during bankruptcy**

A Servicer is not required to solicit a Borrower in an active Chapter 7 or Chapter 13 bankruptcy. However, a Borrower in an active Chapter 7 or Chapter 13 bankruptcy case must be considered for an alternative to foreclosure if the Borrower, the Borrower's counsel or bankruptcy trustee (with the Borrower's written consent) submits a request to the Servicer.

### **(b) Documents and forms**

The following documents and forms have been developed to fulfill the solicitation requirements of this section.

#### **1. Solicitation documents**

In accordance with Section 9102.5(a) above, the Servicer must send, via regular or electronic mail, at least one Borrower Solicitation Package no later than the 45th day after the Due Date of an unpaid monthly installment. The Borrower Solicitation Package consists of the following documents:

- Exhibit 1145, Borrower Solicitation Letter (sent to Borrowers by the 45th after the Due Date of an unpaid monthly installment)

And (the Servicer may elect to send the following upon establishing quality right party contact):

- Mortgage Assistance Application (Form 710); and
- Frequently asked questions and foreclosure rescue scam notice

Exhibit 1145 is the solicitation template that reflects content a Servicer must include in its Borrower Solicitation Package. In addition, Servicers must amend Exhibit 1145 as necessary to comply with applicable law. The content of Exhibit 1145 includes:

- A cover letter that includes a statement encouraging the Borrower to contact the Servicer, the Servicer's contact information, a description of loss mitigation options that are available, and contact information for homeownership counseling
- Information on available alternatives to foreclosure to help Borrowers understand the options they may have to stay in their home or leave their home, and avoid foreclosure
- Frequently asked questions (FAQs) to help answer Borrowers' questions regarding the Borrower Response Package and evaluation process. This information may also be provided on the Servicer's web site.
- Important notices, such as tips for avoiding foreclosure scams. This information may also be provided on the Servicer's web site.

In accordance with Section 9102.5(a) above, the Servicer must send via regular or electronic mail, the applicable Flex Modification solicitation cover letter and include the Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP to a Borrower in accordance with the requirements in Section 9206.3. Solicitation for the Flex Modification is in addition to, and not in place of, all other solicitation requirements described in this section.

The solicitation template included in Exhibits 1145, 1191, 1191A and 1191B may be altered in the Servicer's or attorney's discretion as it deems necessary to meet the requirements of this section and to comply with disclosure and other requirements under applicable law.

## **2. Use of the Mortgage Assistance Application**

Form 710 is a required document that a Servicer must use to obtain Borrower and co-Borrower financial information, including the cause/reasons for the Borrower or co-Borrower's financial hardship. The financial information and hardship sections of Form 710 must be completed and the form must be executed by all Borrowers on the Mortgage.

The Servicer must require the submission of Form 710 by all Borrowers requesting consideration for an alternative to foreclosure. The Servicer may use a customized equivalent of Form 710, provided that it requests the same financial information, hardship affidavit and attestations from the Borrower. However, if the Servicer receives Form 710 rather than its customized equivalent, the Servicer must accept Form 710. References of Form 710 in the Guide include any customized equivalent to Form 710.

Note: When sending the Borrower Solicitation Package, Servicers are authorized to edit Form 710, if permitted by applicable law, to exclude references to IRS Form 4506-T and IRS Form 4560T-EZ; or, to the extent required by applicable law, to indicate that such forms may be required to complete the application and the circumstances when such forms must be obtained or processed in accordance with Section 9102.5(b)(2).

## **3. Model letters**

The Servicer must send the Borrower the appropriate Borrower Evaluation Notice communicating the evaluation decision with one of the following outcomes:

- Reinstatement Notice\*
- Repayment Plan Offer\*
- Forbearance Plan Offer – Reduced Payment
- Forbearance Plan Offer – Suspended Payment

- Flex Modification Trial Period Plan Notice – Based on an Evaluation of a Complete BRP
- Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP
- Capitalization and Extension Modification for Disaster Relief Trial Period Plan Notice
- Standard Short Sale
- Standard Deed-in-Lieu
- Non-Approval, Ineligible for Mortgage Assistance – Mortgage is Current
- Non-Approval, Ineligible for Mortgage Assistance – Mortgage is Delinquent

Model letters describing each of these responses are included in Exhibit 93. Use of the model letters provided in Exhibit 93 is optional; however, each model letter illustrates the level of specificity that is deemed to be in compliance with the requirements of Section 9102.5(c)(5) and the reinstatement, relief and workout requirements prescribed in the Guide. The model letters must be altered by the Servicer as necessary to comply with applicable federal, State or local law.

Servicers must ensure the model letters are revised as necessary to include Trial Period Plan ineligibility reasons and information about the Borrower's right to appeal the Servicer's decision when the Borrower is denied a Trial Period Plan based on an evaluation of the First Complete Borrower Response Package. Exhibit 93 includes a list of ineligibility reasons for use with the model letters. As a reminder, impermissible denial reasons include, but are not limited to, the following:

- Full lender recourse or indemnification – In situations where the Servicer chose not to repurchase the Mortgage from Freddie Mac or, in the case of indemnification, chose not to modify the Mortgage, the Servicer must disclose the reason it will not modify the Mortgage, which must be based on its own requirements. Servicers are reminded that they may repurchase any Mortgage subject to full lender recourse or indemnification in accordance with the requirements set forth in Bulletin 2012-10, and may choose to modify a Mortgage subject to indemnification in accordance with the requirements in Bulletins 2016-5 and 2017-1.
- FHA, RHS or VA Mortgage – The Servicer must determine eligibility for a loan modification under applicable agency requirements

\*Note: A Servicer may combine the relevant contents of the Borrower Evaluation Notice for a reinstatement offer with the contents of the notice for a repayment plan offer when offering the Borrower a partial reinstatement of the Mortgage coupled with a repayment plan in accordance with the requirements of Chapter 9203. Further, if the offer for a



foreclosure alternative is made 37 days or less prior to a scheduled foreclosure sale as set forth in Section 9301.28, a Borrower's intent to accept the offer may not be communicated verbally, but must be in writing, at this late stage in the foreclosure process. Therefore, the Servicer must delete the reference "at [SERVICER PHONE NUMBER] or" and otherwise amend the Evaluation Model Clause as appropriate.

## **(c) Communications with the Borrower**

### **1. Borrower Solicitation Package**

The Servicer must provide in the cover letter included in the Borrower Solicitation Package a specific date by which the package must be returned, which must be 30 days from the date of the communication. In the event the 30th day falls on a non-Business Day, the Servicer must specify the following Business Day as the date by which the Borrower Response Package must be returned. Refer to Section 9102.5(b) for the documentation and content that must be included in a Borrower Solicitation Package.

### **2. Borrower Response Package**

A complete Borrower Response Package must include the following:

- Completed and signed Form 710
- Income Documentation in accordance with Section 9202.3
- Hardship Documentation in accordance with Section 9202.2
- Completed and signed IRS Form 4506T-EZ, Short Form Request for Individual Tax Return Transcript, or IRS Form 4506-T, Request for Transcript of Tax Return, if any of the following circumstances apply:
  - The Servicer must submit IRS Form 4506T-EZ or IRS Form 4506-T, as applicable, to the IRS to obtain a copy of the Borrower's tax transcript. This is required:
    - To reconcile inconsistencies between other information the Borrower provided (e.g., information the Borrower provided in Form 710, Mortgage Assistance Application) and the income documentation; or
    - When the Borrower is self-employed or is a fiscal year tax filer but the Borrower has not provided any of the required documentation specified in Section 9202.3(b) to support his or her income type

Note: Servicers must obtain IRS Form 4506-T in lieu of IRS Form 4506T-EZ if the Borrower (i) is self-employed, and/or (ii) files federal income tax returns based on a fiscal calendar year (i.e., a tax year beginning in one calendar year and ending in the following year).

- ❑ As otherwise requested by Freddie Mac

A Servicer may accept and rely on any information and documentation submitted on behalf of a Borrower by the Borrower's authorized trusted advisor, such as a HUD-approved housing counselor, provided the Servicer complies with applicable privacy and other laws and, when necessary, obtains and maintains in the Mortgage file evidence of the Borrower's written consent to the Servicer's sharing of the Borrower's private financial and any other protected information with the Borrower's trusted advisor.

A Servicer should notify Freddie Mac via an EDR transmission by reporting default action code H5 within the first three Business Days of the month following the month that it received a complete Borrower Response Package, but is not required to do so.

When a Borrower is in an active Chapter 7 or Chapter 13 bankruptcy, the Servicer may accept copies of the bankruptcy schedules and tax returns (if returns are required to be filed) in lieu of Form 710, and may use this information to determine Borrower eligibility (with the income documentation). Servicers should request the schedules and tax returns from the Borrower, Borrower's counsel or bankruptcy court. If the bankruptcy schedules are greater than 90 days old as of the date the Servicer first determines the Borrower submitted a complete Borrower Response Package, the Borrower must provide updated evidence of income.

To the extent that a Servicer receives sufficient information to evaluate the Borrower for a reinstatement or relief option in accordance with Chapter 9203 without the complete Borrower Response Package, the Servicer should do so.

### **3. Acknowledgement of receipt of Borrower Response Package**

The Servicer must acknowledge to the Borrower receipt of the Borrower Response Package within five Business Days of receipt from the Borrower, and must indicate whether the package is complete or incomplete. The acknowledgement of receipt, which must be in writing, must include the following:

- The Servicer's evaluation process and timeline
- An explanation of the foreclosure process, including that:
  - ❑ Referral to foreclosure will not occur if the Servicer is reviewing a complete Borrower Response Package
  - ❑ Referral to foreclosure will not occur if the Servicer extends an offer for an alternative to foreclosure and the Borrower's deadline to respond has not expired
  - ❑ Following referral to foreclosure, the foreclosure process may continue during the evaluation

- For a Borrower who submits a complete Borrower Response Package 37 days or less prior to a scheduled foreclosure sale, an explanation of the Servicer's plans for evaluating the Borrower for an alternative to foreclosure and suspending the foreclosure, if appropriate
- A description of those situations where a court with jurisdiction over the foreclosure proceeding (if any) or public official charged with carrying out the activity could fail or refuse to halt a scheduled foreclosure sale, if applicable
- Any other disclosure as required under applicable law

The Servicer must maintain evidence of the date of receipt of the Borrower's Response Package in its records.

#### 4. Incomplete information notice

Upon receipt of an incomplete Borrower Response Package, the Servicer is required to send an incomplete information notice to the Borrower at the same time as the acknowledgement of receipt of the Borrower Response Package, which is no later than five Business Days from receipt of the Borrower Response Package. The incomplete information notice must include the following:

- A list of documents or information needed to evaluate the Borrower for an alternative to foreclosure
- A reference to the HUD web site for HUD-approved counseling agencies as resources available to help the Borrower complete the package
  - The U.S. Department of Housing and Urban Development (HUD) at (800) 569-4287 or **[www.hud.gov/counseling](http://www.hud.gov/counseling)**
  - The Consumer Financial Protection Bureau (CFPB) at (855) 411-2372 or **<https://www.consumerfinance.gov/mortgagehelp/>**.
- A reminder that if the Borrower does not submit all required documentation or information, the Servicer may determine the Borrower to be ineligible for an alternative to foreclosure and foreclosure proceedings will continue, including referral to foreclosure if the Mortgage was not previously referred
- Statement indicating that, depending on when the necessary information or documentation is received, there is no guarantee that the Servicer may be able to evaluate the Borrower for alternatives to foreclosure and halt foreclosure proceedings
- A toll-free telephone number the Borrower may contact for questions on the necessary documentation

Within five Business Days of receiving the completed Borrower Response Package from the Borrower, the Servicer is required to acknowledge to the Borrower that the completed Borrower Response Package has been received.

A Servicer may, but is not required to, send an incomplete information notice to a Borrower who submits an incomplete Borrower Response Package 37 days or less prior to a scheduled foreclosure sale. The Servicer is strongly encouraged to work with a Borrower who submits an incomplete Borrower Response Package 37 days or less prior to a scheduled foreclosure sale to complete the Borrower Response Package and expedite a decision.

Notwithstanding receipt of an incomplete Borrower Response Package and the Servicer's transmittal of an incomplete information notice, the Servicer must still refer a Mortgage to foreclosure while attempting to obtain a complete Borrower Response Package

## **5. Evaluation requirements in response to a complete Borrower Response Package**

Within five days of an evaluation decision but no later than 30 days following receipt of the complete Borrower Response Package, the Servicer must provide the appropriate Borrower Evaluation Notice communicating the decision to the Borrower, with one of the following possible outcomes:

- Offer reinstatement
- Offer a repayment plan (with or without a partial reinstatement offer)\*
- Offer a forbearance plan
- Offer a modification as set forth in Chapter 9206 (i.e., Flex Modification or Capitalization and Extension Modification for Disaster Relief (“Disaster Relief Modification”))
- Offer a short sale as set forth in Chapter 9208 (i.e., Standard Short Sale)
- Offer a deed-in-lieu of foreclosure as set forth in Chapter 9209 (i.e., Standard Deed-in-Lieu of Foreclosure)
- Non-Approval, Ineligible for Mortgage Assistance – Mortgage is Current
- Non-Approval, Ineligibility for Mortgage Assistance – Mortgage is Delinquent

Refer to Chapter 9101 for additional requirements related to Borrower communication with respect to the receipt of the First Complete Borrower Response Package on a Mortgage secured by a Primary Residence.

In addition, refer to Section 9208.6 for specific evaluation timelines for a short sale and Section 9206.3 for requirements on evaluating a complete Borrower Response Package

after a streamlined offer for a Flex Modification solicitation has been sent to the Borrower.

\*Note: A Servicer may combine the relevant contents of the Borrower Evaluation Notice for a reinstatement offer with the contents of the notice for a repayment plan offer when offering the Borrower a partial reinstatement of the Mortgage coupled with a repayment plan in accordance with the requirements of Chapter 9203. Further, if the offer for a foreclosure alternative is made 37 days or less prior to a scheduled foreclosure sale as set forth in Section 9301.28, a Borrower's intent to accept the offer may not be communicated verbally at this late stage in the foreclosure process. Therefore, the Servicer must delete the reference "at [SERVICER PHONE NUMBER] or" and otherwise amend the Evaluation Notice to specify that a Borrower's intent to accept the offer must be in writing.

Further, with respect to the evaluation notices that are offers for alternatives to foreclosure, Servicers must include in the evaluation notice a date by which the Borrowers must accept such offers, which must be 14 days from the date of the evaluation notice for most alternatives to foreclosure except a short sale or deed-in-lieu of foreclosure. The Servicer must suspend foreclosure referral, the foreclosure process generally, or the foreclosure sale, upon receiving a Borrower's verbal (where permitted) or written notification that he or she intends to accept an offer for an alternative to foreclosure other than a short sale or deed-in-lieu of foreclosure. Absent such written or verbal notification, the Servicer must suspend foreclosure referral, the foreclosure process, or the foreclosure sale upon receipt of a Borrower's first payment under a Trial Period Plan or other plan requiring payments (e.g., repayment or forbearance plan). However, the repayment, forbearance or Trial Period Plan will not be legally binding unless the first payment is made by no later than the last day of the month that the first payment is due under the terms of the plan. See Sections 9301.6, 9301.7 and 9301.28 for all foreclosure suspension requirements.

Model letters describing each of these responses are included in Exhibit 93. Use of the model letters is optional; however, they illustrate the level of specificity that is deemed to be in compliance with the requirements of this section. The model letters may be altered at the Servicer's discretion to meet the requirements of Chapters 9203, 9206, 9208 and 9209, and to comply with disclosure and other requirements under applicable federal, State or local law.

*Servicer evaluation obligations once foreclosure has been initiated (See also Section 9301.28)*

**a. Borrower Response Package received after referral to foreclosure and greater than 37 days prior to the foreclosure sale date**

If the Servicer receives a complete Borrower Response Package after referral to foreclosure, the Servicer is not required to suspend foreclosure proceedings to review the complete Borrower Response Package.

## **Borrower Response Package received without a short sale purchase offer and foreclosure sale is scheduled**

If the foreclosure sale has been scheduled and the Servicer sends the Borrower a Borrower Evaluation Notice that is an intent to pursue a short sale based on receipt of a complete Borrower Response Package but a purchase offer was not received, then the Borrower Evaluation Notice must be amended to indicate the following:

- *Contact a real estate broker to list your property for sale if it is not currently listed. If your property is not currently listed, there may not be adequate time to market the property or to review a potential buyer's offer prior to the foreclosure sale date*
- *Once you receive a potential buyer's offer, contact us immediately and we will review the offer to determine whether to accept it in full satisfaction of your obligation*

The "Standard Short Sale – All Other Scenarios" Evaluation Model Clause included in Exhibit 93 is representative of this Borrower Evaluation Notice.

### ***Short sale evaluations***

Once the Mortgage has been referred to foreclosure, the Servicer must continue with foreclosure proceedings during the short sale process, except where delay for motion of judgment is provided for Mortgages subject to judicial proceedings. However, the Servicer must not complete a foreclosure sale if the short sale has been approved based on a review of a purchase offer and a complete Borrower Response Package (or other streamlined documentation permitted in Section 9208.3). The Servicer must suspend the foreclosure sale where permitted under State or local law.

### ***Deed-in-lieu of foreclosure evaluations***

Once the Mortgage has been referred to foreclosure, the Servicer must continue with foreclosure proceedings during the deed-in-lieu of foreclosure process, except where delay for motion of judgment is provided for Mortgages subject to judicial proceedings. The Servicer may only suspend foreclosure sale once the executed deed and all required deed-in-lieu of foreclosure documents have been received by the Servicer. Additionally, the Servicer must receive an executed deed from the Borrower no later than 30 days prior to the scheduled foreclosure sale date.

When considering a Borrower for a deed-in-lieu of foreclosure, the Servicer must ensure that there is sufficient time to complete processing of the deed-in-lieu of foreclosure (inclusive of sending the deed-in-lieu of foreclosure offer to the Borrower) so that the Servicer receives the executed deed no later than 30 days prior to the foreclosure sale date.

**b. Borrower Response Packages received 37-15 days prior to the scheduled foreclosure sale date**

If a complete Borrower Response Package is received between 37 and 15 days, inclusively, before a scheduled foreclosure sale date, the Servicer must expedite its review and make a determination regarding the Borrower's request for assistance at least seven days before the scheduled foreclosure sale date. This will ensure that the Servicer will be able to complete a foreclosure certification to the attorney seven days prior to a scheduled foreclosure sale date, if appropriate, or offer the Borrower an alternative to foreclosure.

**c. Borrower Response Packages received less than 15 days prior to the scheduled foreclosure sale date**

In cases where a complete Borrower Response Package is received less than 15 days prior to a scheduled foreclosure sale date, the Servicer must first determine whether it can conduct an expedited review of the Borrower Response Package and render a decision by the foreclosure certification date (i.e., seven days prior to the scheduled foreclosure sale date) and if so, complete the review.

**(d) Electronic submission of documents**

Servicers should refer to Chapter 1401 for the definition of the following terms used in this subsection:

- Electronic
- Electronic Record
- Electronic Transaction

In lieu of paper documents, loss mitigation documents may be prepared, signed and sent electronically by **and between the** Servicer to the Borrower or by a Borrower to the Servicer, provided these Electronic Transactions comply with the requirements of Chapter 1401 and this section.

With the exception of IRS Form 4506T-EZ, Short Form Request for Individual Tax Return Transcript, and IRS Form 4506-T, Request for Transcript of Tax Return, all documentation required to be prepared, signed or sent by either the Servicer or the Borrower are considered "loss mitigation documents" for purposes of Section 1401.17. **Refer to Section 9206.19 for requirements related to eModification Agreements of paper Notes and Sections 1402.10 and 1402.11 for additional requirements related to eModification Agreements of eMortgages.**

Note: IRS Form 4506T-EZ or IRS Form 4506-T are only defined as loss mitigation documents for purposes of Section 1401.17 if either of those forms is received from the Borrower in a manner that permits the Servicer to submit the form to the IRS in compliance with the IRS instructions and requirements.

All Electronic loss mitigation documents and any other Electronic Mortgage file documents are Electronic Records and must be able to be retrieved and printed in a manner that accurately reflects the information they originally contained. Additionally, all Electronic Records must be accessible (either electronically or on paper) and made available to Freddie Mac upon request.

## 9102.6: Investment Property and rental income during Delinquency (03/02/16)

If satisfactory arrangements for repayment of the Delinquency have not been made, the Servicer must request that the Borrower consent to the appointment of a real estate agent or other agent to collect rents, maintain the Mortgaged Premises and make payments to the Servicer. If such arrangements are not made, the Servicer must determine what means are available to obtain the rental income and submit a recommendation to Freddie Mac (see **Directory 5**).

## 9102.7: Monthly EDR (05/01/19)

### (a) Reporting to Freddie Mac

A Servicer must report, within the first three Business Days of a month, applicable information through EDR for:

- All status and event codes, if applicable, for Mortgages that are 30 or 60 days delinquent and Mortgages for which the Borrower was in bankruptcy during the previous month, regardless of whether the Borrower is current or delinquent in his or her Mortgage payments
- All Mortgages that were 90 or more days delinquent, including referral to foreclosure, or Mortgages for which the Borrower was in bankruptcy during the previous month
- Mortgages for which the Borrower is current in his or her Mortgage payments and for which the Servicer is pursuing an alternative to foreclosure (**Note:** Servicers must comply with all Guide requirements with respect to considering a Borrower who is current in his or her Mortgage payment for an alternative to foreclosure, including, as applicable, any requirement that the Borrower be in imminent default or found to have suffered an involuntary inability to pay.)

A Servicer must continue to report the applicable information through EDR for each Mortgage until:

- The Mortgage is fully reinstated or paid off



- ❑ A workout is completed and settled in Freddie Mac’s system
- ❑ A foreclosure sale is held
- ❑ The Borrower is no longer in bankruptcy and the Mortgage is current
- ❑ For current Mortgages under consideration for an alternative to foreclosure, there are no applicable default action codes to report for the month

If a Servicer services Mortgages under more than one Seller/Servicer number, the Servicer must report via EDR for each number.

For each Mortgage reported, a Servicer must provide the Seller/Servicer Number and the Freddie Mac loan number. The Servicer may include the DDLPI (optional).

When reporting on a Mortgage that is between 30 and 60 days delinquent, the following data elements must be reported, as applicable:

- Default action(s)
- Default action date(s)

A Servicer must also report the following data elements in the earliest EDR transmission after receiving the information, but no later than when reporting on a Mortgage that is 90 days delinquent:

- Default Reason
- Property Condition
- Occupancy Status

Refer to Exhibit 82, Electronic Default Reporting Transmission Code List, for descriptions of the default action, default reason, property condition, occupancy status and associated codes. For detailed programming instructions, please refer to the *Electronic Default Reporting (EDR) Quick Reference Guide*, available at [http://www.freddiemac.com/learn/pdfs/service/edr\\_quickref.pdf](http://www.freddiemac.com/learn/pdfs/service/edr_quickref.pdf).

## (b) Reports from Freddie Mac

In response to a Servicer’s monthly EDR transmission, Freddie Mac will make available, accessible via the “Default Reporting” tile of the Servicer’s Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools), the following reports. The Servicer must retrieve these reports, review them and transmit any necessary information, as indicated below:

- **EDR Edit Errors report** — One Business Day after transmitting EDR information, a Servicer must retrieve this report, which is available in the SPP, that will contain any

exceptions and errors on the Mortgages that were reported. The Servicer must correct all exceptions/errors documented on the report and transmit the corrected data to Freddie Mac by the sixth Business Day after accessing the report. For additional information, Servicers may refer to the *EDR Quick Reference Guide* available at [www.freddiemac.com/learn/pdfs/service/edr\\_quickref.pdf](http://www.freddiemac.com/learn/pdfs/service/edr_quickref.pdf)

- **EDR Loans Not Reported report** — A Servicer must retrieve this report, which is available in the SPP, the morning of the fourth Business Day of the month. The report identifies any Mortgage that was reported as being 30 or more days delinquent during the prior month, but was omitted from the current month's EDR transmission and it was not reported as fully reinstated or paid off, that a foreclosure sale was held, or a workout option was completed. If the Mortgage is still delinquent, the Servicer must report the delinquent Mortgage by the sixth Business Day of the month. If the Servicer has not already reported a full reinstatement, payoff, foreclosure sale, or executed deed-in-lieu of foreclosure of the Mortgage, it must report the action to Freddie Mac (see Chapter 8303 or Sections 9203.6, 9209.8 and 9301.38 for these reporting requirements).
- **EDR Compliance Overview report** — A Servicer must retrieve this report, which is available in the SPP, each day from the fourth through the 13th Business Day of each month. This report identifies the number of loans reported to Freddie Mac that are 30, 60 and 90 or more days delinquent for the current reporting cycle. The Servicer must review the transmission for accuracy. If the Servicer believes there are errors in the report, the Servicer must follow up with Freddie Mac by submitting corrections via the Freddie Mac Service Loans application (Default Loan Activity screen) no later than 5 p.m. Eastern time on the 13th Business Day of the month. The Servicer may also contact the EDR team (see **Directory 5**).

## 9102.7: Monthly EDR (Future effective date 12/09/19)

### (a) Reporting to Freddie Mac

A Servicer must report, within the first three Business Days of a month, applicable information through [the Freddie Mac EDR tool \(see Exhibit 88, Servicing Tools\)](#) for:

- All status and event codes, if applicable, for Mortgages that are 30 or 60 days delinquent and Mortgages for which the Borrower was in bankruptcy during the previous month, regardless of whether the Borrower is current or delinquent in his or her Mortgage payments
- All Mortgages that were 90 or more days delinquent, including referral to foreclosure, or Mortgages for which the Borrower was in bankruptcy during the previous month
- Mortgages for which the Borrower is current in his or her Mortgage payments and for which the Servicer is pursuing an alternative to foreclosure (**Note:** Servicers must comply with all Guide requirements with respect to considering a Borrower who is current in his

or her Mortgage payment for an alternative to foreclosure, including, as applicable, any requirement that the Borrower be in imminent default or found to have suffered an involuntary inability to pay.)

A Servicer must continue to report the applicable information through [the EDR tool](#) for each Mortgage until:

- The Mortgage is fully reinstated or paid off
- A workout is completed and settled in Freddie Mac's system
- A foreclosure sale is held
- The Borrower is no longer in bankruptcy and the Mortgage is current
- For current Mortgages under consideration for an alternative to foreclosure, there are no applicable default action codes to report for the month

If a Servicer services Mortgages under more than one Seller/Servicer number, the Servicer must report via [the EDR tool](#) for each number.

For each Mortgage reported, a Servicer must provide the Seller/Servicer Number and the Freddie Mac loan number. The Servicer may include the DDLPI (optional).

When reporting on a Mortgage that is between 30 and 60 days delinquent, the following data elements must be reported, as applicable:

- Default action(s)
- Default action date(s)

A Servicer must also report the following data elements in the earliest EDR transmission after receiving the information, but no later than when reporting on a Mortgage that is 90 days delinquent:

- Default Reason
- Property Condition
- Occupancy Status

Refer to Exhibit 82, Electronic Default Reporting Transmission Code List, for descriptions of the default action, default reason, property condition, occupancy status and associated codes. For detailed programming instructions, please refer to the *Electronic Default Reporting (EDR) Quick Reference Guide*, available at [http://www.freddiemac.com/learn/pdfs/service/edr\\_quickref.pdf](http://www.freddiemac.com/learn/pdfs/service/edr_quickref.pdf).

## (b) Reports from Freddie Mac

In response to a Servicer's monthly EDR transmission, Freddie Mac will make available, accessible via the "Default Reporting" tile of the Servicer's Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools), the following reports. The Servicer must retrieve these reports, review them and transmit any necessary information, as indicated below:

- ***EDR Edit Errors report*** — One Business Day after transmitting EDR information, a Servicer must retrieve this report, which is available in the SPP, that will contain any exceptions and errors on the Mortgages that were reported. The Servicer must correct all exceptions/errors documented on the report and transmit the corrected data to Freddie Mac by the sixth Business Day after accessing the report. For additional information, Servicers may refer to the *EDR Quick Reference Guide* available at [www.freddiemac.com/learn/pdfs/service/edr\\_quickref.pdf](http://www.freddiemac.com/learn/pdfs/service/edr_quickref.pdf)
- ***EDR Loans Not Reported report*** — A Servicer must retrieve this report, which is available in the SPP, the morning of the fourth Business Day of the month. The report identifies any Mortgage that was reported as being 30 or more days delinquent during the prior month, but was omitted from the current month's EDR transmission and it was not reported as fully reinstated or paid off, that a foreclosure sale was held, or a workout option was completed. If the Mortgage is still delinquent, the Servicer must report the delinquent Mortgage by the sixth Business Day of the month. If the Servicer has not already reported a full reinstatement, payoff, foreclosure sale, or executed deed-in-lieu of foreclosure of the Mortgage, it must report the action to Freddie Mac (see Chapter 8303 or Sections 9203.6, 9209.8 and 9301.38 for these reporting requirements).
- ***EDR Compliance Overview report*** — A Servicer must retrieve this report, which is available in the SPP, each day from the fourth through the 13th Business Day of each month. This report identifies the number of loans reported to Freddie Mac that are 30, 60 and 90 or more days delinquent for the current reporting cycle. The Servicer must review the transmission for accuracy. If the Servicer believes there are errors in the report, the Servicer must follow up with Freddie Mac by submitting corrections via the Freddie Mac [EDR tool](#) (Default Loan Activity screen) no later than 5 p.m. Eastern time on the 13th Business Day of the month. The Servicer may also contact the EDR team (see **Directory 5**).

## 9102.8: Compensatory fees for failure to report via EDR (03/02/16)

A Servicer that fails to comply with the EDR requirements in Section 9102.7 will be subject to being assessed the noncompliance fees set forth in Sections 8303.36 and 8303.38.

Freddie Mac will bill the Servicer for such fees on the Servicer Non-Performing Loans Invoice. Refer to Section 9102.1 for information on the payment of Servicing Non-Performing Loans Invoices via an Automated Clearing House draft.

In addition, if the Servicer does not report a Mortgage to Freddie Mac as required via EDR and the Servicer requests reimbursement of expenses on that Mortgage, Freddie Mac reserves the right to deny reimbursement of those expenses on account of the Servicer's failure to report.

# Chapter 9201: Freddie Mac Loss Mitigation Evaluation Hierarchy and Performance Standards

## 9201.1: Rationale for Servicer loss mitigation activities (03/02/16)

Freddie Mac's interest in a Mortgage, the Borrower and the home securing the Mortgage begins when Freddie Mac purchases the Mortgage. The Borrower's ownership of the home is jeopardized when he or she stops making monthly payments. Freddie Mac is committed to helping Borrowers find a solution to the Delinquency if they are experiencing financial difficulty in making the Mortgage payment.

The Borrower must make a commitment to reduce any discretionary, unnecessary expenditures as a condition of Freddie Mac granting a relief or workout option. Additionally, the Borrower is expected to work out similar relief or workout options with other creditors whenever possible.

Freddie Mac recognizes that not every Borrower who is experiencing financial difficulty can retain home ownership. When this is the case, the Servicer can help a Borrower understand the benefits of selling the property to avoid the consequences of foreclosure, where applicable, and the risk of a deficiency judgment.

Freddie Mac wants the Servicer to pursue alternatives to foreclosure whenever possible, because they benefit not only the Borrower, but also the Servicer, Freddie Mac and other interested parties in the Mortgage by:

1. Eliminating the staff time and expense the Servicer incurs to service a delinquent Mortgage or a Mortgage in foreclosure
2. Reinstating the servicing fee income the Servicer earns if a Mortgage Delinquency is cured, or reinstating part or all of the servicing fee income if a Mortgage is modified
3. Improving the Servicer's relationship with the Borrower
4. Minimizing Freddie Mac's credit losses
5. Reducing an MI or guarantor's claim payment, when applicable

Even after the Servicer has initiated foreclosure, it should still pursue alternatives to foreclosure to mitigate potential credit losses, whenever possible.

## 9201.2: Freddie Mac loss mitigation evaluation hierarchy (10/02/19)

If a Borrower who is current or less than 31 days delinquent contacts the Servicer for loss mitigation assistance, the Servicer must first evaluate the Borrower for eligibility for a Freddie Mac Enhanced Relief Refinance<sup>®</sup> offering (refer to Chapter 4304). If the Borrower is not eligible for an Enhanced Relief Refinance Mortgage, then the Servicer must first evaluate the Borrower for a reinstatement or relief option as set forth in Chapter 9203.

If a reinstatement or relief option as provided in Chapter 9203 is not appropriate based on Borrower circumstances, the Borrower may qualify for a workout option under the Guide. The Servicer must consider a Borrower for workout options in the following sequence:

1. The Servicer must first consider the Borrower for a Freddie Mac Flex Modification in accordance with the requirements of Chapter 9206
2. If a Borrower is ineligible for, does not accept, or fails to complete the Trial Period Plan, the Servicer must next consider the Borrower for a Freddie Mac Standard Short Sale (“short sale”) pursuant to Chapter 9208
3. If a Borrower is ineligible for a short sale or a short sale is not a viable option, the Servicer must next consider the Borrower for a Freddie Mac Standard Deed-in-Lieu of Foreclosure (“deed-in-lieu of foreclosure”) in accordance with the requirements of Chapter 9209

When a Borrower becomes 90 days delinquent, or when a Borrower has a Step-Rate Mortgage and becomes 60 days delinquent within the 12 months following the first payment due date resulting from an interest rate adjustment, the Servicer must determine if the Borrower is eligible for a streamlined offer for a Flex Modification in accordance with Section 9206.5(c) and if eligible, solicit the Borrower for such modification in accordance with Section 9102.5(a).

If the Borrower’s hardship is the result of an Eligible Disaster but the Borrower indicates he or she is able to resume making the existing contractual monthly payments on the Mortgage, the Servicer must evaluate the Borrower for a Capitalization and Extension Modification for Disaster Relief (“Disaster Relief Modification”) as provided in Section 9206.4, if reinstatement or a repayment plan is not a viable option.

If the Borrower’s hardship is one of the four listed below and the Borrower has indicated a desire to sell or vacate the property, the Servicer may consider the Borrower for a short sale without first evaluating the Borrower for a home retention option; however, the Servicer must ensure that the Borrower is aware that a home retention option may be possible:

- Death of a Borrower or death of the primary or secondary wage earner in the household
- Long-term or permanent disability; serious illness of a Borrower/co-Borrower or dependent family member

- Divorce or legal separation; separation of Borrower unrelated by marriage, civil union or similar domestic partnership under applicable law
- Distant employment transfer, including Permanent Change of Station orders or relocation due to new employment, where the transfer or new employment location is greater than 50 miles one-way from the Borrower's current Primary Residence

If the Borrower is not eligible for a relief or workout option, but the Servicer believes that a relief or workout option is still the best solution to the Delinquency, then the Servicer may submit a recommendation to Freddie Mac for review along with the reason for the recommendation, in accordance with the submission procedures in the relevant chapters for relief or workout options.

Additionally, Freddie Mac has a charge-off option available to cease collection and loss mitigation activities on a Mortgage, under certain conditions. (See Sections 9210.1 through 9210.5 for requirements related to the charge-off option.)

### **9201.3: Servicer's responsibilities for loss mitigation activities (03/02/16)**

The Servicer's loss mitigation activities must include:

1. Pursuing reinstatement as the first option to resolve a Delinquency
2. Analyzing the Borrower's financial situation, and determining his or her intention toward the Mortgage obligation
3. Determining the value and condition of the property to calculate the Borrower's equity position and Freddie Mac's potential loss if Freddie Mac were to acquire the property as an REO
4. Pursuing alternatives to foreclosure in accordance with the hierarchy set forth in Section 9201.2 when the Servicer determines the Borrower cannot reinstate
5. Continuing to pursue alternatives to foreclosure even after the Servicer has initiated foreclosure in accordance with Section 9102.4(b)
6. Managing the foreclosure process to ensure that expenses and accruing interest are minimized and obtaining clear and marketable title as soon as legally possible

In conducting loss mitigation activities, the Servicer must comply with:



1. The specific requirements in this chapter and Chapters 9102, 9203 through 9211, 9301 and 9401
2. All FHA, RHS, VA or MI requirements, if applicable

## **9201.4: Servicer's loss mitigation operations (03/02/16)**

Loss mitigation activities must be an integral part of the Servicer's Servicing operations.

Freddie Mac expects the Servicer's collection and loss mitigation staffs to coordinate their efforts.

The Servicer must ensure that it has:

1. A documented process for loss mitigation activities and approving foreclosures
2. Skilled staff devoted to loss mitigation activities
3. Trained collections and loss mitigation staff who:
  - a. Have the ability to gain a Borrower's confidence, and help the Borrower explore alternatives to foreclosure
  - b. Provide counseling to a Borrower early in the Delinquency to explain potential options, and the consequences of foreclosure
  - c. Maintain a record of conversations with a Borrower in the Mortgage file or other form of data storage
  - d. Screen Borrower requests for assistance to identify eligible workout candidates

## **9201.5: Servicer default management performance standards (01/01/17)**

Freddie Mac will measure a Servicer's default management performance against certain metrics, which may be amended by Freddie Mac from time to time.

The Servicer's performance in the metrics will comprise its overall Servicer Success Scorecard assessment in the default management category of the Servicer Success Scorecard.

In addition to the performance standards prescribed below, a Servicer must also refer to its Servicer Success Scorecard for [the specific metrics and to Section 3501.2 for additional information about the Servicer Success Scorecard.](#)

#### **(a) Call center performance standards**

The following terms are described for purposes of this section:

- **Blockage Rate:** Number of calls blocked, whether intentional or unintentional, as a percentage of inbound calls directed to a Servicer's call center. Example: A Borrower attempting to call the Servicer receives a busy signal as a result of a Servicer's inbound call center's failure to receive such call.
- **Abandon Rate:** Percentage of calls made by the Servicer to Borrowers or by a Borrower to a Servicer that are not intercepted by the Servicer (i.e., a live operator) before the Borrower disconnects.

Servicers that maintain a call center must meet the following minimum call center and other contact performance standards as measured in monthly increments:

- Average speed to answer a telephone call of 60 seconds or less
- 5% or less telephone call Abandon Rate
- 1% or less telephone call Blockage Rate
- Average time for a live operator to respond to e-mails of 48 hours or less after receipt (automated responses not included)
- Live operator chat response times of 5 minutes or less between chats

Servicers that maintain a call center must maintain data related to the performance standards described above, and must make such data available to Freddie Mac upon request.

#### **(b) Quality right party contact performance standard**

In its efforts to contact Borrowers, a Servicer must strive to achieve a quality right party contact benchmark of at least 60% on its 120-day delinquent Freddie Mac portfolio. Borrowers in bankruptcy are excluded from the quality right party contact performance standard. A Servicer's obligation for establishing contact with a delinquent Borrower and scope of a quality right party contact is set forth in Section 9102.3.

Each time the Servicer achieves quality right party contact with a delinquent Borrower, the Servicer must notify Freddie Mac via an EDR transmission in accordance with the following requirements:

- First quality right party contact: Servicers must report default action code AW and the date of the first quality right party contact established with the Borrower within the first three Business Days of the month following the month that the first quality right party contact was established with the Borrower. Default action code AW is reported one time.
- Subsequent quality right party contact: Servicers must report default action code AX if any subsequent quality right party contact was made with the Borrower after the initial contact was established within the first three Business Days of the month following the month that the subsequent contact occurred. Default action code AX may be reported in the same month as default action code AW if a Servicer establishes a subsequent quality right party contact with the Borrower in the same month that initial contact was achieved.

A Servicer must continue to report default action code AX as often as it applies (that is, as often as the Servicer continues to establish quality right party contact with a Borrower when working with the Borrower to resolve a Delinquency) with the date of the last quality right party contact for each month in which the action applies.

For additional information about EDR, refer to Section 9102.7 and Exhibit 82, Electronic Default Reporting Transmission Code List.

**(c) Alternative to foreclosure pull-through rate**

Servicers will be measured on their ability to successfully transition newly 60-day delinquent Borrowers into an alternative to foreclosure in a given quarter.

At a minimum, Servicers must achieve at least a 60% alternative to foreclosure pull-through rate. The alternative to foreclosure pull-through rate is measured as follows:

*Alternatives to foreclosure in the current quarter divided by the prior quarter's new 60-day delinquent Borrower inflows*

Reinstatements, forbearance plans, repayment plans, trial period plans, payoffs, modifications, short sales and deeds-in-lieu of foreclosure are included in this performance standard. Mortgages in bankruptcy are excluded from this measurement.

## **9201.6: Alternatives to foreclosure (12/01/18)**

Alternatives to foreclosure are reinstatements, and relief and workout options that, when used, result in a resolution of a Mortgage Delinquency without foreclosing on the property.

Below is a list of the all Freddie Mac alternatives to foreclosure:

### **(a) Reinstatements**

A reinstatement restores a delinquent Mortgage to current status either with a lump-sum payment of all amounts due or a partial payment followed by a repayment plan.

Freddie Mac has two types of reinstatements:

- Full reinstatement
- Partial reinstatement

Refer to Chapter 9203 for additional information on reinstatements.

### **(b) Relief options**

A relief option provides temporary relief to a Borrower and allows the Borrower to cure the Delinquency over a defined period of time. Freddie Mac's relief options are:

- Repayment plan
- **Forbearance plan**

Refer to Chapter 9203 for additional information on relief options.

### **(c) Workout options**

A workout option is an alternative to foreclosure that eliminates or reduces the potential loss that Freddie Mac would incur if the property securing the Mortgage were acquired through a foreclosure sale.

A mortgage modification is a workout option that will enable the Borrower to retain homeownership.

Refer to Chapter 9206 for additional information.

Freddie Mac's workout options for situations where it is not feasible for the Borrower to retain the property are:

- Short sale
- Deed-in-lieu of foreclosure
- Workout mortgage assumption

Refer to Chapters 9207, 9208 and 9209 for additional information

**(d) Hardest Hit Fund**

A Borrower may be eligible for one of the following mortgage assistance programs developed and administered by State Housing Finance Agencies (“HFAs”) and funded by the Innovation Fund for the Hardest Hit Housing Markets or Hardest Hit Fund (HHF) Initiative for which Freddie Mac requires Servicer participation:

- Unemployment mortgage assistance
- Mortgage reinstatement assistance
- Modification assistance
- Transition assistance

Refer to Chapter 9211 for additional information on mortgage assistance programs developed and administered by HFAs.

**(e) Charge-offs**

Freddie Mac has a charge-off option available for use under certain conditions. A charge-off ceases collection efforts on a Mortgage. See Section 9210.2 for situations when Freddie Mac requires Servicers to make a recommendation for a charge-off.

# Chapter 9202: Evaluating the Borrower

## 9202.1: Delinquency, default and imminent danger of default (09/01/19)

Throughout this chapter, Chapters 9203 through 9210 and 9301, Freddie Mac will use the term Delinquency, which is defined in the Glossary, rather than the term default. Many of the specific requirements for workout options are tied to the severity of the Delinquency.

Except as set forth in Sections 9206.7, 9208.3 and 9209.3, a Borrower is considered to be in imminent danger of default, if, based upon the facts and circumstances of the particular Mortgage and using prudent business judgment, it appears more likely than not that the Borrower will default on his or her Mortgage payments within the next 12 months.

A Borrower must be delinquent in his or her Mortgage payments, or be in imminent danger of default, to be considered for an alternative to foreclosure. The Borrower must document an eligible hardship to be eligible for certain workout and relief options.

Refer to Section 9202.2 for information on verifying a Borrower's hardship. In addition, refer to:

- Chapter 9203 for additional requirements related to relief options
- Chapters 9204 and 9206 through 9210 for additional requirements related to workout options

## 9202.2: Verifying a Borrower's hardship (06/01/18)

### (a) Eligible hardships

A Borrower must have one or more of the eligible hardships identified below in order to be eligible for certain relief or workout options.

The Borrower must document the financial hardship by:

- Signing and submitting to the Servicer a completed Form 710, Mortgage Assistance Application; and
- Providing to the Servicer the applicable hardship documentation described below.

Hardship	Required Hardship Documentation
Unemployment	■ Not required

Hardship	Required Hardship Documentation
Reduction in income: a hardship that has caused a decrease in the Borrower's income due to circumstances outside the Borrower's control (e.g., elimination of overtime, reduction in regular working hours, or a reduction in base pay)	<ul style="list-style-type: none"> <li>■ Not required</li> </ul>
Increase in housing expenses: a hardship that has caused an increase in the Borrower's housing expense due to circumstances outside the Borrower's control (e.g., uninsured losses, increased property taxes, or an HOA special assessment)	<ul style="list-style-type: none"> <li>■ Not required</li> </ul>
Disaster (natural or man-made) impacting the property or Borrower's place of employment	<ul style="list-style-type: none"> <li>■ Not required</li> </ul>
Long-term or permanent disability; serious illness of a Borrower/co-Borrower or dependent family member	<ul style="list-style-type: none"> <li>■ Written statement from the Borrower, or other documentation verifying disability or illness</li> </ul> <p><b>Note:</b> Detailed medical information is not required, and information from a medical provider is not required</p>
Divorce or legal separation	<ul style="list-style-type: none"> <li>■ Final divorce decree or final separation agreement; OR</li> <li>■ Recorded quit claim deed</li> </ul>
Separation of Borrowers unrelated by marriage, civil union or similar domestic partnership under applicable law	<ul style="list-style-type: none"> <li>■ Recorded quitclaim deed; OR</li> <li>■ Legally binding agreement evidencing that the non-occupying Borrower or co-Borrower has relinquished all rights to the property</li> </ul>

Hardship	Required Hardship Documentation
Death of a Borrower or death of either the primary or secondary wage earner	<ul style="list-style-type: none"> <li>■ Death certificate; OR</li> <li>■ Obituary or newspaper article reporting the death</li> </ul>
Distant employment transfer/Relocation (transfer or relocation must be greater than 50 miles one-way from Borrower's current Primary Residence)	<p><b>For active-duty service members:</b> Permanent Change of Station (PCS) orders or letter showing transfer</p> <p><b>For employment transfers/new employment:</b></p> <ul style="list-style-type: none"> <li>■ Copy of signed offer letter or notice from employer showing transfer to a new location or notice from employer showing transfer to a new location or written explanation if employer documentation is not applicable; AND</li> <li>■ Documentation that reflects the amount of any relocation assistance provided (not required for those with PCS orders)</li> </ul>
Other hardship that is not covered above	<ul style="list-style-type: none"> <li>■ Written explanation describing the details of the hardship and relevant documentation</li> </ul>

**(b) Situations not considered to be an eligible hardship**

Any other events or circumstances other than those described above in Section 9202.2(a) are not considered eligible hardships for purposes of eligibility for a workout option or certain relief options under the Guide. For example, the following are not considered eligible hardships:

1. Depreciation in the value of the Mortgaged Premises
2. Temporary income interruption, but the Borrower has assets (liquid or that can be liquidated) available to pay the Mortgage
3. Interest rate adjustment on an ARM or re-amortization of an interest only Mortgage upon expiration of the interest only period

## **9202.3: Borrower income documentation for workout or relief options (06/01/18)**

**(a) Verification of income**



A Servicer must verify the income for all Borrowers on the Note when evaluating a Borrower for certain workout or relief options. The Borrower's income must be supported by documentation that is not more than 90 days old as of the date the Servicer first determines that the Borrower submitted a complete Borrower Response Package. (Refer to Section 9102.5 for information on the Borrower Response Package.)

In addition to the income documentation required in Section 9202.3(b), in the following circumstances, a Servicer must obtain a Borrower's tax transcript by processing Internal Revenue Service (IRS) Form 4506-T, Request for Transcript of Tax Return, or IRS Form 4506T-EZ, Short Form Request for Individual Tax Return Transcript:

- There are inconsistencies in the information the Borrower provided (e.g., information the Borrower provided in Form 710, Mortgage Assistance Application, and the income documentation);
- The Borrower is self-employed or is a fiscal year tax filer (i.e., files federal income tax returns based on a fiscal year – a tax year beginning in one calendar year and ending in the following year) and the Borrower has not provided **any of the required documentation specified in Section 9202.3(b) to support the income type**. (Note: Servicers must obtain IRS Form 4506-T, Request for Transcript of Tax Return, in lieu of IRS Form 4506T-EZ in this instance); or
- As otherwise requested by Freddie Mac

IRS Forms 4506T-EZ and 4506-T are available at <http://www.irs.gov>. Servicers are encouraged to use the IRS Income Verification Express Service (IVES), which uses secure e-mail to deliver tax return transcripts to Servicers.

#### **(b) Required income documentation**

The Borrower must document all sources of income by providing the following income documentation as part of the Borrower Response Package:

Income Source	Required Documentation
<p><b>Income that requires IRS Form 4506T-EZ or IRS Form 4506-T to be obtained and processed</b></p>	<p>Borrowers who (i) are self-employed or (ii) are fiscal year tax filers and who have not provided <b>any of the required documentation specified below</b>, must provide IRS Form 4506-T, Request for Transcript of Tax Return.</p> <p>All Borrowers other than self-employed Borrowers or Borrowers who are fiscal year tax filers must provide a completed and signed IRS Form 4506T-EZ, Short Form Request for Individual Tax Return Transcript only if any of the following circumstances exist:</p> <ul style="list-style-type: none"> <li>■ There are inconsistencies between other information the Borrower provided (e.g., information the Borrower provided in Form 710, Mortgage Assistance Application and the income documentation)</li> <li>■ As otherwise requested by Freddie Mac</li> </ul>
<p><b>Gross (pre-tax) wages, salaries and overtime pay, commissions, tips, and bonuses</b></p>	<ul style="list-style-type: none"> <li>■ <b>Most recent pay stub and documentation of year-to-date earnings if not on paystub; OR</b></li> <li>■ <b>Two most recent bank statements showing income deposit amounts</b></li> </ul> <p>(NOTE: When bank statements provide net income, for this and subsequent income types, refer to Section 9202.3(c), below, for instructions on how to calculate gross income)</p>
<p><b>Self-employment income</b></p>	<ul style="list-style-type: none"> <li>■ <b>Two most recent bank statements showing self-employed income deposits amounts; OR</b></li> <li>■ <b>Most recent signed and dated quarterly or year-to-date profit/loss statement; OR</b></li> <li>■ <b>Most recent complete and signed business tax return; OR</b></li> <li>■ <b>Most recent complete and signed individual federal income tax return</b></li> </ul>
<p><b>Rental income</b></p>	<ul style="list-style-type: none"> <li>■ <b>Two most recent bank statements demonstrating receipt of rent; OR</b></li> <li>■ <b>Two most recent deposited rent checks</b></li> </ul>

Income Source	Required Documentation
<b>Taxable Social Security, disability or death benefits, pension, public assistance, housing allowance or adoption assistance</b>	<ul style="list-style-type: none"> <li>■ Two most recent bank statements showing deposit amounts; <b>OR</b></li> <li>■ Award letter or other documentation showing the amount and frequency of the benefits such as letters, exhibits, a disability policy or benefits statement from the provider</li> </ul>
<b>Non-taxable Social Security or disability income</b>	<ul style="list-style-type: none"> <li>■ Two most recent bank statements showing deposit amounts; <b>OR</b></li> <li>■ Award letter or other documentation showing the amount and frequency of the benefits such as letters, exhibits, a disability policy or benefits statement from the provider</li> </ul>
<b>Unemployment benefits</b>	<ul style="list-style-type: none"> <li>■ Not required</li> </ul>
<b>Non-Borrower income</b>	<p>Servicers <b>must</b> include non-Borrower household income in the monthly gross income if:</p> <ul style="list-style-type: none"> <li>■ It is voluntarily provided by the Borrower</li> <li>■ The Servicer verifies that the non-Borrower occupies the subject property as a Primary Residence based on a review of a credit report or other documentation (e.g., utility bills, paystubs, benefits statements); and</li> <li>■ There is documentary evidence to support that the income has been, and reasonably can continue to be, relied upon to support the Mortgage payment</li> </ul> <p>A Servicer should not consider expenses of non-Borrower household members, but may only consider the percentage of his or her income that the non-Borrower routinely contributes to the household.</p>
<b>Investment or insurance income</b>	<ul style="list-style-type: none"> <li>■ Two most recent investment or insurance income statements showing receipt of income; <b>OR</b></li> <li>■ Two most recent bank statements supporting receipt of the income</li> </ul>

Income Source	Required Documentation
<p><b>Other sources of income not listed above (Note: Only include alimony, child support, or separate maintenance income if the Borrower chooses to have it considered for repaying the Mortgage)</b></p>	<ul style="list-style-type: none"> <li>■ Two most recent bank statements showing receipt of income; <b>OR</b></li> <li>■ Other documentation showing the amount and frequency of the income</li> </ul>

**(c) Determining gross monthly income**

The Borrower’s gross income includes all taxable and non-taxable income, before any payroll deductions, including, but not limited to, base wages and salaries, overtime pay, commissions, fees, tips, bonuses, housing allowances, other compensation for personal services, Social Security payments, including Social Security received by adults on behalf of minors or by minors intended for their own support, payments from annuities, insurance policies, retirement funds, and pensions, disability or death benefits, and positive net rental income, except that the Borrower may, but is not required to, provide alimony, child support or separation maintenance income.

The Servicer **must** gross up all non-taxable income received by the Borrower only if the Borrower is able to provide documentation verifying that the income is not taxable. The Servicer must maintain such documentation in the Mortgage file. To gross up non-taxable income, the Servicer must multiply the amount of the non-taxable income by 1.25; if the actual amount of federal or State taxes that would be paid is more than 25% of the Borrower’s nontaxable income, the Servicer may use the actual percentage.

**The Servicer must gross up all net income when the Borrower submits bank statements to support the income type.**

**To gross up net income, the Servicer must:**

1. **Establish the Borrower’s monthly net income in accordance with this Section 9202.3 and**
2. **Multiply the amount of the monthly net income by 1.25 to determine the Borrower’s monthly gross income**

Refer to Exhibit 101, Income Calculation Guidelines for Alternative to Foreclosure Options, for additional instructions on calculating income.

**(d) Substitution of income documents**

When a Borrower is in an active Chapter 7 or Chapter 13 bankruptcy, the Servicer may accept copies of the bankruptcy schedules and tax returns (if returns are required to be filed) in lieu of Form 710, and IRS Form 4506T-EZ or IRS Form 4506-T, and may use this information to determine Borrower eligibility (with the income documentation). Servicers should request the schedules and tax returns from the Borrower, Borrower's counsel or bankruptcy court. If the bankruptcy schedules are more than 90 days old as of the date that such schedules are received by the Servicer, the Borrower must provide updated evidence of income in accordance with this section.

## **9202.4: Servicer reconciliation of inconsistencies; fraud detection; and document authenticity (03/02/16)**

**(a) Reconciling income and/or hardship information inconsistencies**

If, based on the Servicer's good business judgment, the Borrower's income and/or the hardship information disclosed by the Borrower is inconsistent with the income and/or hardship documentation provided by the Borrower, the Servicer must attempt to reconcile such inconsistencies. The Servicer must also document such material differences in its servicing system.

**(b) Fraud detection**

The Servicer must not offer the Borrower a relief or workout option if there is reasonable evidence indicating the Borrower submitted false or misleading information or otherwise engaged in fraud in connection with the request for payment relief. A Servicer must use good business judgment in determining whether the evidence is reasonably indicative of a Borrower's intentional misrepresentation or submission of false or misleading information. Refer to Section 3201.2 for reporting requirements related to the discovery of fraud or possible fraud on a Mortgage.

**(c) Document authenticity**

A Servicer must use good business judgment when determining whether verification documents are authentic and accurate, and allow the Servicer to underwrite the Borrower in accordance with the requirements of this Guide. A Servicer may elect to accept documentation with imperfections (blank fields, erasures, use of correction tape, inaccurate dates, etc.) if the Servicer determines that the imperfections are immaterial to the eligibility decision, are not indicative of fraud and do not impact the Servicer's ability to verify the completeness and accuracy of the Borrower's financial representations.

## 9202.5: Risk of Property Ownership (08/01/18)

Risk of Property Ownership exists when there is a risk of liability to Freddie Mac if Freddie Mac becomes the owner of the property. For example, there is Risk of Property Ownership if **the condition of the Mortgaged Premises, or its immediate surroundings, pose a threat to the health or safety of a property owner (e.g., condemnation), or there is otherwise a situation or presence that is exigent or atypical that would cause a potential property owner to incur extraordinary risk of liability if it becomes the owner of the property.**

The Servicer must review the property inspection reports that the Servicer receives to determine if a Risk of Property Ownership exists. Refer to Section 8403.1 for the requirements for managing a **property securing a Mortgage identified as posing** a Risk of Property Ownership.

## 9202.6: Analyze the reason for Delinquency (12/01/18)

In the course of performing collection activities, the Servicer should have determined why the Borrower has not remitted its Mortgage payments. Additionally, the Servicer should have determined the Borrower's willingness to resolve the Delinquency problem and have counseled the Borrower about the consequences of the Delinquency.

If the Servicer has determined that the Borrower's reason for not paying the Mortgage payment is temporary, it may consider whether a partial reinstatement, a repayment plan or forbearance **plan** may be a solution to cure the Delinquency. For the Servicer to consider such alternatives, the Borrower must have the ability to make payments and bring the Mortgage current within one year.

If the Borrower's financial situation and/or circumstances will not permit him or her to bring the Mortgage current within a year, the Servicer must analyze the Borrower's financial situation and determine the Borrower's desire to retain ownership of the home to determine the appropriate solution to the Delinquency. See Section 9201.2 for the sequence in which a Borrower must be evaluated for loss mitigation solutions.

## 9202.7: Tenant-occupied properties built before 1978 (11/13/19)

Before considering a deed-in-lieu of foreclosure on a tenant-occupied property built before 1978, **if the Servicer is aware of, or becomes aware of, any outstanding lead-based paint or health code citations or violations against the property or property owner, it must notify Freddie Mac (see Directory 5), and include a copy of the citation or violation and any other pertinent information.**

After reviewing the documentation, Freddie Mac will provide the Servicer with instructions on the course of the action to take.

## **9202.8: Analyze the Mortgage characteristics and terms (03/02/16)**

The Servicer must review the Mortgage characteristics and terms to determine what effect they might have on determining a course of action to resolve the Delinquency.

The Servicer must compare the UPB and any delinquent amounts to the probable sale price of the property to determine the Borrower's equity position and Freddie Mac's potential loss should Freddie Mac have to acquire the property, if the Delinquency cannot be cured or resolved.

The Servicer must also review the Mortgage product type and the current interest rate compared to current market interest rates to identify potential roadblocks in curing a Delinquency. For example, if the Mortgage is an adjustable-rate Mortgage, the Borrower may be facing a new monthly payment that he or she cannot afford.

## **9202.9: Determine the best course of action for Delinquency (12/01/18)**

After evaluating the Borrower's financial information and circumstances, the value and condition of the property, and the Mortgage characteristics and terms, the Servicer must begin to determine the best course of action to resolve the Delinquency. Based on the information provided by the Borrower, the Servicer must determine which of the various relief and workout options is appropriate.

If the Borrower's property has been damaged by a natural or man-made disaster, or the Borrower has an extraordinary circumstance, the Servicer should consider recommending a forbearance [plan](#). If the Borrower wants to keep the property and has a source of stable monthly income, the Servicer should consider whether to consider a repayment plan, reinstatement or forbearance plan, or recommend a loan modification. If the Borrower cannot or does not want to retain ownership of the property, the Servicer should consider recommending workout options that allow the Borrower to sell or transfer the property.

If a relief or workout option will not resolve the Delinquency, the Servicer must initiate foreclosure in accordance with the requirements in Chapter 9301.

Refer to Chapter 8404 for additional requirements for Mortgages secured by properties affected by a disaster.

## **9202.10: What is a property inspection? (03/02/16)**

Except when an interior inspection is required (see Section 9202.12(c)), a property inspection is an exterior inspection of the property to determine:

1. The condition of the property
2. If there is any waste, deterioration or vandalism
3. The occupancy status
4. If the property has been abandoned
5. If the property is listed for sale
6. If there are obvious environmental hazards
7. If there is deferred maintenance or there are health and safety problems. The property is considered to have deferred maintenance when the Borrower has allowed the property condition to deteriorate to a point where general maintenance items such as trash removal, painting, yard work and general repairs have not been performed.
8. If visible asset preservation is needed

## **9202.11: Documenting property inspections (03/02/16)**

### **(a) Form to use**

A Servicer must document each inspection of the property with an inspection report that is prepared on Form 1013, 1-4 Unit Property Inspection Report, or a substitute report. The substitute report can be the Servicer's proprietary form or a form the inspection company performing the inspection prepares, including a computer-generated or automated form. The substitute form must contain all of the data elements on Form 1013.

### **(b) Retaining inspection reports**

The Servicer must retain the inspection reports in the Mortgage file or other form of data storage for the same period of time that it retains the Mortgage file.

## **9202.12: When to order a property inspection (07/15/19)**

The Mortgaged Premises must be inspected in accordance with the requirements below to determine the physical condition and occupancy status.

The Servicer may use a third party to conduct property inspections.



### **(a) Inspection dates**

The Servicer must order a property inspection on or after the 60th day of Delinquency and obtain the complete inspection report by the 75th day of Delinquency if it has not received a payment in the last 30 days or has not achieved quality right party contact in accordance with Section 9102.3. The Servicer must continue to obtain a newly completed property inspection report every calendar month. No two reports may be completed within a 20-day period while the Mortgage remains 60 days or more delinquent. However, weekly and biweekly ordinance-required property inspections (reimbursable under expense codes 404016 and 404017) are exempt from the 20-day limitation. The Servicer may discontinue obtaining newly-completed property inspection reports when or upon:

- The Servicer achieves quality right party contact and the Borrower and Servicer agree to a prospective resolution to the Delinquency and the Borrower continues to comply with the agreement. A prospective resolution to the Delinquency can be a verbal commitment from the Borrower to resolve the Delinquency via a reinstatement, relief or workout option
- The Servicer has successfully reported the foreclosure sale date or the deed-in-lieu of foreclosure via the Freddie Mac Service Loans application pursuant to Section 9603.1; or
- The property is sold to a third party at the foreclosure sale and the foreclosure action is complete. (Note that, depending upon the jurisdiction, a foreclosure action may not be complete until the sale is confirmed or ratified.)

If the property is found to be vacant or tenant-occupied, property inspections must continue as long as the Mortgage remains 60 or more days delinquent regardless of the Servicer achieving quality right party contact or a prospective resolution to the Delinquency.

A property inspection is not required for Mortgages in bankruptcy performing in accordance with the terms of a bankruptcy plan.

### **(b) Curbside inspections**

Freddie Mac does not generally consider a curbside or “drive-by” property inspection to be a sufficient exterior property inspection. However, Freddie Mac will permit a curbside inspection to be performed in the following circumstances:

- Legal constraints due to compliance with federal, State or local law, including, but not limited to, an active bankruptcy by the Borrower; or
- Personal danger to the inspector

### **(c) Abandonment or waste**

When the Servicer learns that the Mortgaged Premises have been abandoned or are in a severe state of deterioration, waste or disrepair that warrants a physical condition rating of “poor” on Form 1013, 1-4 Unit Property Inspection Report, the Servicer must take action as

required in Sections 8403.1 and 8403.2 including, but not limited to, ordering a monthly property inspection, even if the Mortgage payments are less than 60 days delinquent.

In addition, if the Mortgaged Premises have been confirmed as abandoned, the Servicer must obtain monthly interior inspections, in accordance with the terms of the Mortgage documents and applicable law.

#### **(d) Property seizure**

Refer to Sections 8402.2, 8402.3 and 8402.4 for property inspection requirements related to property seizure.

## **9202.12: When to order a property inspection (Future effective date 12/09/19)**

The Mortgaged Premises must be inspected in accordance with the requirements below to determine the physical condition and occupancy status.

The Servicer may use a third party to conduct property inspections.

#### **(a) Inspection dates**

The Servicer must order a property inspection on or after the 60th day of Delinquency and obtain the complete inspection report by the 75th day of Delinquency if it has not received a payment in the last 30 days or has not achieved quality right party contact in accordance with Section 9102.3. The Servicer must continue to obtain a newly completed property inspection report every calendar month. No two reports may be completed within a 20-day period while the Mortgage remains 60 days or more delinquent. However, weekly and biweekly ordinance-required property inspections (reimbursable under expense codes 404016 and 404017) are exempt from the 20-day limitation. The Servicer may discontinue obtaining newly-completed property inspection reports when or upon:

- The Servicer achieves quality right party contact and the Borrower and Servicer agree to a prospective resolution to the Delinquency and the Borrower continues to comply with the agreement. A prospective resolution to the Delinquency can be a verbal commitment from the Borrower to resolve the Delinquency via a reinstatement, relief or workout option
- The Servicer has successfully reported the foreclosure sale date or the deed-in-lieu of foreclosure via the Freddie Mac [Foreclosure Sale Reporting tool \(see Exhibit 88, Servicing Tools\)](#) pursuant to Section 9603.1; or
- The property is sold to a third party at the foreclosure sale and the foreclosure action is complete. (Note that, depending upon the jurisdiction, a foreclosure action may not be complete until the sale is confirmed or ratified.)

If the property is found to be vacant or tenant-occupied, property inspections must continue as long as the Mortgage remains 60 or more days delinquent regardless of the Servicer achieving quality right party contact or a prospective resolution to the Delinquency.

A property inspection is not required for Mortgages in bankruptcy performing in accordance with the terms of a bankruptcy plan.

### **(b) Curbside inspections**

Freddie Mac does not generally consider a curbside or “drive-by” property inspection to be a sufficient exterior property inspection. However, Freddie Mac will permit a curbside inspection to be performed in the following circumstances:

- Legal constraints due to compliance with federal, State or local law, including, but not limited to, an active bankruptcy by the Borrower; or
- Personal danger to the inspector

### **(c) Abandonment or waste**

When the Servicer learns that the Mortgaged Premises have been abandoned or are in a severe state of deterioration, waste or disrepair that warrants a physical condition rating of “poor” on Form 1013, 1-4 Unit Property Inspection Report, the Servicer must take action as required in Sections 8403.1 and 8403.2 including, but not limited to, ordering a monthly property inspection, even if the Mortgage payments are less than 60 days delinquent.

In addition, if the Mortgaged Premises have been confirmed as abandoned, the Servicer must obtain monthly interior inspections, in accordance with the terms of the Mortgage documents and applicable law.

### **(d) Property seizure**

Refer to Sections 8402.2, 8402.3 and 8402.4 for property inspection requirements related to property seizure.

## **9202.13: Results of property inspection (03/02/16)**

Review the completed inspection report and determine if any further action is needed.

### **IF the property inspection indicated that the property is...**

### **THEN the Servicer must...**

Listed for sale

1. Obtain the name and telephone number of the listing broker and retain for future use
2. Enter in its monthly EDR, the date that it became

aware that the property was listed for sale

Vacant and/or not maintained                      Follow the requirements in Sections 8403.1 and 8403.2

## **9202.14: What is an abandoned property? (03/02/16)**

An abandoned property is:

1. A property to which the owner has voluntarily and intentionally relinquished ownership, claim and control, or
2. As otherwise defined under local laws. Factors evidencing abandonment include vacancy, waste, deterioration and lack of utilities.

## **9202.15: Reimbursement of property inspections (03/02/16)**

For each property inspection completed in accordance with the requirements set forth in Section 9202.12, Freddie Mac will reimburse the Servicer the lesser of:

- The actual cost of the property inspection
- The applicable expense limit stated in Exhibit 57, 1- to 4- Unit Property Approved Expense Amounts

Refer to Section 9701.9 for details regarding the reimbursement of property inspections.

## **9202.16: When to obtain a property value (11/05/18)**

### **(a) Obtaining a property value to prepare foreclosure sale bidding instructions**

Servicers are not required to obtain property values when preparing foreclosure sale bidding instructions on Mortgaged Premises with resale restrictions that survive foreclosure **or recordation of a deed-in-lieu of foreclosure** (in accordance with Chapter 4406). The Servicer must refer to the applicable resale restrictions for details on the property valuation and/or the restricted resale price, as well as any other terms and conditions that must be met.

If State law requires that an appraisal report be used to set the bid, then the Servicer must obtain the appraisal report in sufficient time to complete the foreclosure by the scheduled foreclosure sale date. The Servicer may obtain the appraisal report either directly from Freddie Mac through BPOdirect® or from an appraiser of its choice.

If a Servicer does not obtain the appraisal report directly from Freddie Mac, then the Servicer must:

- Obtain Freddie Mac's prior written approval to order the appraisal report from an appraiser of its choice at least 30 days before the scheduled foreclosure sale date. Freddie Mac's approval can be obtained by submitting a request for pre-approval (RPA) via the Freddie Mac Reimbursement System. If a Servicer does not obtain Freddie Mac's prior approval, Freddie Mac will not reimburse the Servicer for the appraisal expense.
- Ensure the appraisal is obtained in accordance with applicable law, and the appraisal must comply with the requirements of Chapter 5601 and Section 9301.33

When State law does not require an appraisal report to be used to set the bid, unless the foreclosure sale is of a Mortgaged Premises with resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure, the Servicer must comply with the credit bid requirements in Section 9301.32 for First-Lien Mortgages not covered by mortgage insurance.

In States where the sheriff orders an appraisal to determine the opening bid at a foreclosure sale, the Servicer must still determine the maximum bid the Servicer is authorized to make on Freddie Mac's behalf. (See Sections 9301.31 through 9301.36 for instructions for bidding at a foreclosure sale.)

#### **(b) Obtaining a property value in connection with an alternative to foreclosure**

Servicers must obtain a property value from Freddie Mac when considering a Borrower for a workout. The requirements for obtaining a property value differ based on the type of alternative to foreclosure for which the Borrower is being considered. Refer to Chapters 9206 through 9210 for the requirements for obtaining a property value for each specific foreclosure alternative.

Note: If the Mortgage is covered by mortgage insurance, the Servicer must ensure that the property value it obtains is based on a property valuation type that is consistent with the MI's requirements.

## **9202.16: When to obtain a property value (Future effective 03/01/20)**

#### **(a) Obtaining a property value to prepare foreclosure sale bidding instructions**

Servicers are not required to obtain property values when preparing foreclosure sale bidding instructions on properties subject to resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure (in accordance with Chapter 4406). The Servicer must refer

to the applicable resale restrictions for details on the property valuation and/or the restricted resale price, as well as any other terms and conditions that must be met.

If State law requires that an appraisal report be used to set the bid, then the Servicer must obtain the appraisal report in sufficient time to complete the foreclosure by the scheduled foreclosure sale date. The Servicer may obtain the appraisal report either directly from Freddie Mac through BPOdirect® or from an appraiser of its choice.

If a Servicer does not obtain the appraisal report directly from Freddie Mac, then the Servicer must:

- Obtain Freddie Mac's prior written approval to order the appraisal report from an appraiser of its choice at least 30 days before the scheduled foreclosure sale date. Freddie Mac's approval can be obtained by submitting a request for pre-approval (RPA) via the Freddie Mac Reimbursement System. If a Servicer does not obtain Freddie Mac's prior approval, Freddie Mac will not reimburse the Servicer for the appraisal expense.
- Ensure the appraisal is obtained in accordance with applicable law, and the appraisal must comply with the requirements of Chapter 5601 and Section 9301.33

When State law does not require an appraisal report to be used to set the bid, unless the foreclosure sale is of a **property subject to** resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure, the Servicer must comply with the credit bid requirements in Section 9301.32 for First-Lien Mortgages not covered by mortgage insurance.

In States where the sheriff orders an appraisal to determine the opening bid at a foreclosure sale, the Servicer must still determine the maximum bid the Servicer is authorized to make on Freddie Mac's behalf. (See Sections 9301.31 through 9301.36 for instructions for bidding at a foreclosure sale.)

#### **(b) Obtaining a property value in connection with an alternative to foreclosure**

Servicers must obtain a property value from Freddie Mac when considering a Borrower for a workout. The requirements for obtaining a property value differ based on the type of alternative to foreclosure for which the Borrower is being considered. Refer to Chapters 9206 through 9210 for the requirements for obtaining a property value for each specific foreclosure alternative.

Note: If the Mortgage is covered by mortgage insurance, the Servicer must ensure that the property value it obtains is based on a property valuation type that is consistent with the MI's requirements.

## 9202.17: Obtaining a property value (11/05/18)

Regardless of whether the Servicer, Freddie Mac or both are evaluating the Borrower for a workout or relief option, the Servicer must provide the Borrower such notices and valuations as are required by applicable law, including the Equal Credit Opportunity Act. This includes notices and valuations developed in connection with a workout or relief option that is considered to be an application for credit. The Servicer must give the Borrower the property valuation provided to the Servicer by Freddie Mac through BPOdirect® or other sources.

If Freddie Mac participated in evaluating a Borrower for a workout or relief option that gives rise to an obligation to provide the Borrower a valuation developed in connection with an application for a workout or relief option, then the Servicer must provide the valuation to the Borrower on behalf of Freddie Mac. In these cases, the communication from the Servicer to the Borrower transmitting the valuation must identify both the Servicer and Freddie Mac as providing the valuation.

### (a) Obtaining a property value via BPOdirect

For requirements on obtaining a property value via BPOdirect, refer to Section 2406.4.

### (b) Property values obtained via the Freddie Mac Service Loans application

Except for Mortgages secured by Mortgaged Premises with resale restrictions (in accordance with Chapter 4502 or 4406, as applicable), the Servicer must obtain a property value through the Service Loans application for a Borrower being considered for a Standard Short Sale. Refer to Section 9208.5 for additional details on obtaining a short sale property value and Chapter 2404 for information about access to the Service Loans application.

### (c) Obtaining an HVE® point value estimate

The Servicer may determine the value of the Mortgaged Premises by obtaining an HVE® point value estimate through one of Freddie Mac's HVE distributors where permitted under the Guide. Refer to Section 9206.8 for additional requirements on obtaining an automated property value for a modification. For detailed information on HVE and Freddie Mac's distributors, visit <http://www.freddiemac.com/hve/hve.html>.

Contact Freddie Mac with any questions about obtaining a property valuation (see **Directory 6**).

## 9202.17: Obtaining a property value (Future effective date 12/09/19)

Regardless of whether the Servicer, Freddie Mac or both are evaluating the Borrower for a workout or relief option, the Servicer must provide the Borrower such notices and valuations as are required by applicable law, including the Equal Credit Opportunity Act. This includes notices and valuations developed in connection with a workout or relief option that is considered to be an application for credit. The Servicer must give the Borrower the property valuation provided to the Servicer by Freddie Mac through BPOdirect<sup>®</sup> or other sources.

If Freddie Mac participated in evaluating a Borrower for a workout or relief option that gives rise to an obligation to provide the Borrower a valuation developed in connection with an application for a workout or relief option, then the Servicer must provide the valuation to the Borrower on behalf of Freddie Mac. In these cases, the communication from the Servicer to the Borrower transmitting the valuation must identify both the Servicer and Freddie Mac as providing the valuation.

### (a) Obtaining a property value via BPOdirect

For requirements on obtaining a property value via BPOdirect, refer to Section 2406.4.

### (b) Property values obtained via the Freddie Mac **Real Estate Valuation and Pricing tool**

Except for Mortgages secured by Mortgaged Premises with resale restrictions (in accordance with Chapter 4502 or 4406, as applicable), the Servicer must obtain a property value through the **Real Estate Valuation and Pricing tool** (see Exhibit 88, **Servicing Tools**) for a Borrower being considered for a Standard Short Sale. Refer to Section 9208.5 for additional details on obtaining a short sale property value.

### (c) Obtaining an HVE<sup>®</sup> point value estimate

The Servicer may determine the value of the Mortgaged Premises by obtaining an HVE<sup>®</sup> point value estimate through one of Freddie Mac's HVE distributors where permitted under the Guide. Refer to Section 9206.8 for additional requirements on obtaining an automated property value for a modification. For detailed information on HVE and Freddie Mac's distributors, visit <http://www.freddie.com/hve/hve.html>.

Contact Freddie Mac with any questions about obtaining a property valuation (see **Directory 6**).



## 9202.17: Obtaining a property value (Future effective date 03/01/20)

Regardless of whether the Servicer, Freddie Mac or both are evaluating the Borrower for a workout or relief option, the Servicer must provide the Borrower such notices and valuations as are required by applicable law, including the Equal Credit Opportunity Act. This includes notices and valuations developed in connection with a workout or relief option that is considered to be an application for credit. The Servicer must give the Borrower the property valuation provided to the Servicer by Freddie Mac through BPOdirect® or other sources.

If Freddie Mac participated in evaluating a Borrower for a workout or relief option that gives rise to an obligation to provide the Borrower a valuation developed in connection with an application for a workout or relief option, then the Servicer must provide the valuation to the Borrower on behalf of Freddie Mac. In these cases, the communication from the Servicer to the Borrower transmitting the valuation must identify both the Servicer and Freddie Mac as providing the valuation.

### (a) Obtaining a property value via BPOdirect

For requirements on obtaining a property value via BPOdirect, refer to Section 2406.4.

### (b) Property values obtained via the Freddie Mac Real Estate Valuation and Pricing tool

Except for Mortgages secured by **properties subject to** resale restrictions (in accordance with Chapter 4502 or 4406, as applicable), the Servicer must obtain a property value through the Real Estate Valuation and Pricing tool (see Exhibit 88, Servicing Tools) for a Borrower being considered for a Standard Short Sale. Refer to Section 9208.5 for additional details on obtaining a short sale property value.

### (c) Obtaining an HVE® point value estimate

The Servicer may determine the value of the Mortgaged Premises by obtaining an HVE® point value estimate through one of Freddie Mac's HVE distributors where permitted under the Guide. Refer to Section 9206.8 for additional requirements on obtaining an automated property value for a modification. For detailed information on HVE and Freddie Mac's distributors, visit <http://www.freddie.com/hve/hve.html>.

Contact Freddie Mac with any questions about obtaining a property valuation (see **Directory 6**).

## 9202.18: Checking the status of orders for property valuations (06/21/17)

A Servicer may determine the status of its BPO order by accessing Freddie Mac's web site at <https://www.bpodirect.com> and entering the Freddie Mac loan number. Contact Freddie Mac with any questions about a BPO order (see **Directory 6**).

A Servicer may determine the status of the property valuation ordered in the Freddie Mac Service Loans application for the purposes of a Freddie Mac Standard Short Sale pursuant to Section 9202.17. (See also Section 9208.5 for details on obtaining a short sale property value via the Freddie Mac Service Loans application.)

## 9202.18: Checking the status of orders for property valuations (Future effective date 12/09/19)

A Servicer may determine the status of its BPO order by accessing Freddie Mac's web site at <https://www.bpodirect.com> and entering the Freddie Mac loan number. Contact Freddie Mac with any questions about a BPO order (see **Directory 6**).

A Servicer may determine the status of the property valuation ordered in the Freddie Mac **Real Estate Valuation and Pricing tool** (see **Exhibit 88, Servicing Tools**) for the purposes of a Freddie Mac Standard Short Sale pursuant to Section 9202.17. (See also Section 9208.5 for details on obtaining a short sale property value via the Freddie Mac **Real Estate Valuation and Pricing tool**.)

## 9202.19: Valuation costs (11/15/17)

Freddie Mac does not charge a fee for automated valuations. For all other valuations, the cost of the valuation depends on whether an interior or exterior valuation is conducted. Servicers should consult the chart below for further details related to the cost of the property valuations:

Purpose of valuation order	Valuation type	Cost
<ul style="list-style-type: none"><li>■ Short sale</li><li>■ Deed-in-lieu of foreclosure</li><li>■ Workout Mortgage assumption of a Mortgage secured by a 2- to 4-unit property, a Manufactured Home, a dwelling subject to a leasehold estate</li></ul>	Interior valuation with interior and exterior photographs	\$105

Purpose of valuation order	Valuation type	Cost
<p>or a <b>Cooperative Unit</b></p> <ul style="list-style-type: none"> <li>■ Determine value for cancellation of Borrower-paid mortgage insurance</li> </ul>		
<ul style="list-style-type: none"> <li>■ Modification of a Mortgage secured by a 1- to 4-unit property (not a Manufactured Home, a dwelling subject to a leasehold estate or a <b>Cooperative Unit</b>)  Note: A Servicer must not order a new BPO through BPOdirect<sup>®</sup> for a 1- or 2-unit property if the Servicer is required to use an available HVE<sup>®</sup> point value estimate or automated value in accordance with the requirements of Section 9206.8. (See Section 2406.4 regarding obtaining a property value via BPOdirect.)</li> <li>■ Modification of a Mortgage secured by a Manufactured Home, a dwelling subject to a leasehold estate or a <b>Cooperative Unit</b></li> <li>■ Workout Mortgage assumption of a Mortgage secured by a 1-unit property (not a Manufactured Home, a dwelling subject to a leasehold estate or a <b>Cooperative Unit</b>)  Note: A Servicer must not order a new BPO through BPOdirect for a 1-unit property if the Servicer is required to use an available automated value in accordance with the requirements of Section 9207.4. (See Section 2406.4 regarding obtaining a property value via BPOdirect.)</li> <li>■ Prepare bidding instructions for a foreclosure sale</li> <li>■ Determine value for a bankruptcy</li> </ul>	<p>Exterior valuation with exterior photographs</p>	<p>\$85</p>

## **9202.20: Remitting BPO cost reimbursements to Freddie Mac (03/02/16)**

### **(a) BPOs ordered for loss mitigation or foreclosure sale bidding**

For BPOs ordered for loss mitigation or foreclosure sale bidding, the Servicer must forward a check made payable to the Federal Home Loan Mortgage Corporation at the following address.

FREDDIE MAC  
P.O. BOX 730453  
Dallas, TX 75373-0453

Send overnight and courier deliveries to:

JP MORGAN CHASE  
Dallas National Wholesale LB TX 1-0029  
14800 Frye Road  
Fort Worth, TX 76155  
Attn: HomeSteps #73453

Whenever possible and if permitted by State law, the Servicer must collect the cost of any applicable BPOs from the Borrower if the Mortgage was fully reinstated, paid-off or modified pursuant to the modification requirements in Chapter 9206 or assumed under Freddie Mac's workout Mortgage assumption option in Chapter 9207. If the Servicer was unable to collect the cost of the BPO from the Borrower, it must document in the Mortgage file the reason it was unable to collect the funds. Freddie Mac will review the reasons for noncollection when it audits the Servicer's files.

If the Borrower is offering to fully reinstate the Mortgage and can pay all arrearages and costs, except for the cost of the BPO, the Servicer may reinstate the Mortgage without collecting the BPO cost. The Servicer is not required to remit the BPO funds to Freddie Mac, but must document the reason for nonremittance in the Mortgage file.

The Servicer may collect accrued late charges from the Borrower once all other arrearages and costs, including the BPO costs, are paid.

### **(b) BPOs ordered for Borrower-paid mortgage insurance cancellation**

For BPOs ordered for cancellation of Borrower-paid mortgage insurance, the Servicer will be billed for the cost of the BPO on its Performing Loans monthly Servicer Billing Statement. This cost must be paid in accordance with the requirements for remitting payment of fees billed on the Servicer's billing statement. Refer to Section 8303.6 for information on remitting fees billed on the Performing Loans monthly Servicer Billing Statement.

# Chapter 9203: Reinstatements and Relief Options

## 9203.1: Reinstatements and relief options (03/02/16)

The most desirable resolution to a Delinquency is reinstatement. Reinstatement is the act of restoring a delinquent Mortgage to current status. When the Servicer's collection efforts do not result in reinstatement of a delinquent Mortgage, the Servicer should consider offering the Borrower a relief option.

A relief option is an alternative to foreclosure that provides a Borrower with temporary relief or an opportunity to cure a Delinquency over a defined period of time.

If the Servicer has a Borrower whose situation does not meet Freddie Mac's relief option eligibility requirements, but the Servicer feels a relief option is still the best possible solution to cure the Delinquency, the Servicer must submit a request to Freddie Mac (**see Directory 5**) for Freddie Mac's review. The Servicer must use Form 105, Multipurpose Loan Servicing Transmittal, and explain why a relief option is the best solution to the Delinquency.

In lieu of having the Servicer or Borrower prepare, sign and send, return or submit paper documents necessary to process a reinstatement or relief option, the Servicer and Borrower may provide loss mitigation information and documents electronically. See Section 1401.17 for eligible documents and related requirements.

## 9203.2: General requirements for reinstatements and relief options (03/02/16)

For all reinstatements and relief options, the Servicer must:

1. Comply with the requirements of the FHA, VA, RHS or MI and obtain approval from the FHA, VA, RHS or MI, if applicable
2. Retain any written agreements in the Mortgage file
3. Within two Business Days of the date on which the Servicer receives a written request for payoff or reinstatement figures, the Servicer must provide complete, written figures as of the request date to the attorney, trustee, workout specialist or outsourcing vendor requesting the information.

For all reinstatements and relief options, the Servicer must not:

1. Demand payment of expenses from the Borrower in excess of the costs the Servicer actually incurred at the time the Borrower reinstates the Mortgage. These costs may not exceed Freddie Mac's approved expense amounts (see Exhibit 57A, Approved Attorney Fees and Title Expenses), unless the Servicer has obtained Freddie Mac's approval to exceed these amounts, which approval may be requested by submitting Form 105, Multipurpose Loan Servicing Transmittal, to Freddie Mac (**see Directory 5**) prior to incurring the expense.
2. Refuse to reinstate a Mortgage if the Borrower is unwilling or unable to pay a reinstatement or relief fee that is allowed by applicable law or the Purchase Documents. Among available options, the Servicer may defer collection of the fee until payoff of the Mortgage.
3. Charge the Borrower any of the costs itemized in Section 9701.15

## 9203.3: Types of reinstatement (10/09/19)

There are two types of reinstatement: full and partial.

### (a) Full reinstatement

A full reinstatement occurs when the Borrower restores a delinquent Mortgage to current status by paying the total delinquent amount, including advances, delinquent principal and interest, legal costs and other expenses incurred and that are past due under the Note and the Security Instrument.

The Servicer must not charge or collect from the Borrower an amount that exceeds the expense limits specified in Exhibit 57A, Approved Attorney Fees and Title Expenses, **except in cases where a higher expense amount is legally allowable and recoverable**. In addition, the payment must not include reimbursement for costs the Servicer incurred if applicable law prohibits collection of those costs from the Borrower.

### (b) Partial reinstatement

A partial reinstatement occurs when the Borrower makes at least one full contractual monthly payment on a delinquent Mortgage, but does not bring the Mortgage current. Servicers must report the loan level transaction in accordance with Section 8303.23.

### (c) Partial reinstatement and repayment plan

A partial reinstatement should be coupled with a repayment plan to restore a delinquent Mortgage to current status, **but doing so is not mandatory. When processing a repayment plan:**

1. The Borrower must pay an amount that (i) equals or exceeds at least one full contractual monthly payment on a delinquent Mortgage, and (ii) is less than the total delinquent amount due, including delinquent principal and interest,

advances, legal costs and other expenses incurred and that are past due under the Note and the Security Instrument;

2. The Borrower must agree to a repayment plan that provides for payment of the remaining arrearage, and a stipulation that suspends the foreclosure proceedings during the repayment plan and that allows the Servicer to recommence foreclosure at the point the foreclosure was suspended if the Borrower defaults on the repayment plan, unless otherwise prohibited by applicable law. (Note: Exhibit 93, Evaluation Model Clauses, includes a model repayment plan template and a model reinstatement template that the Servicer may combine and amend as necessary to comply with the requirements of this section and applicable law); and
3. The Servicer must not charge or collect from the Borrower an amount that exceeds the expense limits specified in Exhibit 57, 1- to 4-Unit Property Approved Expense Amounts, and Exhibit 57A **unless those amounts were approved by Freddie Mac**. In addition, the payment must not include reimbursement for costs the Servicer incurred if applicable law prohibits collection of those costs from the Borrower.

**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.**

## **9203.4: When to accept full reinstatement (03/02/16)**

The Servicer must accept full reinstatement of a Mortgage if the payment, in cash or certified funds, includes the total amount delinquent, accrued interest, unpaid principal, actual legal costs including any advances, other expenses incurred including the cost of a BPO, if applicable, inspection fees and accrued late charges. With the exception of inspection fees, regardless of expenses incurred, the Servicer must not charge the Borrower an amount that exceeds the expense limits specified in Exhibit 57A, Approved Attorney Fees and Title Expenses. In addition, the payment must not include reimbursement for costs the Servicer incurred if State law prohibits collection of those costs from the Borrower.

The Servicer must not refuse to accept a full reinstatement if the Borrower offers to pay all amounts due except for the cost of the BPO, inspection fees and accrued late charges. The Servicer may make arrangements with the Borrower to pay the late charges after the Mortgage is reinstated. If the Borrower can pay all arrearages, inspection fees and costs, except for the cost of the BPO, the Servicer is not required to collect the BPO cost from the Borrower or remit the cost of the BPO to Freddie Mac. The Servicer must document the reason for nonremittance of the BPO cost in the file.

The Servicer must collect the cost of the BPO before it can collect any accrued late charges.

## **9203.5: When to accept partial reinstatement of a Mortgage in foreclosure (01/01/19)**

The Servicer must accept partial reinstatement of a Mortgage referred to foreclosure if the following conditions are met.

1. The Borrower submits payment in cash or certified funds of:
  - (a) All outstanding legal fees and related expenses, in amounts not to exceed the expense limits specified in Exhibit 57A, Approved Attorney Fees and Title Expenses, and
  - (b) An amount equal to, at a minimum, the first payment due under the repayment plan
2. If there is an Escrow account on the Mortgage, the Borrower must enter into a repayment plan with the Servicer that includes an agreement to repay the remaining delinquent interest, principal and escrow (if applicable) and the scheduled monthly payments, in no more than 12 months from the date the Servicer receives the partial reinstatement funds. The repayment plan must be in writing if the plan exceeds three months. If the Mortgage was referred to foreclosure prior to extending the repayment plan, the Borrower must make the first payment under the agreement in order to accept the terms of the plan. If there is no Escrow account on the Mortgage, the Servicer must establish one if the repayment period exceeds three months (unless prohibited by applicable law) and then may extend the repayment period to no more than 18 months without Freddie Mac's approval.

The plan must state:

- (a) The amount of the partial reinstatement payment
- (b) The total amount to be repaid
- (c) Beginning and end dates of the repayment period
- (d) The exact amount of the repayment plan payment that will be added to the Borrower's regular monthly payment
- (e) That the Borrower must pay all scheduled monthly payments during the period of the repayment plan
- (f) That the Borrower must continue monthly payments according to the terms of the Note at the end of the plan
- (g) The Borrower agrees that the foreclosure proceedings are suspended during the repayment plan and that the Servicer is entitled to recommence foreclosure at the point the foreclosure was suspended if the Borrower defaults on the repayment plan



Exhibit 93, Evaluation Notices, includes a model repayment plan template and model reinstatement template that the Servicer may combine and amend as necessary to comply with the requirements of this section and applicable law.

3. The Borrower must submit information demonstrating his or her financial ability to make the:
  - (a) Partial reinstatement payment
  - (b) Repayment plan payments (including the scheduled monthly payment) on a monthly basis
  - (c) Monthly payments at the end of the repayment plan

At the end of the repayment plan, the Servicer may make arrangements with the Borrower to collect accrued late charges, inspection fees and the cost of the BPO. However, the payment must not include reimbursement for costs the Servicer incurred if State law prohibits collection of those costs from the Borrower.

If the Servicer or the Borrower propose a partial reinstatement plan that does not meet Freddie Mac's criteria, but the Servicer believes it will result in the Borrower's reinstatement of the Mortgage, the Servicer must submit the plan on Form 105, Multipurpose Loan Servicing Transmittal, to Freddie Mac (see **Directory 5**) for consideration.

## **9203.6: Reporting and processing the reinstatement (06/12/19)**

### **(a) Processing partial reinstatements and repayment plans**

The Servicer must also notify Freddie Mac via an EDR transmission within three Business Days of the month following the month in which it accepted the initial payment on a repayment plan or a partial reinstatement of a Mortgage that was reported in foreclosure in the previous month and needs to be moved to delinquent status from foreclosure status. The Servicer must include the following activity in the EDR transmission:

1. Default action code 12 (Repayment Plan) to indicate a repayment plan once the initial repayment plan payment is received. The Servicer must continue reporting this code for each month of the repayment period, except for the last month of the repayment period in which the Mortgage will be fully reinstated.
2. Default action code 20 (Reinstatement (Partial)) is only required if, as a result of the partial reinstatement without a repayment plan, the Servicer needs to change the Mortgage status from foreclosure to delinquent

3. Servicers should not report default action code 12 in the last month of the repayment period

The Servicer must continue to report the **default** action code 12 (**Repayment Plan**) for the Mortgage in its future monthly EDR transmissions, provided the Borrower is in compliance with the terms of the repayment plan, until the Mortgage has been fully reinstated (see above steps one through **three**), paid off or a workout completed.

If the Borrower fails to make a payment due under the repayment plan, the Servicer must discontinue reporting default action code 12 on its EDR transmission.

For additional information about EDR, refer to Section 9102.7.

If the Mortgage has been **inactivated** by Freddie Mac, the Servicer must report partial reinstatement in the Loan-Level Transaction as required in Section 8303.23.

#### **(b) Processing requirements**

If the Servicer accepts a full or partial reinstatement on a Mortgage that is or was in foreclosure, then it must process the transaction as follows:

1. Take all necessary actions to prevent additional foreclosure expenses from being incurred, if applicable
2. Pay any foreclosure expenses that were actually incurred
3. Apply any remaining funds to the Mortgage
4. Return the Note, if appropriate, with a paper copy of the original or electronic or system-generated version of Form 1036, Request for Physical or Constructive Possession of Documents, to the Document Custodian by certified mail. If one of Freddie Mac's Designated Custodians is holding the Note, submit the Note and any additional documentation, if required, as directed by the Designated Custodian. Seller/Servicers that use The Bank of New York Mellon Trust Company, N.A., as Designated Custodian, and use its web-based process will include a copy of the electronically generated 1036 Release Receipt Report when returning such items to the Designated Custodian. See Section 8107.1.

## **9203.7: Reimbursement of expenses related to reinstatements (06/05/17)**

If **applicable federal**, State or **local** law prohibits collection of incurred expenses (e.g., **legal fees and/or legal costs**) from the Borrower **upon reinstatement of the Mortgage**, Freddie Mac will reimburse **certain** expenses the Servicer incurs. (See Section 9701.5(f) **regarding unrecoverable expenses**.)

## 9203.8: What is a repayment plan? (03/02/16)

A repayment plan is an agreement between the Servicer and a Borrower that gives the Borrower a defined period of time to reinstate the Mortgage by paying normal regular payments plus an additional agreed upon amount in repayment of the Delinquency.

## 9203.9: Repayment plan requirements (01/01/19)

For a Borrower to enter into a repayment plan, the Borrower must have the financial capacity to bring the Mortgage current.

Any repayment plan must:

1. Lead to full reinstatement or payoff at the conclusion of the plan
2. Be in writing and must specify:
  - (a) The total amount to be repaid
  - (b) The beginning and end dates of the repayment period
  - (c) The exact amount of the repayment plan payment that will be added to the Borrower's regular monthly payment
  - (d) That the Borrower must pay all scheduled monthly payments during the period of the repayment plan
  - (e) That the Borrower must continue monthly payments according to the terms of the Note at the end of the plan
  - (f) That the Borrower agrees that the foreclosure proceedings are suspended during the repayment plan and that the Servicer is entitled to recommence foreclosure at the point the foreclosure was suspended if applicable, if the Borrower defaults on the repayment plan

Exhibit 93, Evaluation Notices, includes a model repayment plan that a Servicer may use and amend as necessary to comply with the requirements of this section and applicable law.

3. Be sent to the Borrower. The document does not have to be signed by the Borrower or returned to the Servicer as a condition of the repayment plan. However, the Borrower must make the first payment due if the Mortgage is in foreclosure at the time the repayment plan offer is extended in order to accept the terms of the plan. The repayment agreement must then contain a stipulation that the Servicer is entitled to recommence foreclosure at the point the foreclosure was suspended if the Borrower defaults on the repayment plan, unless otherwise prohibited by applicable law.

The Servicer must keep as part of the Mortgage file:

- (a) The repayment plan (do not send Freddie Mac a copy)
  - (b) The specifics of the repayment plan and the date the Servicer negotiated it with the Borrower
  - (c) When the Servicer sent it to the Borrower, if the plan exceeds three months
  - (d) The reason the Servicer agreed to the repayment plan
4. Have a term greater than one month and less than or equal to 12 months, unless a greater term is approved by Freddie Mac in writing or otherwise permitted for repayment of delinquent taxes, as outlined in Section 9203.10.

The repayment plan may include any accrued late charges due from the Borrower at the time the Servicer entered into the repayment plan with the Borrower. However, if the Borrower is paying as stipulated in the agreement, the Servicer must not accrue or collect late charges from the Borrower during the repayment plan. If the Borrower defaults on the terms of the repayment plan, late charge accrual may recommence from the date the Borrower defaulted on the plan.

## 9203.10: Servicer approval authority for repayment plans (10/19/17)

The Servicer must obtain Freddie Mac’s approval for a repayment plan that exceeds 12 months in duration unless the repayment plan includes the repayment of delinquent taxes. To obtain Freddie Mac’s approval, the Servicer must submit the following to Freddie Mac (see **Directory 5**):

- 1. Form 105, Multipurpose Loan Servicing Transmittal
- 2. The complete Borrower Response Package (see Section 9102.5 for a description of the Borrower Response Package)

The Servicer may approve a repayment plan that has a term greater than one month and less than or equal to 12 months without obtaining Freddie Mac’s approval, [as outlined in the table below](#):

For all repayment plans...	In addition, if...	Then...
<ul style="list-style-type: none"> <li>■ The monthly repayment plan payment amount must not exceed 150% of the contractual</li> </ul>	<ul style="list-style-type: none"> <li>■ The Mortgage is <b>less than or equal to 90 days delinquent;</b> <b>and</b></li> </ul>	<ul style="list-style-type: none"> <li>■ A Borrower Response Package is not required; however,</li> <li>■ Quality right party contact</li> </ul>

For all repayment plans...	In addition, if...	Then...
<p>mortgage payment (including taxes and insurance if the Servicer is collecting Escrow for such expenses)</p> <ul style="list-style-type: none"> <li>■ The Borrower may make a payment that is applied prior to the Servicer’s repayment plan evaluation (i.e., a Borrower may make a payment that may have a favorable impact to the repayment plan terms)</li> <li>■ The repayment plan must be in writing (refer to Section 9203.9 for complete requirements for the written notice)</li> </ul>	<ul style="list-style-type: none"> <li>■ The repayment plan term <b>does not exceed six months</b> in length</li> </ul>	<p>is required to verify that the Borrower has the financial capacity to bring the Mortgage current and cure the Delinquency as a result of the repayment plan</p>
	<ul style="list-style-type: none"> <li>■ The Mortgage is <b>greater than 90 days delinquent; or</b></li> <li>■ The repayment plan term <b>exceeds six months</b> in length</li> </ul>	<ul style="list-style-type: none"> <li>■ A Borrower Response Package is required</li> <li>■ Repayment plan terms that exceed 12 months in length must be submitted to Freddie Mac for review and approval</li> <li>■ The Servicer must evaluate the Borrower for a streamlined offer for a Freddie Mac Flex Modification<sup>®</sup> if the Mortgage is greater than 90 days delinquent. However, if the Servicer has established quality right party contact and verified that the Borrower has the financial capacity to bring the Mortgage current and cure the Delinquency as a result of a repayment plan, then the Servicer must offer the Borrower a repayment plan.</li> </ul>

In addition, if there is no Escrow account on the Mortgage for taxes, and taxes are not current or the Borrower has not entered into a repayment plan with the taxing jurisdiction, then the Servicer may approve a repayment plan of up to 18 months under the following conditions:

1. The Servicer must pay the delinquent taxes, and
2. The Servicer must set up an Escrow account for future taxes if the repayment period exceeds three months. In this case only, the Servicer may extend the repayment period to no more than 18 months.

The Servicer must document its reasons for approving a repayment plan in the Mortgage file.

## **9203.11: Reporting repayment plans (06/12/19)**

In accordance with Section 9102.7, the Servicer must notify Freddie Mac via an EDR transmission with specific repayment plan activity after the Servicer has entered into a repayment plan with a Borrower. To validate the repayment plan, the Servicer must receive a repayment plan payment. Upon receipt of payment, the Servicer must report default action code 12 (Repayment Plan) once the initial repayment plan payment is received. The Servicer must continue reporting this code for each month of the repayment period, except for the last month of the repayment period in which the Mortgage will be fully reinstated.

The Servicer must continue to report that the Borrower is in a repayment plan until the Borrower has fully reinstated the Mortgage or the Borrower defaults on the repayment plan.

If the Borrower fails to make a payment due under the repayment plan, the Servicer must discontinue reporting default action code 12.

For additional information about EDR, refer to Section 9102.7.

## **9203.12: What is forbearance? (01/01/19)**

A forbearance plan is a written agreement between the Servicer and the Borrower (or deceased Borrower's estate) that reflects the terms of the forbearance, including whether the Borrower may make either reduced or no monthly payments for a specific period of time. If the Servicer achieves quality right party contact and the Borrower meets the eligibility criteria for a forbearance plan in accordance with Section 9203.13, the Servicer must offer:

1. An initial forbearance term for a period of one to six months, and, if necessary
2. One or more forbearance term extensions of one to six months

The forbearance plan may not be extended beyond a date that would cause the Delinquency to exceed a cumulative total of 12 months of the Borrower's contractual monthly Mortgage payment, including taxes and insurance, if the Servicer is collecting Escrow for those expenses, without prior approval from Freddie Mac.

Prior to the expiration of the initial and any extension to the forbearance plan, the Servicer must evaluate the Borrower's eligibility for an extension of the initial forbearance plan based on quality right party contact. Each forbearance plan evaluation, including an evaluation for a forbearance plan extension, must be completed in accordance with all eligibility requirements described in this section and Sections 9203.13 through 9203.17. Additionally, there is no limit on the number of forbearance plans that an eligible Borrower can receive over the life of the Mortgage.

Exhibit 93, Evaluation Notices, includes forbearance agreements that a Servicer may use, but must amend, as necessary to comply with the requirements of this section, Sections 9203.13 through 9203.17 and applicable law.

At the end of the forbearance period, the Borrower must cure the Delinquency through one of the following options:

- Full reinstatement of the Mortgage
- Partial reinstatement followed by a repayment plan
- Payment of the Mortgage in full
- A repayment plan
- A loan modification or
- Pay off the Mortgage through a short sale or deed-in-lieu of foreclosure

A loan modification is a type of workout option that enables the Borrower to retain homeownership (see Section 9201.6). If the Borrower can no longer afford to retain the property, the Servicer must pursue a workout option to liquidate the Borrower's interest in the property (see Section 9201.6), such as a short sale, deed-in-lieu of foreclosure, a workout Mortgage assumption, or a simultaneous modification and assumption.

Refer to Chapters 9205 through 9210 for requirements on workout options.

Refer to Chapter 8404 for additional requirements for Borrowers and Mortgages secured by properties affected by a disaster.

## **9203.13: Requirements for a forbearance plan (12/01/18)**

### **(a) Borrower eligibility requirements for a forbearance plan**

To be eligible for a forbearance plan, the Borrower:

- Must have an eligible hardship as described in Section 9202.2 and Form 710, Mortgage Assistance Application. The Borrower's hardship may be verbally stated. The Servicer must report the hardship reason via EDR in accordance with Section 9102.7.
- May be either current or delinquent, but the forbearance plan must not result in an overall Mortgage Delinquency that exceeds 360 days (i.e., to be in an active forbearance plan, the Borrower must not have missed more than 12 contractual monthly Mortgage payments)

**NOTE:** No Borrower documentation or written application (e.g., Form 710 or a Servicer's customized equivalent of Form 710) is required from the Borrower; however, the Servicer

must achieve quality right party contact in accordance with the requirements in Section 9102.3(b).

**(b) Mortgage eligibility and exclusions for a forbearance plan**

Mortgages secured by the Borrower's Primary Residence, even if vacant, are eligible for forbearance.

The following Mortgages are ineligible for forbearance:

- Mortgages secured by abandoned or condemned properties
- Mortgages secured by second homes or Investment Properties

**(c) Forbearance plan agreement with the Borrower**

The Servicer must determine the terms of the forbearance agreement based on discussions with the Borrower. The forbearance agreement:

1. Must be provided to the Borrower in writing and signed by the Servicer. The document does not have to be signed by the Borrower or returned to the Servicer as a condition of the forbearance plan.
2. Must indicate the duration of the forbearance plan, including the effective date, the expiration date of the forbearance plan, and, if applicable, the due date of the first payment and the amount of such payment

Note: See Section 9203.13(c) for additional information about reduced payments (if applicable) under a forbearance plan.

3. Must state that, at the end of the forbearance period, the Borrower must either:
  - Cure the Delinquency through a full reinstatement, partial reinstatement plus repayment plan or a repayment plan, or payoff of the Mortgage, or
  - Submit a complete Borrower Response package to be evaluated for a workout option prior to the conclusion of the plan

Refer to Sections 9203.1 through 9203.11 for requirements on reinstatements and repayment plans, and to Chapters 9206 through 9210 for requirements on workout options.

4. Must state that foreclosure proceedings are suspended during the forbearance period so long as the Borrower complies with the forbearance agreement and that, unless prohibited by applicable law, the Servicer may recommence foreclosure at the point it was suspended if the Borrower defaults on the forbearance plan



5. May include a requirement to pay any accrued late charges due from the Borrower at the time the Servicer entered into the forbearance agreement with the Borrower. The Servicer must not accrue or collect late charges from the Borrower during the forbearance period, or any subsequent repayment plan period, if the Borrower is complying with the terms of such agreements. If the Borrower defaults on the terms of the forbearance agreement, late charge accrual may recommence from the date the Borrower defaulted on the agreement.
6. Must state, when applicable, that Borrowers in a permanent modification under the Home Affordable Modification Program<sup>SM</sup> (HAMP<sup>®</sup>) are not eligible for “Pay for Performance” incentives, including accrued but unearned incentives, if the Borrower loses good standing. (Refer to Section 9205.12 for additional information.)

**(d) Reduced payments under a forbearance plan**

If a monthly payment is required under the terms of a forbearance plan:

- Such payment must be less than the Borrower’s monthly contractual Mortgage payment, including, as applicable, principal, interest and Escrow payments
- The Servicer must receive such payment from the Borrower on or before the last day of the month in which it is due. If the Borrower fails to make timely forbearance payments, the forbearance plan must be canceled unless the Servicer determines that there are mitigating circumstances that caused the payment to be late.

If there are mitigating circumstances that prevents the Borrower from making the required reduced payment, the Servicer may determine whether to amend the forbearance plan to further reduce the required payment or allow the Borrower to make no payments under a new forbearance plan agreement.

If the Borrower fails to make timely payments and there are no mitigating circumstances, the Servicer must evaluate the Borrower for other alternatives to foreclosure (e.g., solicit the Borrower for a complete Borrower Response Package, conduct an evaluation for a streamlined offering of the Freddie Mac Flex Modification<sup>®</sup>) and otherwise, pursue foreclosure in accordance with Chapter 9301. The Servicer must use good business judgment to determine whether forbearance payments were received timely or if mitigating circumstances (such as a further reduction in income) caused the payment to be late. Exceptions to the timely payment requirement must be documented and retained in the Mortgage file.

## **9203.14: Contact requirements when transitioning from a forbearance plan (12/01/18)**

The Servicer has discretion to determine the appropriate frequency to contact the Borrower. However, the Servicer must initiate contact no later than 30 days prior to any forbearance plan end date. Borrower contact must continue until quality right party contact is achieved or until the forbearance plan has expired.

If quality right party contact is achieved, the Servicer must determine whether:

- The Borrower's hardship has been resolved;
- The Borrower intends to remain in the Mortgaged Premises;
- The Borrower must submit a complete Borrower Response Package to be evaluated for other workout or liquidation options; and
- The Borrower is eligible for a streamlined modification offer for a Freddie Mac Flex Modification<sup>®</sup> under Chapter 9206

The Servicer may use alternative outreach methods to contact the Borrower as permitted by applicable law including, but not limited to, e-mail, text messaging, voice response unit technology or a Servicer's web portal. In addition, the Servicer is authorized to mail, fax or electronically transmit the Borrower Solicitation Package or its equivalent to the Borrower.

If quality right party contact is not achieved, the Servicer must determine whether:

- To solicit the Borrower to submit a complete Borrower Response Package, and
- To offer the Borrower a streamlined offer for a Freddie Mac Flex Modification<sup>®</sup> under Chapter 9206, if eligible

## **9203.15: Borrowers in a Trial Period Plan (12/01/18)**

If a Borrower was in a Trial Period Plan prior to entering into a forbearance plan, the Borrower may be re-evaluated for a new Trial Period Plan within 30 days prior to or upon completion of the forbearance plan. The Servicer must not resume or restart the terms of the previous Trial Period Plan prior to the start of the forbearance plan. Instead, the Servicer must evaluate the Borrower based on the status of the Mortgage at the time of the new evaluation. If the Borrower meets all eligibility requirements upon completion of the forbearance plan and accepts a new Trial Period Plan offer, the Borrower will be required to start a new Trial Period Plan.

For any subsequent modification submissions, the Trial Period Plan prior to the start of the forbearance plan will not be considered a failed Trial Period Plan for a Flex Modification evaluation.

## 9203.16: Forbearance plan termination (12/01/18)

The forbearance plan must be terminated if:

- The Servicer determines that the Borrower has failed to meet the terms specified in the forbearance plan agreement
- Any of the eligibility criteria for the forbearance plan is no longer satisfied
- The Servicer becomes aware that the Borrower's hardship is resolved; or
- The Borrower requests termination of the forbearance plan

## 9203.17: Other forbearance plan conditions and requirements (12/01/18)

This section describes other requirements for processing a forbearance plan:

- EDR
- Mortgages subject to recourse
- Credit reporting
- Servicer procedures

### (a) Notifying Freddie Mac of forbearance plans via EDR

At the end of the forbearance plan, the Servicer must work with the Borrower to cure the Delinquency via a reinstatement or repayment plan, or by completing a workout option. The Servicer must evaluate the Borrower in accordance with the loss mitigation hierarchy described in Section 9201.2 and must also comply with the appropriate EDR reporting requirement to inform Freddie Mac about the solution entered into. For example, if the Servicer enters into a repayment plan with the Borrower, the Servicer must report the repayment plan via EDR according to Section 9203.11.

For additional information about EDR, refer to Section 9102.7, or to the relevant Guide Section that describes EDR reporting for a specific loss mitigation option.

### (b) Forbearance plans for Mortgages subject to recourse

For Mortgages subject to recourse including, but not limited to indemnification, Servicers are strongly encouraged, but not required, to consider eligible Borrowers for a forbearance plan. Entering into a forbearance agreement (whether approved by Freddie Mac or the Servicer) does not waive, delete, alter or supersede any recourse or indemnification requirements set forth in the Servicer's Purchase Documents and any other documents containing recourse or

indemnification obligations, and such recourse or indemnification obligations will remain in full force and effect.

**(c) Credit reporting for Mortgages in a forbearance plan**

Servicers must continue to report a “full-file” status to the four major credit repositories for each Mortgage in a forbearance plan in accordance with the Fair Credit Reporting Act and credit bureau standards as provided by the Consumer Data Industry Association. See Exhibit 51, Credit Repositories and Information to Report.

**(d) Servicer policy and procedures for forbearance plans**

The Servicer must have written forbearance plan policies and procedures describing how to:

- Determine the Borrower’s hardship
- Determine whether to require a reduced payment and any payment amount; and
- Document the Servicer’s decision-making process, including, but not limited to, its application of discretion or business judgement

The Servicer must consistently apply these policies and procedures.

## **9203.18: Borrower requirements for long-term forbearance (12/01/18)**

Effective December 1, 2018, Section 9203.18 is deleted.

## **9203.19: Long-term forbearance requirements (12/01/18)**

Effective December 1, 2018, Section 9203.19 is deleted.

## **9203.20: Servicer approval authority for long-term forbearance (12/01/18)**

Effective December 1, 2018, Section 9203.20 is deleted.

## **9203.21: Reporting long-term forbearance plans (12/01/18)**

Effective December 1, 2018, Section 9203.21 is deleted.

## **9203.22: Unemployment forbearance (12/01/18)**

Effective December 1, 2018, Section 9203.22 is deleted.

## **9203.23: Short-term unemployment forbearance (12/01/18)**

Effective December 1, 2018, Section 9203.23 is deleted.

## **9203.24: Extended unemployment forbearance (12/01/18)**

Effective December 1, 2018, Section 9203.24 is deleted.

# Chapter 9204: Freddie Mac Workout Options

## 9204.1: Freddie Mac workout options (03/02/16)

Servicers must evaluate Borrowers in accordance with the Freddie Mac loss mitigation evaluation hierarchy set forth in Section 9201.2. The evaluation hierarchy states the order in which a Servicer is to evaluate a Borrower for Freddie Mac's available workout options which include mortgage modifications, workout mortgage assumptions, short sales, deeds-in-lieu of foreclosure and charge-offs.

If a Borrower's situation does not meet all the requirements for a particular workout option, but the Servicer believes that the workout option is still the best solution to the Delinquency, then the Servicer may submit a recommendation and rationale for the recommendation to Freddie Mac for review, in accordance with the submission procedures in this chapter.

## 9204.2: Servicer approval authority for workouts (10/01/17)

Freddie Mac Servicers are delegated to approve the following:

- A Freddie Mac Flex Modification, which is a modification that meets the requirements of Section 9206.2 and Sections 9206.5 through 9206.18, in accordance with the requirements of the Guide or other Purchase Documents. Refer to Sections 1301.2(h) and 9206.5 for additional information about delegated authority and adverse action notice requirements.
- A Capitalization and Extension Modification for Disaster Relief that meets the requirements of Section 9206.4
- A Freddie Mac Standard Short Sale ("short sale"), including the Streamlined Short Sale, that meets the requirements of Sections 9208.1 through 9208.8. All other short sales must be submitted to Freddie Mac for review and approval.
- A Freddie Mac Standard Deed-in-Lieu of Foreclosure ("deed-in-lieu of foreclosure"), including the Streamlined Deed-in-Lieu of Foreclosure, that meets the requirements of Sections 9209.2 through 9209.8. All other deeds-in-lieu of foreclosure must be submitted to Freddie Mac for review and approval.

For all other workouts in the Guide, the Servicer must submit its recommendation for a workout to Freddie Mac (**see Directory 5**) for review. Additionally, if the Mortgage is an FHA, VA or RHS Mortgage, the Servicer must obtain approval from the FHA, RHS, or VA, if applicable. The Servicer must also obtain any necessary approvals from the MI for any workout on a Mortgage with mortgage insurance.

## **9204.3: Freddie Mac's rights related to workout options (08/17/16)**

Freddie Mac's approval or settlement of a workout does not limit its right to review the Mortgage file and invoke its remedies under the Guide. If Freddie Mac's review of the Mortgage file discloses any failure to comply with the Guide or any other Purchase Documents, Freddie Mac has the right to require the Servicer to:

1. Compensate Freddie Mac and hold it harmless for any loss, damage or expense (including court costs, attorney fees and incentive payments) that Freddie Mac sustains
2. Repurchase Freddie Mac's interest in the Mortgage at any time under any of the circumstances outlined in Sections 3602.2 and 3602.3

## **9204.4: Steps for processing a workout recommendation (03/02/16)**

The following are the required steps for completing a workout:

- The Servicer must collect and analyze the required documentation and information in accordance with this chapter and Chapter 9202
- If the Servicer does not have delegated authority to approve the workout, the Servicer must submit the required documentation and its recommendation to Freddie Mac for review. Freddie Mac will review the documentation and the Servicer's recommendation and advise the Servicer of its decision. The Servicer must ensure that all approval conditions are met.
- If the Servicer does have delegated authority to approve the workout, the Servicer must evaluate the Borrower and process the workout in accordance with the Guide and other Purchase Documents
- The Servicer must perform all activities required for closing a workout within Freddie Mac's required time frames

Closing a workout is the process to complete a workout transaction. Closing includes a settlement transaction (if applicable), recording any required documents with the appropriate government jurisdiction, timely and accurately reporting the transaction to Freddie Mac, remitting all funds collected as part of the workout to Freddie Mac, and ensuring that Freddie Mac receives the Servicer's request for reimbursement of any allowable expenses within 30 days of the settlement date.

In addition to the steps described above, the Servicer must comply with the following requirements when submitting a workout solution via Workout Prospector<sup>®</sup> for approval and

closing in Freddie Mac's systems, regardless of whether the workout was approved under the Servicer's delegated authority or approved by Freddie Mac through the exception process.

**(a) Accuracy of data**

Workout Prospector requires the submission of specific data elements in order to return a suggested workout solution. The Servicer represents and warrants that all data input into Workout Prospector is true, complete and accurately entered into the system.

**(b) Delegation of authority to the Servicer**

The Servicer may not deem Freddie Mac to have reviewed the terms of any approved workout solution for compliance with the Servicer's obligations under the Guide or other Purchase Documents or to have approved any workout or their terms based on the Servicer's use of Workout Prospector including, without limitation:

- Workout Prospector's generation of terms for any retention or liquidation solution,
- Freddie Mac's settlement in its systems of any retention or liquidation solution entered into by the Servicer under its delegated authority or expanded delegated authority in accordance with a Freddie Mac approval of an exception, or
- Freddie Mac's notification that the modification or liquidation transaction has been processed in Freddie Mac's systems via the Loan Modifications processed report or the Charge Off processed report, respectively

**(c) Use of Servicer proprietary system**

The Servicer may use a proprietary system or a third-party system to generate the terms of a Freddie Mac retention or liquidation option; however, Freddie Mac data also must be entered in its entirety into Workout Prospector. When relying on a proprietary or a third-party system, Servicers must ensure that the results comply with the underwriting requirements of this chapter, and are the same as the results reflected in Workout Prospector prior to sending the appropriate Borrower Evaluation Notice or modification agreement, if applicable, to the Borrower. If the results reflected in Workout Prospector are different than the Servicer's results, the Servicer must update the data in Workout Prospector to ensure that it matches the terms of the retention or liquidation solution, which, in turn must accurately reflect the underwriting requirements of this chapter, prior to sending the appropriate Borrower Evaluation Notice or modification agreement, if applicable, to the Borrower.



## 9204.5: Borrower documentation for workout options (03/02/16)

Generally, all Borrowers must submit a complete Borrower Response Package in order to be considered for a workout option under this chapter, unless otherwise specified. Section 9102.5 describes the contents of a Borrower Response Package.

## 9204.6: Servicer compensation for alternatives to foreclosure (10/01/17)

Servicers are eligible to receive compensation for completing certain alternatives to foreclosure. These amounts are incentives and are not considered to be base servicing compensation. Freddie Mac may change these incentive payments at any time.

### (a) Compensation for settled workouts and successful repayment plans

For eligible settled workouts and successful repayment plans, the Servicer will be compensated as follows:

Workout/ Relief Type	Incentive Amount	Comments
<b>Freddie Mac Flex Modification and Capitalization and Extension Modification for Disaster Relief</b>	<b>\$1,600</b> Mortgages that were current or less than or equal to 120 days delinquent at the time of the Trial Period Plan Effective Date	Incentive amount is based on the Borrower's Delinquency at the time of the Trial Period Plan Effective Date. Payment of incentive is contingent upon the modification settlement occurring within two months of the Trial Period end date and compliance with all eligibility, underwriting, documentation, closing and reporting requirements in Chapter 9206. Servicers will not receive an incentive if the Mortgage has been modified more than three times.  Note: In the event the Servicer chooses to use an interim month following the Trial Period, the Trial Period end date is the last day of the month prior to that interim month; otherwise, the Trial Period end date is the last day of the month prior to the month in which the first modified payment is due.
	<b>\$1,200</b> Mortgages that were 121 to 210 days delinquent at the time of the Trial Period Plan Effective Date	
	<b>\$400</b> Mortgages that were greater than 210 days delinquent at the time of the Trial Period Plan Effective Date	

<b>Workout/ Relief Type</b>	<b>Incentive Amount</b>	<b>Comments</b>
<b>Freddie Mac Standard Short Sale and Make-Whole Preforeclosure Sales</b>	<b>\$2,200</b>	
<b>Freddie Mac Standard Deed-in-Lieu of Foreclosure ("DIL")</b>	<b>\$1,500</b>	
<b>Repayment Plans</b>	<b>\$500</b>	<p>To qualify for the repayment plan incentive, the following conditions must be met:</p> <ul style="list-style-type: none"> <li>■ The Mortgage was 60 or more days delinquent at the time the Borrower entered into the repayment plan</li> <li>■ The Borrower completely reinstated or paid off the Mortgage</li> <li>■ The Servicer reported the repayment plan to Freddie Mac via EDR as specified in Section 9203.11</li> </ul>

Refer to Section 9205.12 for Servicer compensation related to workout activities completed under the Home Affordable Modification Program.

The Servicer is not eligible to receive compensation if:

- The Mortgage was sold to Freddie Mac with recourse
- The Mortgage is insured by the FHA
- The Mortgage is guaranteed by the VA or RHS
- The Mortgage is subject to indemnification

**(b) Paying compensation**

Servicers must elect to receive these funds via the Automated Clearing House (ACH) by following the steps outlined in Exhibit 98, Expense Reimbursement/Incentive Payment

Authorization Agreement for ACH Credits. (See Section 2405.1 for delivery instructions for Exhibit 98.)

Freddie Mac will track all workouts a Servicer settles on a monthly basis. Freddie Mac will also send the loan detail for all of the eligible workouts the Servicer settled and successful repayment plans that occurred during the period for which the Servicer is being compensated. Freddie Mac considers a workout settled when Freddie Mac has received and successfully processed the documentation and received the remittance and transmission(s) specified below.

<b>Documentation/Transmission</b>	<b>Mortgage Modification</b>	<b>Short Sale Payoff</b>	<b>Deed-in-Lieu of Foreclosure</b>
Completion and transmission of loan modification settlement data in Workout Prospector®	Required		
Mortgage paid in full-prepaid (Note: Servicers should remit only the net proceeds due to Freddie Mac for a short sale payoff)		Required	
Completion and transmission of short sale settlement data in Workout Prospector		Required	
The original negotiated promissory note(s), if applicable		Required	Required
Borrower cash contribution, if applicable		Required	Required
Foreclosure sale/DIL to report the acquisition of the property and loan-level transaction to report Mortgage as a transfer to REO			Required

Freddie Mac will determine if a Servicer is entitled to compensation for a successful repayment plan of a Mortgage that was 60 or more days delinquent based on the information the Servicer transmits to Freddie Mac via EDR and the Servicer's monthly loan-level reporting as follows. The Servicer must have:

1. Informed Freddie Mac that the Borrower has entered into a repayment plan (default action code 12)
2. Notified Freddie Mac that the Mortgage is current or is paid in full

## **9204.7: Prohibition of certain Borrower fees; non-refusal of workout options due to late charges (03/02/16)**

The Servicer may not charge any additional fees to the Borrower other than those provided for in Freddie Mac's relief and workout options. The Servicer may not refuse to consider a workout option or require payment of accrued late charges as a condition of doing a workout.

## **9204.8: Mortgage insurance claims (03/02/16)**

Freddie Mac will file a claim for loss with the MI if the Mortgage is covered by mortgage insurance and Freddie Mac will manage the claims payment process with the MI. The Servicer must provide all information and documentation pertaining to the claim to the MI no later than 60 days after the foreclosure sale, short sale or acceptance of a deed-in-lieu of foreclosure, or within any shorter time frame as specified by the mortgage insurance master policy or by Freddie Mac.

If the MI reduces, suspends or denies the claim due to the Servicer's actions or inactions including, but not limited to, failure to comply with the Guide or applicable mortgage insurance requirements, then Freddie Mac may exercise its remedies provided by the Guide and the other Purchase Documents for the amount that is reduced, suspended or denied. Refer to Chapter 3602 regarding repurchases, repurchase alternatives and other remedies.

# Chapter 9205: Home Affordable Modification Program

## 9205.1: Home Affordable Modification Program overview (04/11/18)

This chapter provides Servicing requirements with respect to those Borrowers who received a modification under the Home Affordable Modification Program<sup>SM</sup> (HAMP<sup>®</sup>). Servicers may no longer evaluate Borrowers for a HAMP Trial Period Plan or enter into a HAMP modification agreement with a Borrower.

The following topics are covered in this chapter (some topics may have been deleted due to HAMP retirement):

Topic	Section
HAMP documentation (deleted)	9205.2
Delegation of authority and HAMP waivers, Supplemental Directives, Frequently Asked Questions and issues logs	9205.3
Eligibility (deleted)	9205.4
Step-Rate Mortgages	9205.5
Verification of eligibility (deleted)	9205.6
Determining imminent default (deleted)	9205.7
Underwriting the Borrower (deleted)	9205.8
Modification process (deleted)	9205.9
Foreclosure actions and Borrowers in bankruptcy (deleted)	9205.10
Other general requirements	9205.11
HAMP incentives	9205.12
Special investor reporting and remitting requirements	9205.13

Topic	Section
HAMP activity reporting requirements	9205.14
Disclosures and communications with Borrowers (deleted)	9205.15
Fair treatment and legal compliance	9205.16
Responsiveness to Borrower inquiries	9205.17
Compliance	9205.18
Special requirements for Mortgages with a second mortgage lien (deleted)	9205.19
Electronic Transactions	9205.20

## 9205.2: HAMP documentation (04/11/18)

Effective April 11, 2018, this section is deleted.

## 9205.3: Delegation of authority and HAMP waivers, Supplemental Directives, Frequently Asked Questions and issues logs (04/11/18)

### (a) Delegation of authority

Unless otherwise notified by Freddie Mac, all Servicers are required to honor the terms of any modification of a Mortgage under this chapter and comply with any continuing obligations with respect to such HAMP modified Mortgages as set forth in this chapter.

### (b) HAMP waivers, Supplemental Directives, Frequently Asked Questions and responses to issues logs

#### ■ Temporary waivers issued by Treasury

The Program Administrator may post temporary HAMP waivers on <https://www.HMPadmin.com>. Unless Freddie Mac otherwise notifies Servicers in writing, Servicers may implement such waivers, but in doing so must comply with the terms of such waivers when Servicing Mortgages for Freddie Mac.

- **Permanent waivers, Supplemental Directives, Frequently Asked Questions and responses to issues logs**

The Program Administrator may publish permanent HAMP waivers, Supplemental Directives and Supplemental Documentation - Frequently Asked Questions on <https://www.HMPadmin.com> or separately respond to a non-Government Sponsored Enterprise (GSE) servicer's questions. Unless Freddie Mac otherwise notifies Servicers in writing, Servicers **must not** follow or implement the requirements and guidance provided by the Program Administrator when Servicing Mortgages for Freddie Mac. Servicers are directed to pose all questions regarding Freddie Mac's HAMP requirements solely to Freddie Mac personnel, except for technical questions related to uploading data to the Program Administrator's HAMP Reporting Tool as set forth in Section 9205.14.

## **9205.4: Eligibility for HAMP (04/11/18)**

Effective April 11, 2018, this section is deleted.

## **9205.5: Step-Rate Mortgages modified under HAMP (04/11/18)**

For Borrowers with Step-Rate Mortgages:

- Refer to Section 8501.2 for general Borrower communication requirements
- Refer to Section 9206.5 for Freddie Mac Flex Modification<sup>®</sup> evaluation requirements; and
- Refer to Section 9102.5 for Flex Modification solicitation requirements

## **9205.6: Verification of eligibility for HAMP (04/11/18)**

Effective April 11, 2018, this section is deleted.

## **9205.7: Determining imminent default (04/11/18)**

Effective April 11, 2018, this section is deleted.

## **9205.8: Underwriting the Borrower for HAMP (04/11/18)**

Effective April 11, 2018, this section is deleted.

## **9205.9: Modification process for HAMP (04/11/18)**

Effective April 11, 2018, this section is deleted.

## **9205.10: Foreclosure actions and Borrowers in bankruptcy (04/11/18)**

Effective April 11, 2018, this section is deleted.

## **9205.11: Other general requirements related to HAMP (10/01/18)**

This section provides information on the following topics:

- Retention of existing credit enhancements required
- Additional requirements for Mortgages with mortgage insurance
- Servicing Spread
- Other requirements for Mortgages modified under HAMP
- Administrative costs/fees
- Reservation of rights to invoke remedies
- Transfers of Servicing
- Reimbursement of expenses
- Document retention requirements

### **(a) Retention of existing credit enhancements required**



Except for Mortgages subject to full recourse, with respect to Servicers that have approved HAMP modifications on Mortgages with in-place credit enhancements, if the Servicer is not the credit enhancement provider, the Servicer must maintain in its Mortgage file or its Servicing system the written approval it obtained under the terms of the credit enhancement from the entity providing the enhancement.

## **(b) Additional requirements for Mortgages with mortgage insurance**

### **MI approval of mortgage modifications**

Servicers are reminded that they must comply with all requirements of applicable mortgage insurance policies when Servicing Freddie Mac-owned Mortgages. Servicers must service all Mortgages, including any Mortgage to be modified in accordance with the terms of HAMP, so as to preserve and not to impair existing mortgage insurance coverage.

Servicers should always consult the applicable MI for specific processes related to the reporting of modified terms, payment of premiums, and other operational matters in connection with Mortgages modified under HAMP and to determine compliance with mortgage insurance requirements, including the existence of and compliance with the terms of any delegation of authority.

### **Application of mortgage insurance premium payment**

Servicers should consult directly with any MI regarding mortgage insurance premium payment calculations in connection with a Mortgage modified under HAMP.

### **Cancellation of Borrower-paid mortgage insurance**

Servicers must accurately determine any automatic cancellation of Borrower-paid mortgage insurance or Borrower-requested cancellation of Borrower-paid mortgage insurance in accordance with Chapter 8203. For the purpose of canceling mortgage insurance on a modified Mortgage (HPA Mortgage, [Non-HPA Mortgage](#) or Pre-HPA Mortgage, [as those terms are defined in Section 8203.1](#)), see the requirements in [Section 8203.5](#).

## **(c) Servicing Spread**

The Servicing Spread the Servicer retains on the Mortgage once modified will be as specified in Section 9206.13. For Mortgages with a partial principal forbearance, the Servicing Spread is based on the interest-bearing UPB.

## **(d) Other requirements for Mortgages modified under HAMP**

- If a Mortgage that is not subject to a due-on-sale provision received a modification under HAMP, the Borrower agreed in the Home Affordable Modification Agreement (Form 3157 (rev. 10/10)) that the modification canceled the assumability feature of that Mortgage

- If a Mortgage modified under HAMP is subject to an upcoming interest rate adjustment as a result of the modification, the Servicer must notify the Borrower in accordance with the requirements in Chapter 8501
- If a Mortgage modified under HAMP is subject to an upcoming HAMP Year Six Pay for Performance incentive, the Servicer must comply with the Borrower notification requirements in Section 9205.12(b)
- If a Mortgage modified under HAMP becomes at least 60 days delinquent within 12 months following the first payment due date resulting from an interest rate adjustment, the Servicer must comply with the Freddie Mac Flex Modification<sup>®</sup> eligibility requirements in Section 9206.5, and with the Flex Modification solicitation requirements in Section 9102.5

**(e) Reservation of rights to invoke remedies**

Notwithstanding the terms of this chapter and Freddie Mac’s delegation of authority to Servicer to approve modifications under HAMP, Freddie Mac reserves its rights to exercise any remedies provided by the Guide and the other Purchase Documents, including, but not limited to, refund of any previously paid incentives and expense reimbursements. Refer to Chapter 3602 regarding repurchases, repurchase alternatives and other remedies that may be exercised by Freddie Mac due to failure to comply with any selling or Servicing representation or warranty or requirement of the Guide or other Purchase Documents. See Section 9205.14 for the Servicer’s obligation to cancel any records in the HAMP Reporting Tool to ensure that the Treasury’s system of record does not reflect Freddie Mac as the owner or investor for any repurchased Mortgage.

With respect to a repurchased HAMP-modified Mortgage, the Servicer takes all rights and obligations of the Mortgage, including the obligation to pay Borrower “Pay for Performance” incentives on eligible Mortgages as set forth in the HAMP Trial Period Plan.

**(f) Transfers of Servicing**

When a Transfer of Servicing includes Mortgages modified under HAMP, the Transferor Servicer must provide special notification to the Transferee Servicer. Specifically, the Transferor Servicer must advise the Transferee Servicer that Mortgages modified under HAMP are part of the portfolio being transferred and must confirm that the Transferee Servicer is aware of and agrees to assume the additional responsibilities associated with the Servicing of these Mortgages.

If the portfolio being transferred includes Mortgages modified under HAMP, the Transferor Servicer must so indicate in the Service Loans application as part of its request for Freddie Mac’s approval for the Subsequent Transfer of Servicing. In addition, the Servicer must indicate whether the transfer includes modified Mortgages that have a step-rate provision

(i.e., the interest rate is subject to incremental increases beginning in year 6 of the modification) or a partial principal forbearance.

If the portfolio being transferred includes Mortgages that have been modified electronically, the Transferor Servicer must so indicate that the Modification Agreement is electronic, provide a list of such Mortgages and indicate the name of the repository holding the eModification Agreement.

Additionally, Servicers must follow the Program Administrator's standardized process for the Transfer of Servicing rights related to all HAMP Mortgages as outlined on <https://www.HMPadmin.com>, except that, the Transferor Servicer first must obtain approval from Freddie Mac for the Transfer of Servicing on a Mortgage or modified under HAMP before notifying the Program Administrator of the proposed Transfer of Servicing.

Servicers must comply with all other requirements with respect to Transfers of Servicing provided under Chapter 7101.

#### **(g) Document retention requirements**

Servicers must retain all documents and information received during the process of determining Borrower eligibility for a modification under HAMP, including the Borrower Response Package, total monthly Mortgage payment and total monthly gross debt payment calculations, NPV calculations and results (Treasury NPV Model and version used, assumptions, inputs and outputs), evidence of the Servicer's application of each step of the waterfall, Escrow analysis, Escrow advances, and Escrow set up. Servicers must retain all documents and information related to the monthly payments during and after the Trial Period, as well as incentive payment calculations and such other required documents.

All documents, records, data and information required to be maintained by the Servicer under this Chapter 9205 are, will be, and will remain at all times, the property of Freddie Mac. The Servicer must retain such documents, records, data and information in a custodial capacity and otherwise comply with the Mortgage file retention requirements set forth in Chapter 3302. All documents required to be maintained under this Chapter 9205 must be maintained in the Mortgage file.

As it relates to imminent default, a Servicer must have documented in its servicing system the basis for its determination that a Borrower is in imminent default and retain all documentation and data used to reach its conclusion. The Servicer's documentation must also include any Imminent Default Indicator<sup>®</sup> input and output files and data.

Servicers must retain detailed records of Borrower solicitations or Borrower-initiated inquiries regarding HAMP, the outcome of the evaluation for modification under HAMP and specific justification with supporting details if the Borrower was determined to be ineligible for a modification under HAMP.

Servicers must maintain appropriate documentary evidence of their HAMP-related activities, including, but not limited to, the following:

- The Servicer's process for pre-screening non-performing Mortgages against the basic HAMP requirements
- All HAMP-related communications, whether verbal or written, with or to the Borrower or person identified in a written authorization by the Borrower and provided to the Servicer in accordance with Section 9102.5(c) (Authorized Person) (including, but not limited to, the dates of communications, names of contact person(s), and a summary of the conversation), including any e-mail correspondence to or from the Borrower or Authorized Person
- Phone contact with Borrowers or Authorized Persons relating to HAMP
- Policies and procedures that include HAMP-related activities
- Training materials relating to HAMP
- Pre-screening of Mortgages for HAMP prior to referring any Mortgage to foreclosure or conducting scheduled foreclosure sales
- Postponement of scheduled foreclosure sales in applicable scenarios
- Substitution of income documents for Borrowers in active Chapter 7 or Chapter 13 bankruptcy
- Certification prior to foreclosure sale
- Evidence of receipt of the Borrower Response Package from a Borrower
- Any reports, memoranda, or other documentation relating to HAMP
- The decision-making process when applying good business judgment in accordance with HAMP and, where applicable, referencing the Servicer's associated policies and procedures

With respect to phone contact with Borrowers or Authorized Persons related to HAMP, well-documented Servicer system notes (including, but not limited to date, names of contact persons, and a summary of the conversation) constitute appropriate documentation. Written correspondence should be retained in the Mortgage file and made available upon request by Freddie Mac.

Records must also be retained to document the reason(s) for a Borrower's failure to successfully complete the Trial Period. If a HAMP modification is not pursued because the NPV test result is negative, the Servicer must document its consideration of other alternatives

to foreclosure. If a Borrower under a HAMP modification loses good standing by becoming 90 days or more past due (e.g., three monthly payments are due and unpaid on the last day of the third month), the Servicer must retain documentation of its consideration of the Borrower for other loss mitigation alternatives.

With respect to requirements related to the request for Borrower and co-Borrower information for government monitoring purposes, the Servicer must retain the appropriate documentation in the Mortgage file.

Servicers must retain required documents for the period set forth in Section 3302.3.

If the Mortgage is subject to an indemnification agreement, the Servicer must remit to Freddie Mac an annual payment for the amount of all modification-related costs (e.g., interest rate shortfall) as calculated by Freddie Mac pursuant to Freddie Mac's "Modification Loss Amount" methodology. The Modification Loss Amounts due will be calculated on a monthly basis and billed on an annual basis 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. Modification Loss Amounts will be determined by Freddie Mac in accordance with a process described in Bulletins 2016-5 and 2017-1.

NOTE: Pursuant to Section 9204.6, the Servicer is not eligible to receive an incentive for completing a modification on a Mortgage that is subject to an indemnification agreement.

## **9205.11: Other general requirements related to HAMP (Future effective date 12/09/19)**

This section provides information on the following topics:

- Retention of existing credit enhancements required
- Additional requirements for Mortgages with mortgage insurance
- Servicing Spread
- Other requirements for Mortgages modified under HAMP
- Administrative costs/fees
- Reservation of rights to invoke remedies
- Transfers of Servicing
- Reimbursement of expenses

- Document retention requirements

**(a) Retention of existing credit enhancements required**

Except for Mortgages subject to full recourse, with respect to Servicers that have approved HAMP modifications on Mortgages with in-place credit enhancements, if the Servicer is not the credit enhancement provider, the Servicer must maintain in its Mortgage file or its Servicing system the written approval it obtained under the terms of the credit enhancement from the entity providing the enhancement.

**(b) Additional requirements for Mortgages with mortgage insurance**

**MI approval of mortgage modifications**

Servicers are reminded that they must comply with all requirements of applicable mortgage insurance policies when Servicing Freddie Mac-owned Mortgages. Servicers must service all Mortgages, including any Mortgage to be modified in accordance with the terms of HAMP, so as to preserve and not to impair existing mortgage insurance coverage.

Servicers should always consult the applicable MI for specific processes related to the reporting of modified terms, payment of premiums, and other operational matters in connection with Mortgages modified under HAMP and to determine compliance with mortgage insurance requirements, including the existence of and compliance with the terms of any delegation of authority.

**Application of mortgage insurance premium payment**

Servicers should consult directly with any MI regarding mortgage insurance premium payment calculations in connection with a Mortgage modified under HAMP.

**Cancellation of Borrower-paid mortgage insurance**

Servicers must accurately determine any automatic cancellation of Borrower-paid mortgage insurance or Borrower-requested cancellation of Borrower-paid mortgage insurance in accordance with Chapter 8203. For the purpose of canceling mortgage insurance on a modified Mortgage (HPA Mortgage, Non-HPA Mortgage or Pre-HPA Mortgage, as those terms are defined in Section 8203.1), see the requirements in Section 8203.5.

**(c) Servicing Spread**

The Servicing Spread the Servicer retains on the Mortgage once modified will be as specified in Section 9206.13. For Mortgages with a partial principal forbearance, the Servicing Spread is based on the interest-bearing UPB.

#### **(d) Other requirements for Mortgages modified under HAMP**

- If a Mortgage that is not subject to a due-on-sale provision received a modification under HAMP, the Borrower agreed in the Home Affordable Modification Agreement (Form 3157 (rev. 10/10)) that the modification canceled the assumability feature of that Mortgage
- If a Mortgage modified under HAMP is subject to an upcoming interest rate adjustment as a result of the modification, the Servicer must notify the Borrower in accordance with the requirements in Chapter 8501
- If a Mortgage modified under HAMP is subject to an upcoming HAMP Year Six Pay for Performance incentive, the Servicer must comply with the Borrower notification requirements in Section 9205.12(b)
- If a Mortgage modified under HAMP becomes at least 60 days delinquent within 12 months following the first payment due date resulting from an interest rate adjustment, the Servicer must comply with the Freddie Mac Flex Modification<sup>®</sup> eligibility requirements in Section 9206.5, and with the Flex Modification solicitation requirements in Section 9102.5

#### **(e) Reservation of rights to invoke remedies**

Notwithstanding the terms of this chapter and Freddie Mac's delegation of authority to Servicer to approve modifications under HAMP, Freddie Mac reserves its rights to exercise any remedies provided by the Guide and the other Purchase Documents, including, but not limited to, refund of any previously paid incentives and expense reimbursements. Refer to Chapter 3602 regarding repurchases, repurchase alternatives and other remedies that may be exercised by Freddie Mac due to failure to comply with any selling or Servicing representation or warranty or requirement of the Guide or other Purchase Documents. See Section 9205.14 for the Servicer's obligation to cancel any records in the HAMP Reporting Tool to ensure that the Treasury's system of record does not reflect Freddie Mac as the owner or investor for any repurchased Mortgage.

With respect to a repurchased HAMP-modified Mortgage, the Servicer takes all rights and obligations of the Mortgage, including the obligation to pay Borrower "Pay for Performance" incentives on eligible Mortgages as set forth in the HAMP Trial Period Plan.

#### **(f) Transfers of Servicing**

When a Transfer of Servicing includes Mortgages modified under HAMP, the Transferor Servicer must provide special notification to the Transferee Servicer. Specifically, the Transferor Servicer must advise the Transferee Servicer that Mortgages modified under HAMP are part of the portfolio being transferred and must confirm that the Transferee Servicer is aware of and agrees to assume the additional responsibilities associated with the Servicing of these Mortgages.

If the portfolio being transferred includes Mortgages modified under HAMP, the Transferor Servicer must so indicate in the [Servicing Transfer Manager tool \(see Exhibit 88, Servicing Tools\)](#) as part of its request for Freddie Mac's approval for the Subsequent Transfer of Servicing. In addition, the Servicer must indicate whether the transfer includes modified Mortgages that have a step-rate provision (i.e., the interest rate is subject to incremental increases beginning in year 6 of the modification) or a partial principal forbearance.

If the portfolio being transferred includes Mortgages that have been modified electronically, the Transferor Servicer must so indicate that the eModification Agreement is Electronic ([as defined in Section 1402.1](#)), provide a list of such Mortgages and indicate the name of the repository holding the eModification Agreement.

Additionally, Servicers must follow the Program Administrator's standardized process for the Transfer of Servicing rights related to all HAMP Mortgages as outlined on <https://www.HMPadmin.com>, except that, the Transferor Servicer first must obtain approval from Freddie Mac for the Transfer of Servicing on a Mortgage or modified under HAMP before notifying the Program Administrator of the proposed Transfer of Servicing.

Servicers must comply with all other requirements with respect to Transfers of Servicing provided under Chapter 7101.

#### **(g) Document retention requirements**

Servicers must retain all documents and information received during the process of determining Borrower eligibility for a modification under HAMP, including the Borrower Response Package, total monthly Mortgage payment and total monthly gross debt payment calculations, NPV calculations and results (Treasury NPV Model and version used, assumptions, inputs and outputs), evidence of the Servicer's application of each step of the waterfall, Escrow analysis, Escrow advances, and Escrow set up. Servicers must retain all documents and information related to the monthly payments during and after the Trial Period, as well as incentive payment calculations and such other required documents.

All documents, records, data and information required to be maintained by the Servicer under this Chapter 9205 are, will be, and will remain at all times, the property of Freddie Mac. The Servicer must retain such documents, records, data and information in a custodial capacity and otherwise comply with the Mortgage file retention requirements set forth in Chapter 3302. All documents required to be maintained under this Chapter 9205 must be maintained in the Mortgage file.

As it relates to imminent default, a Servicer must have documented in its servicing system the basis for its determination that a Borrower is in imminent default and retain all documentation and data used to reach its conclusion. The Servicer's documentation must also include any Imminent Default Indicator<sup>®</sup> input and output files and data.



Servicers must retain detailed records of Borrower solicitations or Borrower-initiated inquiries regarding HAMP, the outcome of the evaluation for modification under HAMP and specific justification with supporting details if the Borrower was determined to be ineligible for a modification under HAMP.

Servicers must maintain appropriate documentary evidence of their HAMP-related activities, including, but not limited to, the following:

- The Servicer's process for pre-screening non-performing Mortgages against the basic HAMP requirements
- All HAMP-related communications, whether verbal or written, with or to the Borrower or person identified in a written authorization by the Borrower and provided to the Servicer in accordance with Section 9102.5(c) (Authorized Person) (including, but not limited to, the dates of communications, names of contact person(s), and a summary of the conversation), including any e-mail correspondence to or from the Borrower or Authorized Person
- Phone contact with Borrowers or Authorized Persons relating to HAMP
- Policies and procedures that include HAMP-related activities
- Training materials relating to HAMP
- Pre-screening of Mortgages for HAMP prior to referring any Mortgage to foreclosure or conducting scheduled foreclosure sales
- Postponement of scheduled foreclosure sales in applicable scenarios
- Substitution of income documents for Borrowers in active Chapter 7 or Chapter 13 bankruptcy
- Certification prior to foreclosure sale
- Evidence of receipt of the Borrower Response Package from a Borrower
- Any reports, memoranda, or other documentation relating to HAMP
- The decision-making process when applying good business judgment in accordance with HAMP and, where applicable, referencing the Servicer's associated policies and procedures

With respect to phone contact with Borrowers or Authorized Persons related to HAMP, well-documented Servicer system notes (including, but not limited to date, names of contact persons, and a summary of the conversation) constitute appropriate documentation. Written

correspondence should be retained in the Mortgage file and made available upon request by Freddie Mac.

Records must also be retained to document the reason(s) for a Borrower's failure to successfully complete the Trial Period. If a HAMP modification is not pursued because the NPV test result is negative, the Servicer must document its consideration of other alternatives to foreclosure. If a Borrower under a HAMP modification loses good standing by becoming 90 days or more past due (e.g., three monthly payments are due and unpaid on the last day of the third month), the Servicer must retain documentation of its consideration of the Borrower for other loss mitigation alternatives.

With respect to requirements related to the request for Borrower and co-Borrower information for government monitoring purposes, the Servicer must retain the appropriate documentation in the Mortgage file.

Servicers must retain required documents for the period set forth in Section 3302.3.

If the Mortgage is subject to an indemnification agreement, the Servicer must remit to Freddie Mac an annual payment for the amount of all modification-related costs (e.g., interest rate shortfall) as calculated by Freddie Mac pursuant to Freddie Mac's "Modification Loss Amount" methodology. The Modification Loss Amounts due will be calculated on a monthly basis and billed on an annual basis 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. Modification Loss Amounts will be determined by Freddie Mac in accordance with a process described in Bulletins 2016-5 and 2017-1.

NOTE: Pursuant to Section 9204.6, the Servicer is not eligible to receive an incentive for completing a modification on a Mortgage that is subject to an indemnification agreement.

## **9205.12: HAMP incentives (10/09/19)**

**Refer to Bulletins 2019-18, 2019-19 and 2019-21, which announced the availability of Freddie Mac Servicing Data Corrections. Servicers may use the application prior to the implementation of the December 9, 2019 version of this section.**

No incentives of any kind will be paid if the Borrower is ineligible for HAMP, such as where the Borrower's Current Monthly Housing Expense-to-income ratio starts below 31% prior to the implementation of HAMP. The calculation and payment of all incentive compensation will be based strictly on the Borrower's verified income. No incentives of any kind will be paid, or, if paid, will be subject to recoupment from the Servicer, if the Servicer fails to comply with the requirements set forth in this Chapter 9205 or other relevant Guide chapters.

### **(a) Servicer incentives**

Freddie Mac will pay Servicers incentives for completing a HAMP modification, in lieu of any other workout compensation provided under the Guide, depending on the Borrower's Delinquency status as of the Trial Period Plan Effective Date, among other requirements, as follows:

Number of Days Delinquent at Trial Period Plan Effective Date	Incentive Amount
Less than or equal to 120 days delinquent (150 days from DDLPI)	\$2,100
121 days or more delinquent to and including 210 days delinquent (151 to 240 days from DDLPI)	\$1,700
Greater than 210 days delinquent (greater than 240 days from DDLPI)	\$900

**Note:** Modified Mortgages insured by the FHA or guaranteed by the VA or RHS are not eligible for the incentives described above.

Incentives for a completed HAMP modification will be considered earned when the Borrower has made timely payments under the Trial Period Plan and, both the Borrower and the Servicer have executed the Modification Agreement. Payment of incentive is contingent upon the modification settlement occurring within two months of the Trial Period end date.

**(b) Borrower incentives**

Two distinct types of Pay for Performance incentives will be available to eligible Borrowers, and some Borrowers may earn both types of incentives. The first type of Pay for Performance incentive will be available during years one through five under HAMP, and will be accrued on a monthly basis based on the number of months a Borrower remains current under the Trial Period Plan and Modification Agreement. The second type of Pay for Performance incentive will be available to certain Borrowers at the conclusion of year six under HAMP, and will be paid in one lump sum. Pay for Performance incentives must be earned in accordance with the requirements described below.

**(i) HAMP Pay for Performance incentive for years one through five**

This incentive can be earned if a Borrower's modified monthly PITIAS Payment results in at least a 6% reduction from the Current Monthly Housing Expense payment used to determine eligibility. Annual Pay for Performance incentives will be:

- Equal to the lesser of (i) \$1,000 (\$83.33/month) or (ii) one-half the reduction in the Borrower's annualized monthly Mortgage payment to be applied as a principal balance reduction payment

- Accrued monthly for each month the Mortgage remains current (including timely payments during the Trial Period and any interim month) for five years from the Trial Period Plan Effective Date or until the Mortgage is paid off, whichever occurs earlier, provided no incentive will accrue for any late Mortgage payment. However, in instances where the Servicer elected to add an interim month and establish the due date of the first modified payment as the first day of the second month following the final Trial Period month, the Borrower will not be entitled to accrue the Pay for Performance incentive for the interim month if the Borrower does not submit funds in an amount that is at least equivalent to the Trial Period payment during the interim month.
- Considered earned if, as of the anniversary of the Trial Period Plan Effective Date, (i) the Mortgage has not been paid off and (ii) the Borrower has not lost good standing by becoming 90 days or more past due on the modified Mortgage (e.g., three monthly payments are due and unpaid on the last day of the third month) prior to any payment anniversary. Once a Borrower has lost good standing, that Borrower is ineligible for future incentive payments even if, thereafter, the Borrower becomes less than 90 days past due.
- Paid to the Servicer annually in the month of the anniversary of the Trial Period Plan Effective Date and must be applied as described below to the Borrower's account upon receipt

Note: Freddie Mac will not provide Pay for Performance incentives on modified Mortgages insured by the FHA or guaranteed by the VA or RHS.

The Servicer must apply the HAMP Pay for Performance incentive as a principal curtailment in accordance with the following requirements:

<b>If the HAMP Pay for Performance incentive...</b>	<b>Then the Servicer must apply the HAMP Pay for Performance incentive...</b>
Is less than the interest-bearing UPB	To the interest-bearing UPB
Is greater than or equal to the interest-bearing UPB	In the following order, to the: <ol style="list-style-type: none"> <li>1. Deferred UPB, if any, and then</li> <li>2. Interest-bearing UPB</li> </ol> <p>Note: After applying the incentive in the above order, the Servicer must remit any remaining incentive payment directly to the Borrower.</p>

Servicers are not required to reamortize the Borrower's Mortgage balance to reduce the Mortgage payment as a result of the application of this incentive to the UPB.

If a Borrower's Pay for Performance incentive is due to be paid when the Borrower is delinquent, but still in good standing on the payment date, the Borrower's incentive should continue to be applied as a curtailment to the interest-bearing UPB.

Servicers should prepare and send to the Borrower information on a monthly basis regarding the accrual of Pay for Performance principal balance reduction payments. Servicers are encouraged to incorporate this information into the Borrower's monthly statements.

## **(ii) HAMP Year Six Pay for Performance incentive**

This incentive is a lump sum principal balance reduction payment in the amount of \$5,000 for Borrowers with a First Lien Mortgage modified under HAMP. To be eligible for the HAMP Year Six Pay for Performance incentive, the Borrower must first submit a Dodd-Frank Certification (DFC), a form containing information requested by the federal government, or its Freddie Mac equivalent, Form 720, Real Estate Fraud Certification, on or before the later of (i) the sixth anniversary of the Trial Period Plan Effective Date, or (ii) January 1, 2016. The Servicer may, but is not required to, include Form 720 when mailing the Modification Agreement to the Borrower when converting to a permanent modification as part of the HAMP modification process.

The Year Six Pay for Performance incentive will be:

- A one-time, lump sum principal balance reduction payment in the amount of \$5,000; and
- Considered earned if, as of the sixth anniversary of the Trial Period Plan Effective Date, (i) the Mortgage has not been paid off, and (ii) the Borrower has not lost good standing by becoming 90 or more days past due on the modified Mortgage (e.g., three monthly payments are due and unpaid on the last day of the third month) prior to the payment anniversary. Once a Borrower has lost good standing, that Borrower is ineligible for future incentive payments, including the Year Six Pay for Performance incentive, even if, thereafter, the Borrower becomes less than 90 days past due; and
- Payable to the Servicer in the month of the sixth anniversary of the Trial Period Plan Effective Date or in accordance with Bulletin 2015-1 and Bulletin 2015-14, and must be applied as described below to the Borrower's account upon receipt

Note: Freddie Mac will not provide Pay for Performance incentives on modified Mortgages insured by the FHA or guaranteed by the VA or RHS.

The Servicer must apply the HAMP Year Six Pay for Performance incentive as a principal curtailment in accordance with the following requirements:

If the HAMP Pay for Performance incentive...	Then the Servicer must apply the HAMP Pay for Performance incentive...
Is less than the interest-bearing UPB	To the interest-bearing UPB
Is greater than or equal to the interest-bearing UPB	<p>In the following order, to the:</p> <ol style="list-style-type: none"> <li>1. Deferred UPB, if any, and then</li> <li>2. Interest-bearing UPB</li> </ol> <p>Note: After applying the incentive in the above order, the Servicer must remit any remaining incentive payment directly to the Borrower.</p>

If a Borrower’s Pay for Performance incentive is due to be paid when the Borrower is delinquent, but still in good standing on the payment date, the Borrower’s incentive should continue to be applied as a curtailment to the interest-bearing UPB.

For each Borrower who receives the HAMP Year Six Pay for Performance incentive, the Servicer must maintain the following in the Mortgage file:

- Evidence of the Borrower’s performance and monthly payments to retain good standing as of the sixth anniversary of the Trial Period Plan Effective Date, and
- A copy of the date-stamped and executed DFC, or its Freddie Mac equivalent, Form 720, and
- All documents and information related to receipt of the incentive payment and application thereof to the applicable Freddie Mac Mortgage

**(iii) Borrower Year Six Pay for Performance notification requirements**

The Servicer must provide written notice to a HAMP Borrower who is in good standing in order to inform the Borrower of the opportunity to earn this additional incentive and to solicit the Borrower for an executed Form 720 or DFC. The Servicer may send a notice or notices at its discretion at any time leading up to the 150<sup>th</sup> day prior to the fifth anniversary of the HAMP Modification Effective Date. If the Servicer has successfully obtained an executed Form 720 or DFC from the Borrower, then the Servicer is not required to send any additional notifications to the Borrower under this section. However, if by the 150<sup>th</sup> day before the fifth anniversary of the HAMP Modification Effective Date,

the executed Form 720 or DFC has not been received, the Servicer must take the following actions:

<b>If at least one incentive notification...</b>	<b>Then the Servicer must provide...</b>
<b>Has been sent</b>	At least one additional notice no later than 60 days prior to the fifth anniversary of the HAMP Modification Effective Date
<b>Has not been sent</b>	At least two written notices as early as the 150 <sup>th</sup> and no later than the 60 <sup>th</sup> day prior to the fifth anniversary of the HAMP Modification Effective Date.  NOTE: These two written notices, if applicable, must be sent at least 30 days apart.

### **Notification content**

Each notice to the Borrower must describe the incentive and notify the Borrower that he/she must remain in good standing in order to be eligible to receive the incentive. In addition, each notice must include Form 720 (if Form 720 or a DFC has not already been collected) and must indicate that the Borrower must sign and return the form as a condition of eligibility for the incentive. The Servicer may include or incorporate the incentive notice with other required notices, including the required notification of an initial step-rate adjustment pursuant to the requirements of Chapter 8501, if applicable. The Servicer may also include some or all of the information described below pertaining to the Borrower's opportunity to reamortize the Mortgage on or after the sixth anniversary of the HAMP Modification Effective Date.

### **(c) Execution of Form 720**

All Borrowers and any other signatory to the Security Instrument must sign Form 720 or its equivalent, the DFC, except the following:

- A Borrower, co-Borrower or any signatory to the Security Instrument who is deceased, as evidenced by a death certificate, or an obituary or newspaper article reporting the death
- A Borrower, co-Borrower or any signatory to the Security Instrument who is divorced or legally separated from another party, as evidenced by a divorce decree signed by the court or court filed separation agreement, except for the Borrower or co-Borrower retaining possession and title to the property
- A Borrower, co-Borrower or any signatory to the Security Instrument who is unrelated by marriage, civil union or similar domestic partnership under applicable law and who

purchased or owned the property and has since vacated and no longer occupies the property, provided the remaining Borrower submits a copy of a recorded quit claim deed evidencing that the departed party has relinquished all rights to the property; or

- Any signatory to a Security Instrument who is not a Borrower obligated on the Note provided the Security Instrument contains a provision that authorizes any Borrower to modify the terms of the Security Instrument or the Note without such signatory's consent

**(d) Offer the Borrower the opportunity to reamortize the Mortgage**

If the Borrower is in good standing and may be eligible for the HAMP Year Six Pay for Performance incentive, the Servicer must offer to reamortize the Borrower's UPB, excluding deferred principal, over the remaining term of the Mortgage. The Servicer must provide at least one written notification to an eligible Borrower of the opportunity to reamortize the Mortgage as early as the 120<sup>th</sup> day and no later than the 60<sup>th</sup> day prior to the sixth anniversary of the HAMP Modification Effective Date. Provided the same conditions are consistently applied to all evaluations, the Servicer may, but is not required to, offer to reamortize the Mortgage if the Mortgage was reamortized within the previous 12 months, and may condition the recast upon:

- The Mortgage being current at the time of the reamortization, and/or
- The Borrower receiving the HAMP Year Six Pay for Performance incentive

The offer must provide the Borrower with at least 30 but no more than 180 days from the date of the notice to accept the offer. The reamortization must be completed at no cost to the Borrower. The Servicer may include or incorporate the reamortization offer with other notices, including the required notification of a second step-rate adjustment pursuant to the requirements of Chapter 8501, if applicable.

In addition, the Servicer may leverage the **Treasury Model MHA Recast Notice** when preparing the notice to the Borrower, but in all cases the notification must:

- Specify changes to the payment schedule as a result of the recast and the total interest to be paid during the remaining term of the Mortgage after the sixth anniversary of the HAMP Modification Effective Date, both with and without the effect of the recast, and
- Include the Servicer's contact information and instruct the Borrower to contact the Servicer if the Borrower has questions or concerns about the new payments

If the Borrower has not responded to the initial notification of the opportunity to reamortize the Mortgage, then the Servicer must provide an additional notification to the Borrower. The method of this additional communication is at the Servicer's discretion (e.g., mail, telephone, etc.) provided the Servicer makes at least one additional attempt to contact the Borrower. The Servicer must provide an amortization schedule if requested by the Borrower.



The Servicer must determine, in its discretion, subject to compliance with applicable law, whether to require:

- A fully-executed written modification agreement, or
- A Servicer-executed modification agreement

The Servicer must send a copy of the modification agreement to Freddie Mac (**see Directory 3**) by the last Business Day of the month of the effective date of the new payment. If the number of Mortgages that the Servicer is modifying in accordance with this section exceeds a total of ten in a given month, then the Servicer must complete and attach Form 1102, Modified Principal and Interest Payment, with its submission to Freddie Mac.

Freddie Mac will update its systems with the newly modified principal and interest payment as set forth in the modification agreement. The Servicer must also report the new payment in accordance with the requirements in Chapter 8303.

The Servicer warrants that with respect to any modification agreement completed under this section, that the modified Mortgage retains its First Lien position and is fully enforceable at the time of modification, throughout its modified term and during any bankruptcy or foreclosure proceeding involving the Mortgage.

Freddie Mac's execution of any document submitted by the Servicer does not imply that it has reviewed the document for legal adequacy. This is the Servicer's responsibility. When required by local law or practice, the Servicer must obtain the consent of any statutory or contractual lienholder and binding confirmation by the title insurer that no loss in priority of the lien is incurred. The Servicer must make any necessary recordation. To the extent of local law and practice, the Servicer may require the Borrower to reimburse the Servicer's costs and pay expenses incurred in preparing or recording the modification agreement.

The Servicer must send one original modification agreement to the Document Custodian in accordance with the timing and other requirements of Section 9206.17; except for any Mortgage that is modified using a Servicer-executed modification agreement, the Servicer must send such agreement to the Document Custodian within 25 days of the Modification Effective Date. The Servicer must refer to Section 8103.7 for Freddie Mac's accounting requirements regarding this subject.

Principal curtailments can be made any Business Day of the month and must be applied no later than the day on which the curtailment is received. To determine the interest due for the next monthly payment, multiply the UPB by the interest rate of the Mortgage and divide by 12.

#### **(e) Payment process**

Servicer and Borrower incentives will be paid via the Program Administrator's payment process. Incentive payments will be paid in one lump sum payment for all incentives due for

the month via Automated Clearing House (ACH) on the 27<sup>th</sup> of the month or on the business day prior to the 27<sup>th</sup>, if the 27<sup>th</sup> falls on a weekend or a holiday.

The Program Administrator will provide Servicers with a Cash Payment Summary Report that includes the compensation amount on a loan-level basis and identifies Freddie Mac as the payor. The report is accessible via the HAMP reporting secure web site at <https://hamp.lpsappliedanalytics.com>, one business day before the compensation is deposited into Servicer accounts.

In the event of an overpayment of amounts paid for Servicer and/or Borrower incentives, Servicers must reimburse Freddie Mac in accordance with the Program Administrator's or Freddie Mac's instructions.

If there is a discrepancy between amounts paid for Servicer and/or Borrower incentives and Freddie Mac's records, Servicers must work with Freddie Mac and the Program Administrator, as necessary, to resolve such discrepancies. For inquiries or disputes on incentive payments, the Servicer should contact the Program Administrator directly at [MHA\\_Comp@fanniemae.com](mailto:MHA_Comp@fanniemae.com) or complete the HAMP Incentive Inquiry Request form located on <https://www.HMPadmin.com>. If the Servicer submits a loan-level inquiry to the Program Administrator related to an incentive dispute or correction on a Freddie Mac Mortgage, the Servicer must copy Freddie Mac on such an inquiry via e-mail to [WKOUT\\_HAMP\\_RECON@freddiemac.com](mailto:WKOUT_HAMP_RECON@freddiemac.com). (Refer to Section 9205.13 for additional information on the process for correcting previously applied Borrower incentive payments.)

## **9205.12: HAMP incentives (Future effective date 12/09/19)**

No incentives of any kind will be paid if the Borrower is ineligible for HAMP, such as where the Borrower's Current Monthly Housing Expense-to-income ratio starts below 31% prior to the implementation of HAMP. The calculation and payment of all incentive compensation will be based strictly on the Borrower's verified income. No incentives of any kind will be paid, or, if paid, will be subject to recoupment from the Servicer, if the Servicer fails to comply with the requirements set forth in this Chapter 9205 or other relevant Guide chapters.

### **(a) Servicer incentives**

Freddie Mac will pay Servicers incentives for completing a HAMP modification, in lieu of any other workout compensation provided under the Guide, depending on the Borrower's Delinquency status as of the Trial Period Plan Effective Date, among other requirements, as follows:

<b>Number of Days Delinquent at Trial Period Plan Effective Date</b>	<b>Incentive Amount</b>
Less than or equal to 120 days delinquent (150 days from DDLPI)	\$2,100
121 days or more delinquent to and including 210 days delinquent (151 to 240 days from DDLPI)	\$1,700
Greater than 210 days delinquent (greater than 240 days from DDLPI)	\$900

**Note:** Modified Mortgages insured by the FHA or guaranteed by the VA or RHS are not eligible for the incentives described above.

Incentives for a completed HAMP modification will be considered earned when the Borrower has made timely payments under the Trial Period Plan and, both the Borrower and the Servicer have executed the Modification Agreement. Payment of incentive is contingent upon the modification settlement occurring within two months of the Trial Period end date.

**(b) Borrower incentives**

Two distinct types of Pay for Performance incentives will be available to eligible Borrowers, and some Borrowers may earn both types of incentives. The first type of Pay for Performance incentive will be available during years one through five under HAMP, and will be accrued on a monthly basis based on the number of months a Borrower remains current under the Trial Period Plan and Modification Agreement. The second type of Pay for Performance incentive will be available to certain Borrowers at the conclusion of year six under HAMP, and will be paid in one lump sum. Pay for Performance incentives must be earned in accordance with the requirements described below.

**(i) HAMP Pay for Performance incentive for years one through five**

This incentive can be earned if a Borrower’s modified monthly PITIAS Payment results in at least a 6% reduction from the Current Monthly Housing Expense payment used to determine eligibility. Annual Pay for Performance incentives will be:

- Equal to the lesser of (i) \$1,000 (\$83.33/month) or (ii) one-half the reduction in the Borrower’s annualized monthly Mortgage payment to be applied as a principal balance reduction payment
- Accrued monthly for each month the Mortgage remains current (including timely payments during the Trial Period and any interim month) for five years from the Trial Period Plan Effective Date or until the Mortgage is paid off, whichever occurs earlier, provided no incentive will accrue for any late Mortgage payment. However, in

instances where the Servicer elected to add an interim month and establish the due date of the first modified payment as the first day of the second month following the final Trial Period month, the Borrower will not be entitled to accrue the Pay for Performance incentive for the interim month if the Borrower does not submit funds in an amount that is at least equivalent to the Trial Period payment during the interim month.

- Considered earned if, as of the anniversary of the Trial Period Plan Effective Date, (i) the Mortgage has not been paid off and (ii) the Borrower has not lost good standing by becoming 90 days or more past due on the modified Mortgage (e.g., three monthly payments are due and unpaid on the last day of the third month) prior to any payment anniversary. Once a Borrower has lost good standing, that Borrower is ineligible for future incentive payments even if, thereafter, the Borrower becomes less than 90 days past due.
- Paid to the Servicer annually in the month of the anniversary of the Trial Period Plan Effective Date and must be applied as described below to the Borrower’s account upon receipt

Note: Freddie Mac will not provide Pay for Performance incentives on modified Mortgages insured by the FHA or guaranteed by the VA or RHS.

The Servicer must apply the HAMP Pay for Performance incentive as a principal curtailment in accordance with the following requirements:

<b>If the HAMP Pay for Performance incentive...</b>	<b>Then the Servicer must apply the HAMP Pay for Performance incentive...</b>
Is less than the interest-bearing UPB	To the interest-bearing UPB
Is greater than or equal to the interest-bearing UPB	In the following order, to the: <ol style="list-style-type: none"> <li>1. Deferred UPB, if any, and then</li> <li>2. Interest-bearing UPB</li> </ol> Note: After applying the incentive in the above order, the Servicer must remit any remaining incentive payment directly to the Borrower.

Servicers are not required to reamortize the Borrower’s Mortgage balance to reduce the Mortgage payment as a result of the application of this incentive to the UPB.

If a Borrower's Pay for Performance incentive is due to be paid when the Borrower is delinquent, but still in good standing on the payment date, the Borrower's incentive should continue to be applied as a curtailment to the interest-bearing UPB.

Servicers should prepare and send to the Borrower information on a monthly basis regarding the accrual of Pay for Performance principal balance reduction payments. Servicers are encouraged to incorporate this information into the Borrower's monthly statements.

## **(ii) HAMP Year Six Pay for Performance incentive**

This incentive is a lump sum principal balance reduction payment in the amount of \$5,000 for Borrowers with a First Lien Mortgage modified under HAMP. To be eligible for the HAMP Year Six Pay for Performance incentive, the Borrower must first submit a Dodd-Frank Certification (DFC), a form containing information requested by the federal government, or its Freddie Mac equivalent, Form 720, Real Estate Fraud Certification, on or before the later of (i) the sixth anniversary of the Trial Period Plan Effective Date, or (ii) January 1, 2016. The Servicer may, but is not required to, include Form 720 when mailing the Modification Agreement to the Borrower when converting to a permanent modification as part of the HAMP modification process.

The Year Six Pay for Performance incentive will be:

- A one-time, lump sum principal balance reduction payment in the amount of \$5,000; and
- Considered earned if, as of the sixth anniversary of the Trial Period Plan Effective Date, (i) the Mortgage has not been paid off, and (ii) the Borrower has not lost good standing by becoming 90 or more days past due on the modified Mortgage (e.g., three monthly payments are due and unpaid on the last day of the third month) prior to the payment anniversary. Once a Borrower has lost good standing, that Borrower is ineligible for future incentive payments, including the Year Six Pay for Performance incentive, even if, thereafter, the Borrower becomes less than 90 days past due; and
- Payable to the Servicer in the month of the sixth anniversary of the Trial Period Plan Effective Date or in accordance with Bulletin 2015-1 and Bulletin 2015-14, and must be applied as described below to the Borrower's account upon receipt

Note: Freddie Mac will not provide Pay for Performance incentives on modified Mortgages insured by the FHA or guaranteed by the VA or RHS.

The Servicer must apply the HAMP Year Six Pay for Performance incentive as a principal curtailment in accordance with the following requirements:

If the HAMP Pay for Performance incentive...	Then the Servicer must apply the HAMP Pay for Performance incentive...
Is less than the interest-bearing UPB	To the interest-bearing UPB
Is greater than or equal to the interest-bearing UPB	<p>In the following order, to the:</p> <ol style="list-style-type: none"> <li>1. Deferred UPB, if any, and then</li> <li>2. Interest-bearing UPB</li> </ol> <p>Note: After applying the incentive in the above order, the Servicer must remit any remaining incentive payment directly to the Borrower.</p>

If a Borrower's Pay for Performance incentive is due to be paid when the Borrower is delinquent, but still in good standing on the payment date, the Borrower's incentive should continue to be applied as a curtailment to the interest-bearing UPB.

For each Borrower who receives the HAMP Year Six Pay for Performance incentive, the Servicer must maintain the following in the Mortgage file:

- Evidence of the Borrower's performance and monthly payments to retain good standing as of the sixth anniversary of the Trial Period Plan Effective Date, and
- A copy of the date-stamped and executed DFC, or its Freddie Mac equivalent, Form 720, and
- All documents and information related to receipt of the incentive payment and application thereof to the applicable Freddie Mac Mortgage

**(iii) Borrower Year Six Pay for Performance notification requirements**

The Servicer must provide written notice to a HAMP Borrower who is in good standing in order to inform the Borrower of the opportunity to earn this additional incentive and to solicit the Borrower for an executed Form 720 or DFC. The Servicer may send a notice or notices at its discretion at any time leading up to the 150<sup>th</sup> day prior to the fifth anniversary of the HAMP Modification Effective Date. If the Servicer has successfully obtained an executed Form 720 or DFC from the Borrower, then the Servicer is not required to send any additional notifications to the Borrower under this section. However, if by the 150<sup>th</sup> day before the fifth anniversary of the HAMP Modification Effective Date, the executed Form 720 or DFC has not been received, the Servicer must take the following actions:

<b>If at least one incentive notification...</b>	<b>Then the Servicer must provide...</b>
<b>Has been sent</b>	At least one additional notice no later than 60 days prior to the fifth anniversary of the HAMP Modification Effective Date
<b>Has not been sent</b>	At least two written notices as early as the 150 <sup>th</sup> and no later than the 60 <sup>th</sup> day prior to the fifth anniversary of the HAMP Modification Effective Date.  NOTE: These two written notices, if applicable, must be sent at least 30 days apart.

### **Notification content**

Each notice to the Borrower must describe the incentive and notify the Borrower that he/she must remain in good standing in order to be eligible to receive the incentive. In addition, each notice must include Form 720 (if Form 720 or a DFC has not already been collected) and must indicate that the Borrower must sign and return the form as a condition of eligibility for the incentive. The Servicer may include or incorporate the incentive notice with other required notices, including the required notification of an initial step-rate adjustment pursuant to the requirements of Chapter 8501, if applicable. The Servicer may also include some or all of the information described below pertaining to the Borrower's opportunity to reamortize the Mortgage on or after the sixth anniversary of the HAMP Modification Effective Date.

### **(c) Execution of Form 720**

All Borrowers and any other signatory to the Security Instrument must sign Form 720 or its equivalent, the DFC, except the following:

- A Borrower, co-Borrower or any signatory to the Security Instrument who is deceased, as evidenced by a death certificate, or an obituary or newspaper article reporting the death
- A Borrower, co-Borrower or any signatory to the Security Instrument who is divorced or legally separated from another party, as evidenced by a divorce decree signed by the court or court filed separation agreement, except for the Borrower or co-Borrower retaining possession and title to the property
- A Borrower, co-Borrower or any signatory to the Security Instrument who is unrelated by marriage, civil union or similar domestic partnership under applicable law and who purchased or owned the property and has since vacated and no longer occupies the property, provided the remaining Borrower submits a copy of a recorded quit claim deed evidencing that the departed party has relinquished all rights to the property; or

- Any signatory to a Security Instrument who is not a Borrower obligated on the Note provided the Security Instrument contains a provision that authorizes any Borrower to modify the terms of the Security Instrument or the Note without such signatory's consent

**(d) Offer the Borrower the opportunity to reamortize the Mortgage**

If the Borrower is in good standing and may be eligible for the HAMP Year Six Pay for Performance incentive, the Servicer must offer to reamortize the Borrower's UPB, excluding deferred principal, over the remaining term of the Mortgage. The Servicer must provide at least one written notification to an eligible Borrower of the opportunity to reamortize the Mortgage as early as the 120<sup>th</sup> day and no later than the 60<sup>th</sup> day prior to the sixth anniversary of the HAMP Modification Effective Date. Provided the same conditions are consistently applied to all evaluations, the Servicer may, but is not required to, offer to reamortize the Mortgage if the Mortgage was reamortized within the previous 12 months, and may condition the recast upon:

- The Mortgage being current at the time of the reamortization, and/or
- The Borrower receiving the HAMP Year Six Pay for Performance incentive

The offer must provide the Borrower with at least 30 but no more than 180 days from the date of the notice to accept the offer. The reamortization must be completed at no cost to the Borrower. The Servicer may include or incorporate the reamortization offer with other notices, including the required notification of a second step-rate adjustment pursuant to the requirements of Chapter 8501, if applicable.

In addition, the Servicer may leverage the **Treasury Model MHA Recast Notice** when preparing the notice to the Borrower, but in all cases the notification must:

- Specify changes to the payment schedule as a result of the recast and the total interest to be paid during the remaining term of the Mortgage after the sixth anniversary of the HAMP Modification Effective Date, both with and without the effect of the recast, and
- Include the Servicer's contact information and instruct the Borrower to contact the Servicer if the Borrower has questions or concerns about the new payments

If the Borrower has not responded to the initial notification of the opportunity to reamortize the Mortgage, then the Servicer must provide an additional notification to the Borrower. The method of this additional communication is at the Servicer's discretion (e.g., mail, telephone, etc.) provided the Servicer makes at least one additional attempt to contact the Borrower. The Servicer must provide an amortization schedule if requested by the Borrower.

The Servicer must determine, in its discretion, subject to compliance with applicable law, whether to require:



- A fully-executed written modification agreement, or
- A Servicer-executed modification agreement

The Servicer must report Mortgages that are reamortized following payment of the HAMP Year Six Pay for Performance incentive via the Freddie Mac Servicing Data Corrections tool (see Exhibit 88, Servicing Tools) no later than the last Business Day of the month following the effective date of the new payment.

Freddie Mac will update its systems with the newly modified principal and interest payment as set forth in the modification agreement. The Servicer must also report the new payment in accordance with the requirements in Chapter 8303.

The Servicer warrants that with respect to any modification agreement completed under this section, that the modified Mortgage retains its First Lien position and is fully enforceable at the time of modification, throughout its modified term and during any bankruptcy or foreclosure proceeding involving the Mortgage.

Freddie Mac's execution of any document submitted by the Servicer does not imply that it has reviewed the document for legal adequacy. This is the Servicer's responsibility. When required by local law or practice, the Servicer must obtain the consent of any statutory or contractual lienholder and binding confirmation by the title insurer that no loss in priority of the lien is incurred. The Servicer must make any necessary recordation. To the extent of local law and practice, the Servicer may require the Borrower to reimburse the Servicer's costs and pay expenses incurred in preparing or recording the modification agreement.

The Servicer must send one original modification agreement to the Document Custodian in accordance with the timing and other requirements of Section 9206.17; except for any Mortgage that is modified using a Servicer-executed modification agreement, the Servicer must send such agreement to the Document Custodian within 25 days of the Modification Effective Date. The Servicer must refer to Section 8103.7 for Freddie Mac's accounting requirements regarding this subject.

Principal curtailments can be made any Business Day of the month and must be applied no later than the day on which the curtailment is received. To determine the interest due for the next monthly payment, multiply the UPB by the interest rate of the Mortgage and divide by 12.

#### **(e) Payment process**

Servicer and Borrower incentives will be paid via the Program Administrator's payment process. Incentive payments will be paid in one lump sum payment for all incentives due for the month via Automated Clearing House (ACH) on the 27<sup>th</sup> of the month or on the business day prior to the 27<sup>th</sup>, if the 27<sup>th</sup> falls on a weekend or a holiday.

The Program Administrator will provide Servicers with a Cash Payment Summary Report that includes the compensation amount on a loan-level basis and identifies Freddie Mac as the payor. The report is accessible via the HAMP reporting secure web site at <https://hamp.lpsappliedanalytics.com>, one business day before the compensation is deposited into Servicer accounts.

In the event of an overpayment of amounts paid for Servicer and/or Borrower incentives, Servicers must reimburse Freddie Mac in accordance with the Program Administrator’s or Freddie Mac’s instructions.

If there is a discrepancy between amounts paid for Servicer and/or Borrower incentives and Freddie Mac’s records, Servicers must work with Freddie Mac and the Program Administrator, as necessary, to resolve such discrepancies. For inquiries or disputes on incentive payments, the Servicer should contact the Program Administrator directly at [MHA\\_Comp@fanniemae.com](mailto:MHA_Comp@fanniemae.com) or complete the HAMP Incentive Inquiry Request form located on <https://www.HMPadmin.com>. If the Servicer submits a loan-level inquiry to the Program Administrator related to an incentive dispute or correction on a Freddie Mac Mortgage, the Servicer must copy Freddie Mac on such an inquiry via e-mail to [WKOUT\\_HAMP\\_RECON@freddiemac.com](mailto:WKOUT_HAMP_RECON@freddiemac.com). (Refer to Section 9205.13 for additional information on the process for correcting previously applied Borrower incentive payments.)

## 9205.13: Special investor reporting requirements for Mortgages modified under HAMP (05/01/19)

### (a) Monthly reporting

In addition to the loan-level reporting requirements for all Mortgages pursuant to Chapter 8303 and Exhibit 60, Loan-Level Reporting Data Description, Servicers must comply with the following monthly loan-level reporting requirements for all Mortgages modified under HAMP, including Mortgages with a partial principal forbearance:

Data Field	Description
<b>Current UPB</b>	<p><b>For all Mortgages</b>, this is the UPB of the Mortgage as of the <b>end of the Accounting Cycle</b>.</p> <p><b>For Mortgages with partial principal forbearance</b>, the reported UPB must equal the sum of the interest-bearing UPB (the amortizing principal balance of the Mortgage) (the “interest-bearing UPB”) and the principal forbearance balance (“deferred UPB”), as of the <b>end of the Accounting Cycle</b>.</p>

Data Field	Description
<b>Interest-bearing UPB</b>	<b>For Mortgages with partial principal forbearance,</b> report the amount of the interest-bearing UPB (the amortizing principal balance of the Mortgage) as of the <b>end of the Accounting Cycle</b> . (Note: Monthly “Interest Due Freddie Mac” must be calculated and reported based on the interest-bearing UPB only.)
<b>Deferred UPB</b>	<b>For Mortgages with partial principal forbearance,</b> report the amount of deferred UPB as of the <b>end of the Accounting Cycle</b> . (Note: The deferred UPB is non-interest-bearing and non-amortizing, and will be due in the form of a balloon payment upon the earlier of the transfer of all or a portion of the property, the payoff of the interest-bearing UPB, or the new maturity date of the modified Mortgage.)
<b>Borrower incentive curtailment (BIC)</b>	<b>For all Mortgages modified under HAMP,</b> report the amount of any Borrower “Pay for Performance” incentive payments paid by Freddie Mac and applied to the UPB during the <b>Accounting Cycle</b> . This is reported to Freddie Mac only once a year for each eligible Mortgage.  (Note: The Borrower Pay for Performance incentive is paid once a year and must be applied upon receipt to the interest-bearing UPB of the Mortgage and then to any principal forbearance amount (i.e., Deferred UPB), if applicable. (See Sections 9205.12(b) and 9205.13(c) for additional information.)
<b>Principal Due Freddie Mac</b>	<b>For all Mortgages,</b> Freddie Mac’s share of principal payments, including prepayments of principal (i.e., curtailments) applied to the interest-bearing UPB of the Mortgage during the <b>Accounting Cycle</b> .  (Note: This field does not include curtailments resulting from the Borrower's Pay for Performance incentive payment.)

Data Field	Description
<b>Deferred Principal Curtailment Amount</b>	<b>For Mortgages with partial principal forbearance,</b> report the amount of any principal curtailment applied to the deferred UPB during the <b>Accounting Cycle</b> . This amount must be included in the “Deferred UPB” field. (See Section 9205.13(c) below for additional information on the application of partial prepayments of principal.)

### Reporting corrections

Servicers must comply with the requirements of Section 8303.24 in the event of an understatement or overstatement of principal reduction to either the interest-bearing UPB or the deferred UPB.

If there is a discrepancy between amounts paid for Servicer and/or Borrower incentives and Freddie Mac’s records, Servicers must work with Freddie Mac and the Program Administrator, as necessary, to resolve such discrepancies. Refer to Section 9205.12(c) for more information.

In the event of an overpayment of disbursed funds to the Servicer, a correction of such overpayment will result in a draft back of any funds owed to Freddie Mac. If a previously applied BIC payment must be reduced or reversed, the UPB of the Mortgage will be increased in the same manner in which the BIC payment was previously applied. That is, if the BIC payment was applied as a reduction to the interest-bearing UPB, then the Servicer must report an increase in the interest-bearing UPB for the amount of the correction, using the principal balance correction exception code. (Refer to Exhibit 60 for information on reporting a principal balance correction exception code.)

#### (b) Interim reporting and **drafting requirements** for a payoff of a Mortgage with partial principal forbearance

Servicers must comply with the applicable interim reporting requirements set forth in Chapter 8303 except that, when reporting the payoff of a Mortgage with a partial principal forbearance, Servicers must also comply with the following:

- The Current UPB, Interest-bearing UPB and Deferred UPB fields must be reported as zero
- The amount of deferred UPB as reported **at the end of** the previous **Accounting Cycle** must be reported in the “Deferred Principal Curtailment Amount” field
- **Ensure funds equivalent to** the amount of the current UPB (i.e., combined interest-bearing UPB and deferred UPB) as reported in the previous **Accounting Cycle**, plus or minus the exception interest, **are available for Freddie Mac to draft on the Payoff Draft**

**Date.** Exception interest, as defined in Section 8303.1, must be based on the interest-bearing UPB only.

Servicers must calculate payoff proceeds in accordance with the following:

- Interest-Bearing UPB
- + Deferred UPB
- +/- Borrower Incentive Curtailment Amount (if applicable)
- +/- Exception interest (calculated based on the interest-bearing UPB)
- = Proceeds due Freddie Mac

**(c) Application of partial prepayments of principal and HAMP Pay for Performance or HAMP Year Six Pay for Performance incentives**

The Servicer must apply a HAMP Pay for Performance incentive or a HAMP Year Six Pay for Performance incentive as a principal curtailment in accordance with the following requirements:

If the principal curtailment...	Then the Servicer must apply the funds...
Is less than the interest-bearing UPB	To the interest-bearing UPB
Is greater than or equal to the interest-bearing UPB	<p>In the following order to the:</p> <ol style="list-style-type: none"> <li>1. Deferred UPB, if any, and then</li> <li>2. Interest-bearing UPB</li> </ol> <p>Note: After applying a HAMP Pay for Performance incentive or a HAMP Year Six Pay for Performance incentive in the above order, the Servicer must remit any remaining incentive payment directly to the Borrower.</p>

Servicers must report the amount of any curtailment applied to the deferred UPB during the **Accounting Cycle** in the “Deferred Principal Curtailment Amount” data field.

**(d) Monthly statements**

Freddie Mac recommends the Servicer include the amount of the deferred UPB and the combined interest-bearing and deferred UPBs on the Borrower’s monthly statement.

### **(e) Credit bureau reporting for all Mortgages with a partial principal forbearance**

Servicers can access additional information on credit reporting unique to HAMP including the reporting of Mortgages with a partial principal forbearance from the Consumer Data Industry Association, which gives general credit reporting guidelines for Mortgage and home equity loans in response to current financial conditions, at <http://www.cdionline.org>.

## **9205.14: HAMP activity reporting requirements (04/11/18)**

**Servicers must report Freddie Mac’s HAMP loan-level data both to the Program Administrator and to Freddie Mac and must do so accurately and timely in order to be eligible for payment incentives.** Servicers should refer to the reporting requirements published by the Program Administrator on <https://www.HMPadmin.com>.

Freddie Mac’s HAMP data must be submitted through the HAMP Reporting Tool available on the Servicer web portal available through <https://www.HMPadmin.com>. Servicers must contact Lender Processing Services, Inc. (LPS) regarding registration and set-up information for access to the HAMP Reporting Tool and/or direct integration options by calling the HAMP Support Center at 1-866-939-4469.

With respect to any Mortgage that has been repurchased, when cancelling records of repurchased Mortgages in the HAMP Reporting Tool, Servicers must comply with the Program Administrator’s instructions, including those set forth in **Supplemental Directive 12-09**.

With respect to a repurchased HAMP-modified Mortgage, the Servicer takes all rights and obligations of the Mortgage, including the obligation to pay Borrower “Pay for Performance” incentives on eligible Mortgages as set forth in the HAMP Trial Period Plan.

(Note: With respect to the reporting of loan set up data for Mortgages with Trial Periods that include an interim month, the Servicer should report the length of the Trial Period on the loan set up record for the approved modification it reports to the Program Administrator, excluding the interim month if the Borrower does not submit funds in an amount that is at least equivalent to the Trial Period payment during the interim month, and including the interim month in the length of the Trial Period if the Borrower does submit such funds.

**The Freddie Mac HAMP loan-level data the Servicer reports to Freddie Mac must be consistent with the Freddie Mac HAMP data provided to the Program Administrator.**

## **9205.15: Disclosures and communications with Borrowers (04/11/18)**

Effective April 11, 2018, this section is deleted.

## **9205.16: Compliance with applicable law on Mortgages modified under HAMP (04/11/18)**

The Servicer's implementation of HAMP and all actions taken under this chapter must comply with all applicable federal, State and local laws and regulations including, but not limited to, those laws set forth in Section 1301.2.

## **9205.17: Responsiveness to Borrower inquiries (03/02/16)**

Servicers should have procedures and systems in place to be able to track and respond to inquiries and complaints about Mortgage modifications. Refer to Sections 8101.5 and 8101.6 for complete requirements related to Borrower inquiries and complaints.

Additionally, pursuant to the requirements in Section 8501.1, Servicers must employ staff, including phone agents for both incoming and outgoing calls, that is adequately trained to discuss interest rate adjustments.

## **9205.18: Servicer compliance with HAMP requirements (04/11/18)**

Servicers must comply with all Freddie Mac HAMP requirements and must document the execution of loan evaluation, loan modification and accounting processes. Servicers must develop and execute a quality assurance program that includes either a statistically based (with a 95% confidence level) or a 10% stratified sample of loans modified, drawn within 30-45 days of [the activity under review](#) and reported on within 30-45 days of review. In addition, Servicers must perform a trending analysis on a rolling 12-month basis and conduct assessments that include, among other things, an evaluation of the Mortgage file, servicing system and all other documentation required to be maintained to confirm the Servicer's adherence (e.g., accuracy and timeliness) to Freddie Mac's requirements with respect to the following:

- Evaluation of Borrower eligibility [for incentives](#)
- Completion of Borrower incentive payments

## ■ Data integrity

The review may also evaluate the effectiveness of the Servicer's quality assurance program; such evaluation may include, without limitation, the timing and size of the sample selection, the scope of the quality assurance reviews, and the reporting and remediation process.

Freddie Mac may conduct one or both types of compliance assessments: on-site and remote. Both on-site and remote reviews may consist of the following activities (among others): notification, scheduling, self-assessments, documentation submission, interviews, file reviews, and reporting.

For on-site reviews, Freddie Mac will strive to provide the Servicer with (i) a 30-day advance notification of a pending review and (ii) subsequent confirmation of the dates of the review. However, Freddie Mac reserves the right to arrive at the Servicer's site unannounced. Freddie Mac will request the Servicer to make available documentation, including, without limitation, policies and procedures, management reports, loan files and a risk control self-assessment ready for review. Additionally, Freddie Mac may request additional loan files during the review. In connection with on-site reviews, interviews will usually be conducted in person.

During the review window, Freddie Mac will review loan files and other requested documentation to evaluate compliance with HAMP terms. Upon the completion of the review, Freddie Mac will conduct an exit interview with the Servicer to discuss preliminary assessment results.

For remote reviews, Freddie Mac will request the Servicer to send documentation, including, without limitation, policies and procedures, management reports, loan files and a risk control self-assessment within 30 days of the request. In addition, time will be scheduled for phone interviews, including a results summary call after the compliance review is completed to discuss preliminary results.

The targeted time frame for publishing the Servicer assessment report is 30 days after the completion of the review.

There will be an issue/resolution appeal process for Servicer assessments. Servicers will be able to submit concerns or disputes to an independent quality assurance team within Freddie Mac.



## **9205.19: Special HAMP requirements for Mortgages with a second mortgage lien (04/11/18)**

Effective April 11, 2018, this section is deleted.

## **9205.20: HAMP electronic modification (04/11/18)**

Servicers should refer to Chapter 1401 for the definition of the following terms used in this section:

- Electronic
- Electronic Record
- Electronic Signature
- Electronic Transaction

### **(a) Electronic HAMP documents**

In lieu of having the Servicer or Borrower, as applicable, prepare, sign and return paper documents, certain documents may be prepared, signed and sent electronically by a Servicer to the Borrower or by a Borrower to the Servicer, provided such Electronic Transactions comply with the requirements of Chapter 1401 and this section. With the exception of IRS Form 4506T-EZ, Short Form Request for Individual Tax Return Transcript, or IRS Form 4506-T, Request for Transcript of Tax Return, all documentation required to be prepared, signed or sent by either the Servicer or the Borrower under HAMP are considered “loss mitigation documents” for purposes of Section 1401.17. Refer to Section 9205.20(b) for additional requirements related to the Home Affordable Modification Agreement (the HAMP eModification Agreement).

All Electronic loss mitigation documents, and any other Electronic Mortgage file documents are Electronic Records, and must be capable of being retrieved and printed in a manner that accurately reflects the information originally contained in the Electronic Records. All Electronic Records must be accessible (either electronically or on paper) and promptly made available to Freddie Mac upon request.

### **(b) HAMP eModification agreements**

#### **(i) Special representations and warranties**

A Servicer that allowed Borrowers to receive, transmit or electronically sign a HAMP eModification Agreement represents and warrants to Freddie Mac that it has complied with the requirements of the Guide and that the HAMP eModification Agreement is

authentic, its terms are valid and enforceable against the Borrower, and the Mortgage maintains a First Lien position.

**(ii) General requirements applicable to all Freddie Mac HAMP eModification Agreements**

Servicers must:

- Store HAMP eModification Agreements of Freddie Mac-owned Mortgages electronically under no less stringent requirements than the Servicer follows when electronically storing its own mortgages in its portfolio
- Consult with their legal counsel to ensure that the Servicer's use and storage of a HAMP eModification Agreement complies with all applicable federal, State and local laws, including, without limitation, the federal Electronic Signatures in Global and National Commerce ("E-SIGN") Act and/or the Uniform Electronic Transactions Act (UETA), as enacted in the local jurisdiction, the Gramm-Leach-Bliley Act, and its implementing regulations, and other applicable privacy, disclosure, and data security laws and regulations
- Provide for Electronic notarization when required, subject to applicable law
- Be able to comply with all Guide requirements to service the Mortgage, as modified by a HAMP eModification Agreement, including, but not limited to, Servicing obligations related to payoff (e.g., cancellation of the Mortgage, Note and HAMP eModification Agreement), grant of a deed-in-lieu of foreclosure, foreclosure, repurchase of an electronically modified Mortgage, and litigation
- Notify Freddie Mac when initiating legal action, including foreclosure, on a Mortgage that has been electronically modified, and further, must use counsel that has the experience or demonstrated ability to enforce claims under electronically created Mortgages, Notes or other financial instruments

**(iii) Additional requirements when the HAMP Modification Agreement must be recorded or in recordable format**

If, at the time a Servicer entered into a HAMP Modification Agreement, Freddie Mac required the HAMP Modification Agreement to be recorded or in recordable format, a Servicer **must record any** HAMP eModification Agreement in compliance with the recording jurisdiction's recordation and electronic format requirements **in order to ensure compliance with the Servicer's obligations under** Section 9206.12.

**(iv) Document custodial requirements**

If recordation **of a HAMP eModification Agreement that is in recordable format** is required, the Servicer must provide a copy of the recorded HAMP eModification Agreement or a copy of any evidence of recordation together with a copy of the executed

HAMP eModification Agreement to its Document Custodian **in accordance with the requirements in Section 1401.15 applicable to recordation of an Electronic Record.**

**(v) Storage and safekeeping of HAMP eModification Agreements**

HAMP eModification Agreements (including printed paper copies of facsimiles of HAMP eModification Agreements) must be stored in accordance with the Guide requirements for storing Mortgage file documents. HAMP eModification Agreements must be associated with all paper Mortgage file documents so that all Servicing records (both paper and electronic) are identified with, and associated to, the particular Mortgage transaction.

**(vi) Transfers of Servicing**

For requirements related to the Transfers of Servicing of an eModification, refer to Section 9205.11(f).

**(vii) Data security requirements and data privacy protection**

Servicers must follow the data security requirements in Sections 1302.2 and 1401.5 and the data privacy protection standards in Section 8101.8. Servicers are required to maintain their Servicing records storage system and conduct periodic information security reviews of the data stored and maintained in their Servicing records storage system based on, but not limited to, applicable federal, State and local laws and regulations and the Guide.

Freddie Mac reserves the right to require a Servicer to implement additional security measures regarding its Servicing records storage system.

**(viii) Disaster Recovery/Business Continuity Plan**

Servicers must create and maintain a Disaster Recovery/Business Continuity Plan (DR/BCP) that includes a backup storage site that is not susceptible to the same types of major disasters as the primary storage site. The DR/BCP must provide for recovery of functionality, availability, and data services back to the point of failure within a commercially reasonable period of time (usually within 48 hours of a disaster).

## **9205.21: Authorized services under the Amended Servicer Participation Agreement (03/02/16)**

Servicers subject to a Commitment to Purchase Instrument and Servicer Participation Agreement (“Servicer Participation Agreement”) with the Program Administrator, as financial agent to the Treasury, are authorized to enter into the Amendment to the Servicer Participation Agreement

(“Amended Servicer Participation Agreement”) posted on <https://www.HMPadmin.com> on January 29, 2015.

When performing services for Treasury under the Amended Servicer Participation Agreement, the Servicer is authorized to engage in the following limited services:

1. Determine which Borrowers are in good standing (having never been 90 or more days past due on their HAMP modification (e.g., three monthly payments are due and unpaid on the last day of the third month)) as of the sixth anniversary of their Trial Period Plan Effective Date (sixth anniversary date)
2. Receive a Dodd-Frank Certification or its Freddie Mac equivalent, Form 720, Real Estate Fraud Certification Form, from potentially eligible Borrowers in accordance with documentation requirements established in Treasury’s Supplemental Directive 15-01 for purposes of determining which of those Borrowers are eligible to receive a one-time \$5,000 HAMP Year Six Pay for Performance incentive funded through Treasury’s Troubled Asset Relief Program (TARP)
3. Apply to an eligible Borrower’s Mortgage account the one-time \$5,000 HAMP Year Six Pay for Performance incentive funded through TARP in accordance with application of funds requirements set forth in Section 9205.12(b)
4. Comply with reporting requirements and other requests for information issued by Treasury or the Program Administrator that are related to the authorized services set forth in the first three bullets of this Section 9205.21, in accordance with applicable law; and
5. Comply with any compliance or audit review related requests from Treasury, or any third party that Treasury has designated to perform such reviews, that relate to the authorized services set forth above in the first three bullets of this Section 9205.21, in accordance with applicable law

Servicers that enter into an Amended Servicer Participation Agreement must perform the authorized services set forth in this Section 9205.21 for Treasury. With respect to Mortgages guaranteed or owned by Freddie Mac, Servicers are not authorized to perform any other services for Treasury, unless expressly authorized in writing by Freddie Mac.

# Chapter 9206: Modifications

## 9206.1: What is a loan modification? (03/02/16)

A modification is a written agreement that the Servicer enters into with the Borrower that permanently changes one or more of the original terms of the Note, such as:

1. An increase in the amount of the UPB caused by capitalization of interest or non-interest arrearages, Escrow amounts and/or other advances
2. A change in the Note Rate
3. A change in the monthly payment
4. A change in the maturity date
5. A forbearance of a portion of the principal balance (no write-off or permanent reduction of the UPB, delinquent interest or other non-interest arrearages of the Mortgage is allowed)
6. Change in the product type (e.g., an ARM to a fixed-rate Mortgage)

## 9206.2: When to consider a **Freddie Mac Flex Modification**<sup>®</sup> (10/01/17)

The Servicer must evaluate the Borrower for a **Freddie Mac Flex Modification**<sup>®</sup> under this chapter **in accordance** with the evaluation hierarchy in Section 9201.2.

Unless otherwise notified by Freddie Mac, all Freddie Mac Servicers are delegated to approve, **and must offer**, a **Freddie Mac Flex Modification to eligible Borrowers** in accordance with the requirements of the Guide and other applicable Purchase Documents. Refer to Section 1301.2(h) for additional information about delegated authority and adverse action notice requirements.

## 9206.3: Freddie Mac Streamlined Modification (10/01/17)

Effective October 1, 2017, the content of this section has moved to Section 9206.5(c), with updates made to reflect the **Freddie Mac Flex Modification**<sup>®</sup>.

## 9206.4: Capitalization and Extension Modification for Disaster Relief (02/14/18)

The Capitalization and Extension Modification for Disaster Relief (“Disaster Relief Modification”) is a modification for a Borrower who was impacted by an Eligible Disaster. Servicers must consider eligible Borrowers for this modification once the Borrower’s hardship is resolved if the Borrower indicates he or she is able to resume making the contractual monthly payments on the Mortgage but reinstatement or a repayment plan is not a viable option.

Refer to Chapter 8404 for additional requirements for Borrowers whose Mortgaged Premises or places of employment are in an Eligible Disaster Area.

### (a) Eligibility requirements for a Disaster Relief Modification

A Borrower is eligible for a Disaster Relief Modification subject to the following requirements:

- The Borrower’s hardship must have been caused by an Eligible Disaster
- The Borrower’s Mortgaged Premises or place of employment must be located in an Eligible Disaster Area
- The Borrower must have been current or less than 31 days delinquent as of the date of the disaster, and must be at least 30 but less than 360 days delinquent at the time of evaluation for the modification
- The Servicer has been able to achieve quality right party contact with the Borrower and the Borrower indicates that he or she is able to resume making the existing contractual monthly payment on the Mortgage
- The Mortgage is a conventional First Lien Mortgage owned, in whole or in part, or guaranteed by Freddie Mac
- The property may be a Primary Residence, second home or Investment Property and may be vacant or condemned
- If the Mortgage is secured by a leasehold estate, the term of the lease (or any exercised option to renew the lease, or any renewal options that are enforceable by the leasehold mortgagee, whichever is applicable) must not terminate earlier than five years after the maturity date of the proposed modified Mortgage. In the event that the current term of the lease (or applicable renewal options) terminates earlier than five years after the maturity date of the proposed modified Mortgage, the term of the lease must be renegotiated in order to satisfy this requirement prior to offering the Borrower a Trial Period Plan.

- If the Mortgage is subject to an indemnification agreement and is otherwise eligible under the requirements of this chapter, the Servicer has discretion to approve the mortgage modification provided the following conditions are met:
  - The modified Mortgage retains its credit enhancement
  - If the Servicer is not the credit enhancement provider, the Servicer must first obtain in writing any required approval under the terms of the credit enhancement from the entity providing the enhancement to enter into a modification agreement that complies with the requirements of this chapter; and
  - The Servicer remits to Freddie Mac an annual payment for the amount of all modification-related costs (e.g., interest rate shortfall) as calculated by Freddie Mac pursuant to Freddie Mac’s “Modification Loss Amount” methodology. The Modification Loss Amounts due will be calculated on a monthly basis, and billed on an annual basis 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. Modification Loss Amounts will be determined by Freddie Mac in accordance with a process described in Bulletins 2016-5 and 2017-1.

NOTE: Pursuant to Section 9204.6, the Servicer is not eligible to receive an incentive for completing a modification on a Mortgage that is subject to an indemnification agreement.

The following Mortgages are ineligible for a Disaster Relief Modification:

- FHA, VA or Guaranteed Rural Housing Mortgages
- Mortgages subject to recourse
- Mortgages subject to an approved short sale or deed-in-lieu of foreclosure
- With the exception of a disaster-related forbearance plan, Mortgages where the Borrower is currently performing under another forbearance or repayment plan
- With the exception of an existing offer for a Freddie Mac Flex Modification<sup>®</sup>, Mortgages currently subject to an unexpired offer to the Borrower for another modification or other foreclosure prevention alternative, such as a non-disaster-related forbearance or repayment plan

**(b) Documentation requirements**

A Borrower is not required to provide a Borrower Response Package to be considered for and offered a Disaster Relief Modification.

**(c) Determination of Trial Period and modification terms**

The modified Mortgage must be a fully amortizing fixed-rate Mortgage. The Mortgage after modification must not be: an interest-only Mortgage, a bi-weekly Mortgage or a daily simple interest Mortgage.

The Servicer must follow the steps below when preparing the Trial Period Plan and again when preparing the modification agreement using the modified Mortgage terms once final capitalized amounts are known. If the existing Mortgage includes a non-interest bearing UPB as a result of a prior modification, the non-interest bearing UPB will remain deferred under the Disaster Relief Modification.

**Step 1:** Capitalize the arrearages in accordance with Section 9206.15.

**Step 2:** Determine the interest rate that will be used to calculate the Trial Period Plan payment and the terms of the modification:

<b>If the existing Mortgage is:</b>	<b>then...</b>
A fixed-rate Mortgage (excluding Step-Rate Mortgages)	The Servicer must use the existing interest rate on the Mortgage to calculate the Trial Period Plan payment and use that same rate to establish the terms of the modification agreement
An ARM or a Step-Rate Mortgage with no additional interest rate adjustments or steps scheduled	The Servicer must use the existing interest rate to calculate the Trial Period Plan payment and use that same rate to establish the terms of the modification agreement
An ARM or a Step-Rate Mortgage with additional interest rate adjustments or steps scheduled	The Servicer must use the lesser of: <ul style="list-style-type: none"> <li>■ Freddie Mac’s modification interest rate in effect and posted on <a href="http://www.freddiemac.com/singlefamily/service/modrate.html">http://www.freddiemac.com/singlefamily/service/modrate.html</a> as of the date the Servicer evaluates and determines the Borrower is</li> </ul>



	<p>eligible for a Trial Period Plan; or</p> <ul style="list-style-type: none"> <li>■ The maximum step-rate/lifetime cap note rate to calculate the Trial Period Plan payment</li> </ul> <p>Use the same rate to establish the terms of the modification agreement.</p>
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Note: In some circumstances after the Servicer capitalizes arrearages and sets the new interest rate, the resulting principal and interest payment may be lower than the existing contractual principal and interest payment. In these cases, the Servicer must not proceed to Step 3, and must instead offer the modification with the reduced payment to the Borrower.

**Step 3:** Extend the term in monthly increments, not to exceed a term of 480 months from the Modification Effective Date, until the modified principal and interest payment equals the existing contractual principal and interest payment on the Mortgage. The modified principal and interest payment may not be greater than the existing contractual principal and interest payment. If necessary, the Servicer must extend the term one additional month to cause the principal and interest payment to fall just below the existing contractual principal and interest payment on the Mortgage.

Example: A Borrower’s pre-modified contractual principal and interest payment is \$1,100. If extending the term by 20 months would provide a Borrower with a modified principal and interest payment of \$1,101 and a term extension of 21 months would result in a modified interest payment less than \$1,100, the Servicer must extend the term by 21 months, provided the total modified term does not exceed 480 months.

If the Servicer is not able to achieve the existing contractual principal and interest payment by extending the term to a maximum term of 480 months, the Borrower must be considered for the Flex Modification in accordance with the evaluation hierarchy in Section 9201.2.

**(d) Other requirements**

If the Servicer was not collecting Escrows on the existing Mortgage, the Borrower is not required to establish an Escrow account as a condition of the modification unless otherwise required by applicable law or the Servicer confirms that the taxes and insurance premiums have not been paid and are past due.

Except as otherwise provided in this Section 9206.4, Servicers must process a Disaster Relief Modification in accordance with, and subject to, the requirements set forth in Sections 9206.10(c) and 9206.11 through 9206.18.

## **9206.5: Eligibility requirements for a Freddie Mac Flex Modification<sup>®</sup> (11/13/19)**

To be eligible for a Freddie Mac Flex Modification<sup>®</sup>, the Servicer must ensure that the following Borrower and Mortgage eligibility requirements are met and that the Mortgage is not otherwise excluded from eligibility as set forth in Section 9206.6.

If any of the eligibility requirements are not met, but the Servicer believes, based on an evaluation of a complete Borrower Response Package, that the Borrower should be considered for a Flex Modification, the Servicer must transmit the exception request via Workout Prospector<sup>®</sup> to Freddie Mac. Refer to Section 9206.10 for additional information on Workout Prospector.

In addition, if there is a Risk of Property Ownership (see Section 9202.5) and the Mortgage is not otherwise eligible for a Flex Modification, the Servicer may submit a recommendation to Freddie Mac to consider a Flex Modification.

In the event Freddie Mac participated in evaluating a Borrower for a Flex Modification and Freddie Mac denied the request, the Servicer must refer to Section 1301.2(h) for more information on adverse action notices that must be provided to the Borrower on behalf of Freddie Mac under certain limited circumstances.

### **(a) Borrower eligibility**

The Borrower must:

- Submit a complete Borrower Response Package and:
  - Have an eligible hardship as described in Section 9202.2. The hardship must currently be causing or be expected to cause a long-term or permanent decrease in the Borrower's income or increase in the Borrower's expenses. **NOTE: Unemployment is considered a temporary hardship. Servicers must consider unemployed Borrowers for a forbearance plan under Sections 9203.12 through 9203.17.**
  - Have verified income
- Be 60 days or more delinquent. However, a Borrower who is current or less than 60 days delinquent (i.e., less than three monthly payments past due) **and** at least one Borrower

occupies the property as a Primary Residence is also eligible provided the Borrower is first determined to be in imminent default in accordance with Section 9206.7.

**(b) Mortgage eligibility**

- The Mortgage must have been originated at least 12 months prior to the evaluation date for the Flex Modification
- The Mortgage must be a conventional First Lien Mortgage currently owned or guaranteed in whole or in part by Freddie Mac
- The Flex Modification must result in a principal and interest (P&I) payment that is less than or equal to the pre-modification P&I payment. (Refer to Section 9206.10 for additional payment reduction requirements that may apply.)

When determining whether the modification results in a P&I payment that is less than or equal to the pre-modification P&I payment, the Servicer must consider the following:

- If the Borrower has been granted interest rate relief under the Servicemembers Civil Relief Act (SCRA), the Servicer must consider the P&I payment in effect prior to the date the SCRA relief was granted rather than the temporarily reduced monthly payment based on the SCRA interest rate cap
- If the Mortgage being modified is an ARM or an interest-only Mortgage, the Servicer must consider the P&I payment, or interest only payment, as applicable, in effect at the time the Servicer determines eligibility for a Flex Modification Trial Period Plan
- If the Mortgage is subject to an indemnification agreement and is otherwise eligible under the requirements of this chapter, the Servicer has discretion to approve the mortgage modification provided the following conditions are met:
  - The modified Mortgage retains its credit enhancement
  - If the Servicer is not the credit enhancement provider, the Servicer must first obtain in writing any required approval under the terms of the credit enhancement from the entity providing the enhancement to enter into a modification agreement that complies with the requirements of this chapter; and

- ❑ The Servicer remits to Freddie Mac an annual payment for the amount of all modification-related costs (e.g., interest rate shortfall) as calculated by Freddie Mac pursuant to Freddie Mac’s “Modification Loss Amount” methodology. The Modification Loss Amounts due will be calculated on a monthly basis, and billed on an annual basis 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. Modification Loss Amounts will be determined by Freddie Mac in accordance with a process described in Bulletins 2016-5 and 2017-1.

NOTE: Pursuant to Section 9204.6, the Servicer is not eligible to receive an incentive for completing a modification on a Mortgage that is subject to an indemnification agreement.

- If the Mortgage is secured by a leasehold estate, the term of the lease (or any exercised option to renew the lease, or any renewal options that are enforceable by the leasehold mortgagee, whichever is applicable) must not terminate earlier than five years after the maturity date of the proposed modified Mortgage. In the event that the current term of the lease (or applicable renewal options) terminates earlier than five years after the maturity date of the proposed modified Mortgage, the term of the lease must be renegotiated in order to satisfy this requirement prior to offering the Borrower a Trial Period Plan.

Servicers must refer to the special requirements in Section 9206.5(e) for Borrowers who experience a hardship as a result of an Eligible Disaster and who were current or less than 31 days delinquent as of the date of the disaster.

### **(c) Streamlined eligibility for certain Borrowers**

Certain eligibility exceptions apply for a Borrower who:

- Is 90 days delinquent or greater; or
- Has a Step-Rate Mortgage and:
  - ❑ Becomes 60 days delinquent within the 12 months following the first payment due date resulting from an interest rate adjustment
  - ❑ Has not submitted a complete Borrower Response Package

For these Borrowers, the eligibility requirements in Section 9206.5(a) are not applicable. In these instances, a Borrower Response Package is not required, and the Servicer is not required to confirm a Borrower’s hardship or income. The Servicer must continue to comply with the requirements in Section 9206.5(b) and Section 9206.6 to determine eligibility.

The Servicer must offer an eligible Borrower who (i) becomes 90 days delinquent, or (ii) has a Step-Rate Mortgage and becomes 60 days delinquent within the 12 months following the first payment due date resulting from an interest rate adjustment, an offer for a Flex Modification Trial Period Plan in accordance with the solicitation requirements in Section

9102.5. Before offering such Borrower a Flex Modification Trial Period Plan, Servicers must either obtain the applicable MI's approval of the terms of each modification on a case-by-case basis, or ensure that the applicable MI has provided a delegation of authority that applies to the requested modification.

Note: 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 is subsequently received, resulting in the Borrower becoming less delinquent than the eligible Delinquency threshold. In these instances, the Servicer must provide the eligible Borrower a streamlined offer for a Flex Modification within the required timeframe, provided the Borrower's payments has not resulted in the full reinstatement of the Mortgage.

Refer to Section 9102.5 for additional information on solicitation of delinquent Borrowers.

**(d) Complete Borrower Response Package received**

If the Borrower submits a complete Borrower Response Package prior to the Borrower becoming 90 days delinquent, the Servicer must acknowledge receipt of the package and review it in accordance with the evaluation hierarchy found in Section 9201.2.

The Servicer must send an eligible Borrower an offer for a Flex Modification in accordance with the requirements of Section 9206.5(c) once the Borrower reaches the applicable Delinquency threshold if:

- The Servicer has not received a complete Borrower Response Package, or
- The Servicer previously conducted an evaluation of a complete Borrower Response Package and determined that the Borrower was not eligible for any alternative to foreclosure, or
- The Borrower has rejected all other alternatives to foreclosure offered by the Servicer

In addition, if a Borrower with a Step-Rate Mortgage submits a complete Borrower Response Package prior to becoming 90 days delinquent, and the Borrower has not yet accepted the offer for a Flex Modification, the Servicer must complete its review of the package for all alternatives to foreclosure in accordance with the Guide. However, if the Borrower has accepted the existing Trial Period Plan offer, the Servicer must determine if the Borrower is eligible for additional payment relief as a result of the post modification housing expense to income ratio (PMHTI) component of the Flex Modification terms described in Section 9206.10. If the Borrower is eligible for additional payment relief, then the Servicer must permit the Borrower to continue making the existing Trial Period Plan payments, but must update the modification agreement to reflect the lower payment amount. The post modification P&I must reflect the lower payment amount in these instances.

### **(e) Special requirements for Borrowers impacted by an Eligible Disaster**

The requirements of this Section 9206.5(e) apply to Borrowers who were current or less than 31 days delinquent as of the date of an Eligible Disaster and experienced a hardship due to their Mortgaged Premises or places of employment being located in an Eligible Disaster Area.

The Servicer must evaluate the Borrower for a streamlined Flex Modification if the Borrower is 90 or more days delinquent, or the Borrower has a Step-Rate Mortgage and is at least 60 days delinquent, provided the Borrower became at least 60 days delinquent within 12 months following the first payment due date resulting from an interest rate adjustment, provided a Borrower Response Package has not been submitted by the Borrower and one of the following conditions is met:

- The Borrower is not eligible for a Capitalization and Extension Modification for Disaster Relief (“Disaster Relief Modification”) under Section 9206.4
- The Borrower declines a Disaster Relief Modification offer
- The Servicer is unable to achieve quality right party contact with the Borrower at the end of the disaster-related forbearance period to determine financial status and eligibility for a Disaster Relief Modification

The following special requirements apply when the Flex Modification is offered as a result of the Borrower experiencing a hardship as the result of an Eligible Disaster:

- The Servicer is not required to have previously solicited the Borrower for a foreclosure prevention alternative
- The following Mortgages are ineligible for a Flex Modification. These exclusions are in lieu of the exclusions described in Section 9206.5(b) above.
  - The Mortgage is an FHA, VA or Guaranteed Rural Housing Mortgage
  - The Mortgage is subject to recourse
  - With the exception of a disaster-related forbearance plan, the Mortgage is currently performing under another forbearance plan, Trial Period Plan or repayment plan
  - The Mortgage is subject to an approved short sale or deed-in-lieu of foreclosure
  - The Mortgage is currently subject to an unexpired offer to the Borrower for another modification or other foreclosure prevention alternative, such as a non-disaster-related forbearance or repayment plan

If the Servicer was not collecting Escrows on the existing Mortgage, the Borrower is not required to establish an Escrow account as a condition of the modification unless otherwise required by applicable law, or the Servicer confirms that the taxes and insurance premiums have not been paid and are past due.

## 9206.6: Ineligibility for Freddie Mac Flex Modification® (10/01/17)

The following Mortgages and Borrowers are ineligible for a Freddie Mac Flex Modification®:

- FHA/VA and Guaranteed Rural Housing Mortgages
- Mortgages subject to recourse
- Mortgages secured by second homes or non-owner occupied properties (i.e., Investment Properties) where the Borrower is current or less than 60 days delinquent

The following Mortgages and Borrowers are also ineligible for a Flex Modification. However, if the Servicer believes, based on the Borrower's individual circumstances, that the Borrower should be considered for a Flex Modification, the Servicer should submit the request to Freddie Mac. (Refer to Section 9206.5 for information on submitting an exception request to Freddie Mac.)

- Mortgages that have been previously modified three or more times
- Mortgages previously modified with the Flex Modification terms determined in accordance with Section 9206.10(a) where:
  - The Mortgage became 60 or more days delinquent within 12 months of the Modification Effective Date, and
  - The Borrower has not brought the Mortgage current following the Delinquency
- Borrowers who, within 12 months of the evaluation date, failed a Flex Modification Trial Period Plan and the terms of that Trial Period Plan were determined in accordance with Section 9206.10(a)
- The Mortgage is subject to an approved short sale or deed-in-lieu of foreclosure transaction
- The Borrower is currently performing under another Trial Period Plan, forbearance plan or repayment plan
- The Mortgage is currently subject to an unexpired offer to the Borrower for another modification or other alternative to foreclosure, such as a forbearance or repayment plan

Any Borrower who is ineligible for a Flex Modification must provide a complete Borrower Response Package in order to be evaluated for the most appropriate workout solution in accordance with the evaluation hierarchy in Section 9201.2.

## 9206.7: Determining imminent default for a Freddie Mac Flex Modification® (07/01/18)

### (a) Overview

In order to be eligible for a Freddie Mac Flex Modification®, Borrowers who are current or less than 60 days delinquent must be determined to be in imminent default and must be occupying the property as a Primary Residence. The Servicer must verify that **at least one** Borrower is occupying the property as a Primary Residence based on a review of a credit report. If the credit report does not indicate that the property securing the Mortgage is the Primary Residence for a Borrower, then the Servicer must use good business judgment in reconciling the inconsistency. This additional due diligence on the part of the Servicer must be documented in the Mortgage file/servicing system.

An imminent default evaluation is necessary when the status of the Mortgage is current or less than 60 days delinquent as of the date the Servicer commences the initial evaluation of the Borrower's financial condition using the **imminent default evaluation business rules** as described in Section 9206.7(b).

The Servicer must rely on the same Mortgage status used to initiate the imminent default evaluation to complete the imminent default determination process, regardless of whether the Borrower becomes 60 days or more delinquent during the imminent default evaluation.

### (b) Imminent default evaluation business rules

Any Borrower who is current or less than 60 days delinquent at the time the Servicer commences the initial evaluation is in imminent default if **the Borrower meets the requirements of the following business rules:**

<b>Imminent Default Evaluation Business Rules</b>	
<b>To be considered in imminent default, the Borrower must meet all requirements under Business Rule 1, and must meet the requirements for either:</b>	
<ul style="list-style-type: none"> <li>• <b>Business Rule 2, or</b></li> <li>• <b>Business Rule 3</b></li> </ul>	
<b>Business Rule 1</b>	<p>Each Borrower must:</p> <ul style="list-style-type: none"> <li>■ <b>Submit a complete Borrower Response Package</b></li> </ul>



<b>Imminent Default Evaluation Business Rules</b>	
<p><b>To be considered in imminent default, the Borrower must meet all requirements under Business Rule 1, and must meet the requirements for either:</b></p> <ul style="list-style-type: none"> <li>• <b>Business Rule 2, or</b></li> <li>• <b>Business Rule 3</b></li> </ul>	
	<ul style="list-style-type: none"> <li>■ Be current or less than 60 days delinquent (i.e., less than three monthly payments past due) on the Mortgage as of the evaluation date</li> <li>■ Occupy the property as a Primary Residence; or at least one Borrower on the Mortgage must occupy the property as his or her Primary Residence</li> <li>■ Have Cash Reserves less than \$25,000</li> <li>■ Have an eligible hardship as described in Section 9202.2</li> </ul>
Business Rule 2	<p>The Borrower is considered in imminent default if the Borrower meets the requirements of Business Rule 1, and</p> <ul style="list-style-type: none"> <li>■ The Borrower's FICO<sup>®</sup> score is less than or equal to 620 determined in accordance with Section 9206.7(e); <b>AND</b></li> <li>■ The Mortgage has had two or more 30-day Delinquencies in the most recent 6-month period; <b>OR</b></li> <li>■ The Borrower's pre-modification housing expense-to-income ratio is greater than 40%</li> </ul> <p>If the Borrower has one of the Imminent Default Hardships described below in Business Rule 3, the Borrower may be determined to be in imminent default even if these Business Rule 2 requirements are not met.</p>
Business Rule 3	<p>The Borrower is considered in imminent default if the Borrower meets the requirements of Business Rule 1, and the Borrower provided the documentation required in Section 9202.2 supporting one of the Imminent Default Hardships listed below:</p> <ul style="list-style-type: none"> <li>■ Death of a Borrower or death of either the primary or secondary wage earner in the household</li> <li>■ Long-term or permanent disability; or serious illness of a Borrower/co-Borrower or dependent family member</li> <li>■ Divorce or legal separation; separation of Borrower unrelated by marriage, civil union or similar domestic partnership under applicable law; or</li> </ul>

<b>Imminent Default Evaluation Business Rules</b>	
<p><b>To be considered in imminent default, the Borrower must meet all requirements under Business Rule 1, and must meet the requirements for either:</b></p> <ul style="list-style-type: none"> <li>• <b>Business Rule 2, or</b></li> <li>• <b>Business Rule 3</b></li> </ul>	
	<ul style="list-style-type: none"> <li>■ Principal and interest payment increase as a result of an interest adjustment applied to a Step-Rate Mortgage no more than 12 months prior to the evaluation date</li> </ul> <p>The Imminent Default Hardship must currently cause and be expected to continue to cause a long-term or permanent decrease in income or increase in expenses.</p>

The Servicer must submit all information for Business Rule 1 and Business Rule 2 in all instances, even if the Borrower does not meet the requirements under Business Rule 2 and instead is approved based on the Imminent Default Hardship under Business Rule 3.

**(c) Income and asset documentation and verification**

**(i) Documentation and verification**

To be evaluated for imminent default, a Borrower must, at a minimum, provide a complete Borrower Response Package as defined in Section 9102.5(c). In addition to the income documentation required under Section 9202.3, the Servicer must obtain the Borrower's **FICO score in accordance with Section 9206.7(e)**.

**(ii) Verification of income and assets; resolution of material inconsistencies**

Servicers must review all documentation submitted by the Borrower to identify any material inconsistencies, including material inconsistencies with a tax return or tax transcript if one was obtained under Section 9202.3. If, based on the Servicer's good business judgment, there are material inconsistencies with respect to the income or asset information disclosed by the Borrower or with other documentation relevant to the imminent default decision, the Servicer must obtain other documentation to reasonably reconcile such material inconsistencies. Servicers must also document such material differences in their servicing system. If the Servicer cannot reconcile such material differences, the Borrower cannot be considered in imminent default.

**(d) Cash Reserves test**

The Servicer must complete an evaluation of the Borrower's Cash Reserves. The Borrower **must** have Cash Reserves of less than \$25,000 to be further evaluated for imminent default. If the Borrower either discloses or provides documentation indicating the Borrower has Cash Reserves equal to or greater than \$25,000, then the Borrower is not in imminent default.

## (i) Definition of Cash Reserves

For purposes of determining imminent default, Cash Reserves are defined as follows:

**Cash Reserves:** Any non-retirement liquid asset the Borrower has available for withdrawal from any financial institution or brokerage, including funds on deposit in the Borrower's checking, savings, money market or certificate of deposit account or other depository account, stocks, bonds, mutual funds, U.S. Government Securities and other securities that are traded on an exchange or marketplace generally available to the public (e.g., New York Stock Exchange, National Association of Securities Dealers Automated Quotations, Midwest SE, Chicago Board of Trade or Over the Counter) for which the price can be readily verified through financial publications.

Assets are only considered retirement assets if they are held in a qualified retirement account such as a 401k 403b, 457, Individual Retirement Account (IRA) or pension fund. If the assets are not held in a retirement account, the assets must be considered Cash Reserves.

## (ii) Calculating Cash Reserves

The Servicer must calculate the Borrower's Cash Reserves in accordance with the following requirements:

1. The Servicer must determine that, for every Borrower on the Mortgage, all of the Borrower's Cash Reserves have been accounted for on Form 710, Mortgage Assistance Application
2. In making the determination that all Cash Reserves have been accounted for, the Servicer must review all information provided by the Borrower to determine if the asset information stated on Form 710 is reasonably consistent with information available from all other information provided by the Borrower, including verbal information shared by the Borrower. If there are inconsistencies between the Borrower's disclosure of assets and the information provided by the Borrower, then the Servicer must obtain the Borrower's tax return or tax transcript in order to reconcile the inconsistencies.

If, upon reviewing the Borrower's tax return or tax transcript, **if applicable**, the Servicer observes interest, dividend income or gains/losses that, in total, that could not be reasonably produced by the Borrower's disclosed Cash Reserves, and such income indicates deposits, securities holdings or other assets that could be in excess of the amounts disclosed by the Borrower on Form 710, the Servicer must reconcile the inconsistency with the Borrower. The Servicer must require the Borrower to produce a signed federal tax return and all relevant schedules, in the event the Servicer used a tax transcript in lieu of a tax return, along with any other relevant documentation that verifies the disposition and/or current status of those assets, which produced the income or gains/losses to resolve the inconsistency.

The Servicer must ensure that the Borrower's disclosure of assets is reasonably accurate despite the inconsistency between the disclosed assets and the income or gain/loss from assets reported on the tax return or tax transcript. In determining what documentation is needed to reconcile an inconsistency, the Servicer must review the detailed tax return schedules and forms, and request from the Borrower copies of recent and past statements from those asset holdings or transactions indicated on the schedules and forms that produced the income or gain/loss (e.g., checking, savings, brokerage account statements, asset sale statements or records, etc.).

3. If there are inconsistencies between the Borrower's disclosure of assets and the tax return information that cannot be reconciled, the Borrower cannot be considered in imminent default

If the Servicer determines that the Borrower has Cash Reserves of less than \$25,000 **and meets all other requirements of Section 9206.7(b) then the Borrower is considered to be in imminent default.**

#### **(e) Imminent default credit score**

Servicers must choose one FICO score that is adequately indicative of the credit reputation of all Borrowers currently on the Mortgage. Servicers must use a credit score based on the FICO credit-scoring model. This score must be obtained and determined in accordance with the requirements below.

##### **(i) Obtaining FICO scores for each Borrower**

The Servicer must request a FICO score for each Borrower on the Mortgage from any one of the following three credit repositories:

- Equifax Credit Information Services
- Experian Information Systems and Services
- TransUnion Credit Information Company

The Borrower's FICO score must be less than 90 days old on the date the Servicer performs the **imminent default evaluation.**

##### **Borrowers with no available FICO score**

It is unusual for any Borrower who has obtained a Mortgage not to have a FICO score. If no single FICO score can be identified for a Borrower, the Servicer must recheck the information provided when ordering the FICO scores and resubmit a request. If the Servicer is still unable to obtain a FICO score for that Borrower, it may rely on the FICO scores of all other Borrowers as determined in accordance with this section.

Absent a FICO score for any Borrower on the Mortgage, the Borrower may not be determined to be in imminent default under the requirements of Business Rule 2, and the Servicer must proceed to evaluate the Borrower under the requirements of Business Rule 3 in Section 9206.7(b). In such instances when a FICO score is not available for any Borrower on the Mortgage, the Servicer must:

1. Maintain documentation in the Mortgage file that demonstrates the Servicer's attempts to obtain FICO scores from all three credit repositories on all Borrowers
2. Enter the result that a FICO score is not available for any Borrower on the Mortgage into Workout Prospector<sup>®</sup>
3. Proceed to the Imminent Default Hardship test in Business Rule 3 to determine if an Imminent Default Hardship exists

## **(ii) Determining the Imminent Default Credit Score**

The Servicer must identify the Imminent Default Credit Score in accordance with the following:

- The Servicer must first select a single FICO score for each Borrower on the Mortgage. If the Servicer obtains multiple FICO scores for a single Borrower, the Servicer must use the middle/lower method to select the single FICO score for that Borrower. This method is the most predictive when determining a single Borrower's overall credit reputation. If three FICO scores are obtained for a Borrower, the single score for that Borrower is the one with the middle value. For example, if the FICO scores were 660, 656 and 640, the single FICO score selected by the Servicer should be 656. When there is a duplicate score, the Seller must select that score to be the single score. If the FICO scores for a Borrower were 660, 660 and 640, the Servicer should select 660. If two FICO scores were obtained for a Borrower, the Servicer must select the lower of the two FICO scores to be the single FICO score for that Borrower.
- If there is only one Borrower on the Mortgage, the single FICO score, determined in accordance with the above requirements, is considered the Imminent Default Credit Score
- If there are multiple Borrowers on the Mortgage, the Servicer must determine the single FICO score for each Borrower using the method described above. The Servicer must then select either the lowest FICO score across all Borrowers on the Mortgage or the average FICO score from all Borrowers' single scores. (Note: Whichever method is used, the Servicer should choose the single FICO score using the same method and procedure for all Borrowers and for all Mortgages consistent with fair lending laws.)

**(f) Calculating pre-modification housing expense-to-income ratio**

The Servicer must use verified income to determine that the Borrower's pre-modification housing expense-to-income ratio is greater than 40%. For purposes of this determination, the Servicer must divide the Borrower's current monthly housing expense (i.e., PITIAS Payment) by the Borrower's monthly gross income (or the Borrowers' combined monthly gross income in the case of co-Borrowers) plus any allowable non-obligor household income.

If the Borrower has been granted interest rate relief under the Servicemembers Civil Relief Act (SCRA), the Servicer must use the principal and interest payment and the contractual rate of interest in effect on the Note prior to the granting of the SCRA relief rather than the temporarily SCRA reduced interest rate and related SCRA monthly payment when calculating the Borrower's current monthly housing expense-to-income ratio.

If a Borrower has indicated that there are homeowner's association dues or Condominium Unit or Cooperative Unit maintenance fees or ground rent, but has not been able to provide written documentation to verify these amounts, the Servicer must rely on the information provided by the Borrower if the Servicer has made reasonable efforts to obtain the amounts in writing.

The current monthly housing expense does not include mortgage insurance premium payments or payments due to holders of subordinate liens.

For each imminent default evaluation under Business Rule 2, the Servicer must report the housing expense-to-income ratio, in addition to the FICO score and payment history as described below, to Freddie Mac via Workout Prospector.

**(g) Payment history**

For imminent default evaluations under the requirements of Business Rule 2, the Servicer must determine whether the Mortgage has had two or more 30-day Delinquencies in the most recent six-month period. For each imminent default evaluation under Business Rule 2, the Servicer must report the payment history, in addition to the FICO score and pre-modification housing expense-to-income ratio, to Freddie Mac via Workout Prospector.

Note: The Servicer must not consider a missed contractual payment that becomes 60 or more days delinquent as a Mortgage having two or more 30 day Delinquencies in the most recent six-month period.

**(h) Imminent default evaluation results**

If the Borrower meets the requirements of Business Rule 1 and meets the requirements of either: (i) Business Rule 2, or (ii) Business Rule 3, the Borrower is in imminent default. The Servicer must evaluate the Borrower for a Flex Modification Trial Period Plan and no further analysis is required by the Servicer to determine imminent default.

**(i) General requirements and information**

If the Servicer determines that a Borrower is in imminent default, the Servicer must continue evaluating the Borrower using the applicable underwriting requirements outlined in Chapter 9206 to determine if the Borrower qualifies for a Flex Modification.

## **9206.8: Property valuation requirements for a Freddie Mac Flex Modification<sup>®</sup> (12/13/17)**

The Servicer must obtain a property valuation to determine the property value for each Mortgage under consideration for a Freddie Mac Flex Modification<sup>®</sup>. The property value must be less than 90 days old on the date the Servicer evaluates the Borrower for a Flex Modification. This value must be used to calculate the mark-to-market loan-to-value (MTMLTV) ratio of the Mortgage to determine eligibility for a Trial Period Plan and the terms of the modification (see Section 9206.10 regarding determining the terms of a modification).

If the Servicer has previously obtained a Freddie Mac-compliant property valuation (i.e., Freddie Mac-provided BPO, Freddie Mac-provided appraisal or an appraisal obtained in compliance with Chapter 5601), the Servicer must use the Freddie Mac-compliant property valuation in connection with a modification evaluation provided it is less than 90 days old on the date the Servicer evaluates the Borrower for a modification. The Servicer may not obtain a new property valuation in this circumstance.

Notwithstanding the requirements in this section, the Servicer must ensure that the property value it obtains is based on a property valuation type consistent with the MI's property valuation requirements when the Mortgage is covered by mortgage insurance.

The Servicer represents and warrants that all information it provides for the purpose of obtaining the property value, including the address of the Mortgaged Premises, is true, complete and accurate.

The Servicer must maintain the property valuation information to evidence compliance with this section.

With respect to the determination of property value for a modification, the Servicer has the following options:

<b>When the Mortgage is secured by:</b>	<b>The Servicer must:</b>
A 1- or 2-unit property (excluding a Manufactured Home, a dwelling subject to a leasehold estate or a Cooperative Unit)	Choose one of the following options if an acceptable property value is available under one or more of the options:  <b>Option One: Home Value Explorer<sup>®</sup> (HVE<sup>®</sup>)</b>

When the Mortgage is secured by:	The Servicer must:
	<ul style="list-style-type: none"> <li>• The Home Value Explorer (HVE) point value estimate must be obtained through one of Freddie Mac’s Home Value Explorer (HVE) distributors</li> <li>• The Servicer may use the Home Value Explorer (HVE) point value estimate provided it has a Forecast Standard Deviation (FSD) that is no greater than 0.20 (corresponding to a Confidence Level of “H” (high) or “M” (medium))</li> <li>• Detailed information on Home Value Explorer (HVE) and Freddie Mac’s distributors is available at: <b><a href="http://www.freddiemac.com/hve/hve.html">http://www.freddiemac.com/hve/hve.html</a></b></li> </ul> <p><b>Option Two: Automated Valuation Model (AVM)</b></p> <p><b>1. Freddie Mac’s BPOdirect® web site</b></p> <ul style="list-style-type: none"> <li>• When an automated value is displayed in the BPOdirect “Auto Value” field, the Servicer may use that automated value in accordance with Sections 2406.4 and 9202.17</li> <li>• Detailed information on BPOdirect is available at <b><a href="https://www.bpodirect.com">https://www.bpodirect.com</a></b></li> </ul> <p><b>2. Freddie Mac’s <i>Automated Valuation Model (AVM)</i> report</b></p> <ul style="list-style-type: none"> <li>• The AVM report is limited to Mortgages that are more than 30 days delinquent</li> <li>• When an automated value is displayed in the “Current AVM Value” field in the <i>Automated</i></li> </ul>



When the Mortgage is secured by:	The Servicer must:
	<p><i>Valuation Model (AVM)</i> report, accessible via the “Default Reporting” tile of the Servicer’s Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools), the Servicer may use that automated value. This report <b>in the SPP</b> will be updated by the last Friday of each month.</p>
<p>A 3- or 4-unit property, a Manufactured Home, a dwelling subject to a leasehold estate or a Cooperative Unit</p>	<p>Order an exterior property valuation through Freddie Mac’s BPOdirect web site at <a href="https://www.bpodirect.com">https://www.bpodirect.com</a> in accordance with Sections 2406.4 and 9202.17.</p>
<p>A 1- or 2-unit property (excluding a Manufactured Home, a dwelling subject to a leasehold estate or a Cooperative Unit) and an HVE point value estimate or automated value is not available or does not meet the requirements in Option One or Option Two above</p>	<p>Order an exterior property valuation through Freddie Mac’s BPOdirect web site at <a href="https://www.bpodirect.com">https://www.bpodirect.com</a> in accordance with Sections 2406.4 and 9202.17.</p>
<p>Note: Consistent with the requirement in Section 8101.1 to act in the most timely, efficient and responsible manner to protect Freddie Mac’s interests, a Servicer must not order a new BPO through BPOdirect for a 1- or 2-unit property if there is an available HVE point value estimate or automated value in accordance with the requirements of Option One or Option Two above.</p>	

## 9206.9: Borrower Documentation for a **Freddie Mac Flex Modification**<sup>®</sup> (10/01/17)

Effective October 1, 2017, the content of this section has moved to Section 9206.5(a), with updates made to reflect the Freddie Mac Flex Modification<sup>®</sup>. Refer to Section 9206.5(c) for reduced Borrower documentation requirements for the Flex Modification for certain delinquent Borrowers eligible for a streamlined offer.

## 9206.10: Determining the terms of a Freddie Mac Flex Modification® (07/01/18)

### (a) Determining the terms of the modification

The Servicer must first determine the post-modified mark-to-market loan-to-value (MTMLTV) ratio of the Mortgage in order to determine the terms of the modification. The post-modified MTMLTV ratio is the gross UPB of the Mortgage, including, if applicable, any principal forbearance amount and/or arrearages that may be capitalized, divided by the property value obtained in accordance with Section 9206.8.

The Servicer must follow the steps below when evaluating the Borrower for a Trial Period Plan and again when preparing the modification agreement using the modified Mortgage terms once final capitalized amounts are known.

#### (i) Mortgages with a post-modified MTMLTV ratio equal to or greater than 80%

**Step 1:** Capitalize the arrearages in accordance with the requirements of Section 9206.15.

**Step 2:** Determine the interest rate that will be used to calculate the Trial Period payment and the terms of the modification agreement in accordance with the interest rate requirements in Section 9206.10(a)(iii).

**Step 3:** Extend the amortization term to 480 months from the Modification Effective Date.

**Step 4:** For a Mortgage with a post-modification MTMLTV ratio (which includes capitalized amounts) greater than 100%, forbear principal until the earlier point at which (i) a post-modification interest-bearing MTMLTV ratio of 100% or (ii) 30% of the post-capitalized UPB (“the Forbearance Cap”) is achieved. The post-modification MTMLTV ratio is determined by dividing the sum of the interest-bearing UPB plus any applicable non-interest bearing UPB and/or capitalized arrearages, by the property value obtained in accordance with Section 9206.8. Interest will not accrue on the forborne (or deferred) principal. Deferred principal is payable upon maturity of the loan modification, sale or transfer of the property or refinance of the Mortgage or payoff of the interest-bearing UPB.

**Step 5 (NOTE – this step applies to all Mortgages with an MTMLTV ratio greater than or equal to 80%):**

#### (A) Mortgages that are less than 90 days delinquent

If the Steps 1 through 4 above do not achieve at least a 20% principal and interest (P & I) payment reduction **and** a post-modification housing expense-to-income (PMHTI) ratio (calculated in accordance with Section 9206.10(a)(iv)) that is equal to or less

than 40%, the Servicer must continue to forbear principal in \$100 increments until whichever of the following occurs first:

- A 20% P&I payment reduction and PMHTI ratio equal to or just below 40% are both achieved
- An MTMLTV ratio as close as possible to, but not below, 80% is achieved; or
- The aggregate forbearance amount equals or is no less than \$100 below the Forbearance Cap

For example, if the Forbearance Cap equals \$30,000, the Servicer may forbear in \$100 increments to an aggregate forbearance amount of \$29,901 to \$30,000, but may not exceed \$30,000 in total forbearance.

If the Forbearance Cap or 80% MTMLTV ratio is reached first, the Servicer must offer the modification to the Borrower with the maximum permitted forbearance amount provided that the modification still results in a P&I payment that is less than or equal to the Borrower's pre-modification P&I payment. In this circumstance, neither the 20% payment reduction nor 40% PMHTI ratio must be obtained.

#### **(B) Mortgages that are 90 or more days delinquent**

The Servicer must follow the modification steps in Section 9206.10(a)(i)(A), excluding the PMHTI ratio component.

##### **(ii) Mortgages with a post-modified MTMLTV ratio less than 80%**

**Step 1:** Capitalize the arrearages in accordance with Section 9206.15.

**Step 2:** Determine the interest rate that will be used to calculate the Trial Period payment and the terms of the modification agreement in accordance with the interest rate calculations in Section 9206.10(a)(iii).

**Step 3:** Extend the amortization term to 480 months from the Modification Effective Date

##### **(iii) Determining the Freddie Mac Flex Modification<sup>®</sup> interest rate**

Determine the interest rate that will be used to calculate the Trial Period payment and the terms of the modification agreement using the chart below.

<b>Mortgages with MTMLTV ratios less than 80%</b>	
<b>If the existing Mortgage is:</b>	<b>...then</b>
A fixed-rate Mortgage (including ARMs and Step-Rate Mortgages with no additional interest rate adjustments or steps scheduled)	The Servicer must use the existing interest rate on the Mortgage to calculate the Trial Period Plan payment and use that same rate to establish the terms of the modification agreement
An ARM or a Step-Rate Mortgage with additional interest rate adjustments or steps scheduled	<p>The Servicer must use the lesser of:</p> <ul style="list-style-type: none"> <li>■ Freddie Mac’s modification interest rate in effect and posted on <a href="http://www.freddiemac.com/singlefamily/service/modrate.html">http://www.freddiemac.com/singlefamily/service/modrate.html</a> as of the date the Servicer evaluates and determines the Borrower is eligible for a Trial Period Plan; or</li> <li>■ The maximum step-rate/lifetime cap note rate to calculate the Trial Period Plan payment</li> </ul> <p>Use the same rate to establish the terms of the modification agreement.</p>
<b>Mortgages with MTMLTV ratios greater than or equal to 80%</b>	
<b>If the existing Mortgage is:</b>	<b>...then</b>
Fixed-rate Mortgage (including ARMs and Step Rate Mortgages with no additional interest rate adjustments or steps scheduled)	<p>The Servicer must use the lesser of:</p> <ul style="list-style-type: none"> <li>■ Freddie Mac’s modification interest rate in effect and posted on <a href="http://www.freddiemac.com/singlefamily/service/modrate.html">http://www.freddiemac.com/singlefamily/service/modrate.html</a> as of the date the Servicer evaluates and determines the Borrower is eligible for a Trial Period Plan; or</li> <li>■ The existing interest rate on the Mortgage to calculate the Trial Period Plan payment</li> </ul> <p>Use the same rate to establish the terms of the modification agreement.</p>

<p>ARM or Step-Rate Mortgage with additional interest rate adjustments or steps scheduled</p>	<p>The Servicer must use the lesser of:</p> <ul style="list-style-type: none"> <li>■ Freddie Mac’s modification interest rate in effect and posted on <a href="http://www.freddiemac.com/singlefamily/service/modrate.html">http://www.freddiemac.com/singlefamily/service/modrate.html</a> as of the date the Servicer evaluates and determines the Borrower is eligible for a Trial Period Plan; or</li> <li>■ The maximum step-rate/lifetime cap note rate to calculate the Trial Period payment</li> </ul> <p>Use the same rate to establish the terms of the modification agreement.</p>
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**(iv) Calculating the PMHTI ratio**

**❑ Primary Residence**

If the subject property is a Primary Residence, the PMHTI ratio is the post-modification monthly PITIAS Payment (excluding mortgage insurance), divided by the Borrower’s monthly gross income (as defined in Section 9202.3(c))

**❑ Second homes**

If the subject property is a second home, the post-modification monthly housing expense on the second home (PITIAS Payment excluding mortgage insurance) must be added to the monthly housing expense on the Borrower’s Primary Residence, and the combined amount must be divided by the Borrower’s gross monthly income

**❑ Investment Properties**

If the subject property is an Investment Property:

- **Net rental income** on the subject property must be included in the Borrower’s gross monthly income for purposes of calculating the monthly housing expense-to-income ratio. When there is net rental income on the subject property, the monthly housing expense component of the ratio would only include the expense on the Borrower’s Primary Residence. The income component of the ratio is the Borrower’s gross monthly income, which includes the net rental income on the subject property.
- **Net rental loss** on the subject property must be added to the monthly housing expense on the Borrower’s Primary Residence, and the combined amount must be divided by the Borrower’s gross monthly income

- If the Borrower is currently not receiving rental income on the subject property, then the post-modification monthly housing expense on the subject property must be added to the monthly housing expense on the Borrower's Primary Residence, and the combined amount must be divided by the Borrower's gross monthly income
- Net rental income (or loss) is determined by subtracting the post-modification monthly debt service (i.e., principal, interest, taxes, insurance, including mortgage insurance and association fees, if applicable) on the property from the amount that is 75% of the monthly gross rental income

**(b) Determination of eligibility based on Trial Period payment**

For a Flex Modification, the Servicer must determine that the estimated monthly modified P&I payment calculated when determining the terms of the Trial Period Plan would comply with applicable P&I payment reduction and PMHTI ratio requirements as set forth in Sections 9206.5 and 9206.10.

If the Borrower makes all Trial Period payments timely, the Servicer must modify the Mortgage, even if, due to variances between estimated capitalization amounts and final capitalization amounts, the Flex Modification does not meet the applicable requirements above. When determining eligibility for a Trial Period Plan offer, the Servicer is responsible for ensuring that its estimate of the amounts to be capitalized includes all known amounts.

**(c) Workout Prospector®**

Servicers must use Workout Prospector for all Mortgages for which Borrowers are being evaluated for a Trial Period Plan and modification under this chapter. Servicers represent and warrant that they will only use Workout Prospector for the purpose of modifying Freddie Mac Mortgages and not mortgages owned by other investors. Both the input and output of Workout Prospector is Freddie Mac confidential information that the Servicer must not disclose to third parties, except as authorized by Freddie Mac. Servicers using Workout Prospector are bound by all of the provisions of the Workout Prospector User Agreement, included in this Guide as Exhibit 86, to the same degree as if they had signed such Agreement as a "User."

Once the Servicer has sufficient information to underwrite the Borrower, the Servicer must access the Workout Prospector application and submit all required data for Borrowers under consideration for a Flex Modification or Capitalization and Extension Modification for Disaster Relief ("Disaster Relief Modification"):

- For Borrowers who are current or less than 60 days delinquent, the Servicer must first evaluate the Borrower for imminent default in accordance with Section 9206.7 and enter the Imminent Default Hardship reason, if applicable, into Workout Prospector
- For Borrowers who are eligible for a Disaster Relief Modification, the Servicer may manually underwrite the Borrower in accordance with the requirements of this chapter

prior to submitting the information into Workout Prospector, but must transmit an exception request to Freddie Mac via Workout Prospector to process the terms of the Trial Period Plan

- Upon successful completion of the Trial Period, the Servicer must update the principal balance as of the Modification Effective Date and any applicable fields to reflect the final amounts that must be capitalized

Servicers must confirm that the terms reflected in Workout Prospector for the Trial Period Plan or modification agreement for the Borrower accurately reflect the Servicer's underwriting of the Borrower in accordance with the requirements of this chapter. If a Servicer is unable to complete a submission of a Trial Period Plan or modification agreement via Workout Prospector, the Servicer should contact (800) FREDDIE.

**(i) Accuracy of data**

Workout Prospector requires the submission of specific data elements in order to return a suggested workout solution. The Servicer represents and warrants that all data input into Workout Prospector is true, complete and accurate and that all data is entered correctly.

**(ii) Delegation of authority to the Servicer**

The Servicer may not deem Freddie Mac to have reviewed the terms of a Trial Period Plan or modification agreement for compliance with the Servicer's obligations under the Guide or other Purchase Documents or to have approved a Trial Period Plan or modification or their terms based on the Servicer's use of Workout Prospector including, without limitation:

- Workout Prospector's generation of terms for a Trial Period Plan or modification agreement
- Freddie Mac's settlement on its systems of a modification entered into by the Servicer under its delegated authority or expanded delegated authority in accordance with a Freddie Mac approval of an exception, or
- Freddie Mac's notification that the modification has been processed in Freddie Mac's systems via the Loan Modifications Processed report

**(iii) Use of Servicer proprietary system**

Servicers may use their own proprietary system or a third-party system to generate the terms of the Trial Period Plan and the modification agreement; however, the Freddie Mac data also must be entered in its entirety into Workout Prospector. In relying on their own proprietary or a third-party system, Servicers must ensure that their results comply with the underwriting requirements of this chapter and are the same as the results reflected in Workout Prospector prior to sending out the appropriate Trial Period Plan Borrower Evaluation Notice or modification agreement to the Borrower. If the results reflected in

Workout Prospector are different than the Servicer's results, the Servicer must update the data in Workout Prospector to ensure that it matches the terms of the Trial Period Plan or modification agreement, which, in turn, must accurately reflect the underwriting requirements of this Chapter 9206, prior to sending out the appropriate Trial Period Plan Borrower Evaluation Notice or modification agreement to the Borrower.

## **9206.11: Trial Period Plan requirements (05/01/19)**

A Borrower who is evaluated and determined eligible for a Freddie Mac Flex Modification<sup>®</sup> or a Capitalization and Extension Modification for Disaster Relief ("Disaster Relief Modification") must enter into a Trial Period Plan under which the Borrower will be required to remit three monthly payments at an estimated modified payment amount. (See also Section 9206.11(b) for Trial Period extension requirements for Borrowers in bankruptcy.)

The Servicer may utilize an interim month following the end of the Trial Period to facilitate processing of the modification agreement in accordance with Section 9206.16(b). A payment is not required during the interim month.

### **(a) Processing the Trial Period Plan offer**

If the Borrower qualifies for a modification, the Servicer must offer the Borrower a Trial Period Plan.

#### **(i) The Flex Modification Trial Period Plan Notice**

Within five days of an evaluation decision, but no later than 30 days following receipt of the complete Borrower Response Package, the Servicer must send the Borrower a Borrower Evaluation Notice indicating the outcome of its decision. If the Borrower is approved for a Flex Modification, the Servicer must send the Borrower a Freddie Mac Flex Modification Trial Period Plan Notice – Based on an Evaluation of a Complete BRP.

The Flex Modification Trial Period Plan Notice communicates the qualification decision to the Borrower and is included in Exhibit 93, Evaluation Notices.

See Section 9206.11(a)(iii) below for additional requirements for Mortgages with post-modification mark-to-market loan-to-value (MTMLTV) ratios less than 80%.

#### **(ii) The Flex Modification Trial Period Plan Solicitation for offers under Section 9206.5(c)**

If the Borrower who is eligible under Section 9206.5(c) is approved for an offer for a Flex Modification, the Servicer must send the Borrower a Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP with Exhibit 1191, Freddie Mac Flex Modification<sup>®</sup> Solicitation Cover Letter, or Exhibit 1191B, Freddie



Mac Flex Modification<sup>®</sup> Solicitation Cover Letter for Day 60 Rate Reset, as applicable, in accordance with the requirements described in Section 9102.5(a). If the Borrower is approved for a streamlined offer for a Flex Modification due to an Eligible Disaster in accordance with the requirements of Section 9206.5(e), the Servicer must send the Borrower the Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP, amended as set forth in Exhibit 93 for Eligible Disasters, and Exhibit 1191A, Freddie Mac Flex Modification<sup>®</sup> Post-Disaster Forbearance Solicitation Cover Letter.

The Flex Modification Trial Period Plan Notice communicates the qualification decision to the Borrower and is included in Exhibit 93.

**(iii) Special requirements for Mortgages with post-modification MTMLTV ratios less than 80%**

In addition to the requirements above, the Servicer must ensure the Trial Period Plan Notice for a Borrower whose Mortgage has a post-modified MTMLTV ratio less than 80% includes a statement reminding the Borrower that once the Mortgage has been modified, the Borrower can always pay more than the contractual payment without penalty if he or she desires to pay down the debt faster.

**(iv) The Disaster Relief Modification Trial Period Plan Notice**

If the Borrower is approved for a Disaster Relief Modification in accordance with the requirements in Section 9206.4, the Servicer must send the Borrower a Disaster Relief Modification Trial Period Plan Notice.

The Disaster Relief Modification Trial Period Plan Notice communicates the qualification decision to the Borrower and is included in Exhibit 93.

**(v) Authorized changes to Trial Period Plan Notices**

The Servicer may amend a Trial Period Plan Notice as necessary to request any Borrower cash contribution the Borrower promises to pay for expenses and delinquent amounts not capitalized, if applicable. Servicers may also amend a Trial Period Plan to condition the approval of the mortgage modification on obtaining any necessary court and/or trustee approvals for Borrowers in bankruptcy and to address situations where a Borrower files for bankruptcy during the Trial Period. In addition, Servicers must amend the Trial Period Plan Notice as necessary to ensure compliance with applicable laws, rules and regulations.

If the Borrower previously received a Chapter 7 bankruptcy discharge, but did not reaffirm the mortgage debt under applicable law, the Servicer must add the following language to the Trial Period Plan Notice under the section “Additional Trial Period Plan Information and Legal Notices:”

***If you previously received a Chapter 7 bankruptcy discharge, but did not reaffirm the mortgage debt under applicable law:***

- *You agree that you were discharged in a Chapter 7 bankruptcy proceeding subsequent to the execution of the Loan Documents. Based on this representation, Lender agrees that you will not have personal liability on the debt pursuant to this Trial Period Plan.*

If under applicable law, a Servicer may not establish an Escrow account, the Servicer must delete the following language from the Trial Period Plan Notice:

Page 3:

Your new monthly payment will include an escrow for property taxes, hazard insurance and other escrowed expenses. If the cost of your homeowners insurance, property tax assessment or other escrowed expenses increases, your monthly payment will increase as well.

Page 3:

**If your monthly payment did not include escrows for taxes and insurance, you are now required to do so:**

- You agree that any prior waiver that allowed you to pay directly for taxes and insurance is revoked. You agree to establish an escrow account and to pay required escrows into that account.

**(vi) Effective Date of the Trial Period Plan**

When preparing the Trial Period Plan Notice, the Servicer must determine the Trial Period Plan Effective Date and the due date of the first Trial Period payment in accordance with the following instructions:

<b>If the Servicer sends the Trial Period Plan Notice to the Borrower:</b>	<b>... then the Trial Period Plan Effective Date and the due date of the first Trial Period payment is:</b>
On or before the 15th of the month	The first day of the next month
After the 15th of the month	The first day of the month after the next month

For example, if the Servicer sends the Trial Period Plan to the Borrower on June 10, the Trial Period Plan Effective Date and first Trial Period payment due dates are both July 1. If the Servicer sends the Trial Period Plan to the Borrower on June 17, the Trial Period Plan Effective Date and first Trial Period payment due date are both August 1.

Notwithstanding the requirement above, after the Trial Period Plan Notice was sent to the Borrower, the Servicer may commence the Trial Period on the first day of the next month if the Borrower consents to commence the Trial Period earlier than the effective date requirements set forth above.

If the Borrower fails to submit the first Trial Period payment on or before the last day of the first Trial Period month (e.g., on or before July 31<sup>st</sup> in the example above) the Servicer *must* consider the Trial Period Plan offer to be rejected by the Borrower.

**(vii) Borrower acceptance of offer**

A Borrower's notification to the Servicer indicating an intent to accept a Trial Period Plan offer within 14 days of the date of the offer constitutes sufficient notice solely for purposes of suspending foreclosure referral or sale in accordance with Sections 9301.6, 9301.7 and 9301.28.

For purposes of legal acceptance, Borrowers are not required to sign or return the Trial Period Plan Notice. Timely receipt of the first payment due under the Trial Period Plan Notice is evidence of the Borrower's acceptance of the Trial Period Plan terms and conditions. The Servicer must receive the Borrower's first Trial Period payment on or before the last day of the month in which the Trial Period Plan Effective Date occurs (Trial Period Plan Offer Deadline). Otherwise, the Servicer must consider the Trial Period Plan offer to have expired.

**(b) Requirements during the Trial Period**

The first Trial Period payment is due by the Trial Period Plan Offer Deadline. The Servicer must require the Borrower to remit timely payments. Each Trial Period payment must be received no later than the last day of the month in which the Trial Period payment is due. Borrowers who fail to make timely Trial Period payments are considered to have failed the Trial Period. Servicers must use good business judgment in determining whether Trial Period payments were received timely or if mitigating circumstances caused the payment to be late. Exceptions must be documented in the Servicer's records.

Although the Borrower may make scheduled Trial Period payments earlier than expected, the payments may not result in acceleration of the Modification Effective Date.

During the Trial Period, the Servicer must:

- Continue to report to Freddie Mac in accordance with the investor reporting requirements set forth in the Guide, which include the advancing of forecasted scheduled interest (and principal, if applicable) under the existing Mortgage terms to Freddie Mac, provided that the Servicer has not inactivated the Mortgage
- Report any specific loan-level activity via EDR as provided in Sections 9102.7 and 9206.13(a)

- Credit to an unapplied or suspense funds account, payments made by the Borrower during the Trial Period. Once enough funds have accumulated in the unapplied or suspense funds account to satisfy the oldest payment due under the existing Mortgage terms (including applying the portion of the Trial Period payment allocable to escrowed items to the existing or newly established Escrow account provided those amounts were due at the time of the oldest delinquent payment due date), the Servicer must apply the payment in accordance with the current Note and Security Instrument, or prior modification agreement, if applicable.

**(i) Recommencement and/or initiation of collection efforts and foreclosure actions**

A Borrower is considered to have failed a Trial Period Plan if the Borrower fails to:

- Make a Trial Period payment by the last day of the month in which the payment is due
- Comply with the terms of the Trial Period Plan; or
- Execute and return the modification agreement within the applicable 14-day time frame set forth in Section 9206.16

If the Borrower fails the Trial Period Plan, the Servicer must begin or recommence collection efforts in accordance with Section 9102.4 or, if applicable, recommence any suspended foreclosure action or proceeding.

After determining a Borrower has failed the Trial Period according to the requirements under this Section 9206.11(b), the Servicer must report any initiated or resumed collection or foreclosure activity through EDR. See Section 9102.7 for information on EDR.

Late charges may accrue during the Trial Period subject to the requirements of Section 9102.2. However, all accrued and unpaid late charges must be waived in the event the Mortgage is modified.

**(ii) Changes to tax and insurance premium payments**

If there are changes in a Borrower's tax and insurance premium payments after the Borrower has been qualified for a Trial Period Plan, the Servicer is not required to re-qualify the Borrower based on the subsequent changes in taxes and insurance. However, the Servicer should provide written notice to the Borrower that explains the impact of the new Escrow payment on the modification.

### **(iii) Borrowers in Trial Period Plans**

If a Borrower was in a Trial Period Plan prior to entering into a forbearance plan, the Borrower may be re-evaluated for a new Trial Period Plan within 30 days prior to or upon completion of the forbearance plan. Servicers must not resume or restart the terms of the previous Trial Period Plan prior to the start of the forbearance plan. Instead, the Servicer must evaluate the Borrower based on the status of the Mortgage at the time of the new evaluation and, if the Borrower meets all eligibility requirements, the Servicer must send a new Trial Period Plan offer to commence on or after the completion of the forbearance plan.

For any subsequent modification submissions, the Trial Period Plan that the Borrower was in prior to the start of the forbearance plan will not be considered a failed Trial Period Plan for a Flex Modification evaluation.

### **(iv) Borrowers filing for bankruptcy during the Trial Period**

Borrowers who are in a Trial Period Plan and subsequently file for bankruptcy may not be denied a modification on the basis of the bankruptcy filing. The Servicer and its counsel must work with the Borrower or Borrower's counsel to obtain any court and/or trustee approvals required in accordance with local court rules and procedures. Servicers should extend the Trial Period Plan as necessary to accommodate delays in obtaining court approvals or receiving a full remittance of the Borrower's Trial Period payments when they are made to a trustee, but they must not extend the Trial Period beyond nine months, resulting in a total 12-month Trial Period. In the event of a Trial Period extension, the Borrower must make a Trial Period payment for each month of the Trial Period, including any extension month, in order to remain eligible for a modification. See Section 9206.13(a) for information on reporting an extended Trial Period Plan via EDR.

### **(v) Chapter 13 bankruptcy**

When a Borrower in an active Chapter 13 bankruptcy is in a Trial Period Plan and the Borrower has made post-petition payments on the Mortgage in the amount required by the Trial Period Plan, a Servicer must not object to confirmation of a Borrower's Chapter 13 plan, move for relief from the automatic bankruptcy stay, or move for dismissal of the Chapter 13 case on the basis that the Borrower paid only the amounts due under the Trial Period Plan, as opposed to the non-modified Mortgage payments.

### **(vi) Chapter 7 bankruptcy**

Borrowers who have received a Chapter 7 bankruptcy discharge in a case involving the Mortgage and who did not reaffirm the Mortgage debt under applicable law, are eligible for a modification.

## 9206.12: Modified Mortgage conditions (10/01/17)

The Servicer must ensure that the modified Mortgage:

1. Retains its First Lien position and continues to be fully enforceable in accordance with its terms at the time of modification, throughout its modified term, and during any bankruptcy or foreclosure proceeding involving the Mortgage. The Servicer must record the modification agreement only when doing so is necessary to ensure its compliance with this First Lien retention and modification enforcement requirement. If recordation is not immediately necessary, but may be required in the future to comply with this First Lien retention and modification enforcement requirement, the Servicer must have the modification agreement in recordable form. The modification agreement must be executed by the Borrower(s).

Notwithstanding the foregoing, the Servicer must:

- (a) Ensure all real estate taxes or, for Manufactured Homes taxed as personal property, personal property taxes, condominium/homeowners association (HOA) fees, utility assessments (such as water bills), ground rent and other assessments that could become a First Lien are current
  - (b) Obtain a title endorsement or similar title insurance product issued by a title insurance company prior to or at the time of the modification whenever it is necessary to record the modification agreement to retain the modified Mortgage's First Lien position
  - (c) Obtain subordination agreements from any junior lienholders, if required by the title insurance company
  - (d) Record the executed loan modification agreement, even if the jurisdiction where the property is located does not require the Servicer to do so, whenever recordation is necessary to retain the modified Mortgage's First Lien position, if, in the future, recordation is necessary to enforce the terms of the modified mortgage (e.g., pre-foreclosure), or if it contains provisions related to the assignment of leases and rents
2. Retain all living signers on the existing Note as obligors. Except as otherwise provided in Section 9206.13(e), all Borrowers and any other signatory to the Security Instrument must sign the modification agreement and all other required documents.
  3. Contain a due-on-transfer provision if the existing Mortgage documents do not contain such a provision (see Exhibit 78, Modification Due on Transfer Rider, for an example of a due-on-transfer rider)
  4. Not have any secondary financing included in the UPB
  5. Not provide any cash-out to the Borrower

6. Except as set forth in Sections 9206.5(e) and 9206.4(d), have an Escrow account for real estate taxes, property, flood, mortgage insurance premiums and ground rent even if the existing Mortgage does not have an Escrow account
7. Retain mortgage insurance coverage if the existing Mortgage has such coverage, and the loss coverage percentage must remain the same
8. Contain an assignment of rents rider if the property is a 1-unit Investment Property or a 2- to 4-unit property (see Exhibit 77 for an example of an assignment of rents rider)
9. Retain any existing credit enhancement, such as an indemnification agreement. (Note: Mortgages subject to recourse are not eligible for a **Freddie Mac Flex Modification**<sup>®</sup> or Capitalization and Extension Modification for Disaster Relief.) If the Servicer is not the provider of the credit enhancement, it must obtain written approval from the institution providing the enhancement.
10. Contain a Modification Bankruptcy Disclosure Rider for a Borrower who has been discharged from the Freddie Mac debt (see Exhibit 78A, Modification Bankruptcy Disclosure Rider, for an example of the rider)
11. Be a fully amortizing fixed-rate Mortgage. The Mortgage after modification must not be: an interest-only Mortgage, a bi-weekly Mortgage or a daily simple interest Mortgage.
12. Have flood insurance coverage if the property is located in an area that has been identified by the Director of the Federal Emergency Management Agency (FEMA) as a Special Flood Hazard Area (SFHA). The Servicer must determine if the area where the property is located has been identified as a SFHA. This step must be taken even if the property was not located in a SFHA when the Mortgage was originated. If the property is located in a SFHA, then the Servicer must require that the Borrower purchase flood insurance as required in Section 8202.3.

## **9206.13: Other modification conditions and requirements (10/09/19)**

**Refer to Bulletins 2019-18, 2019-19 and 2019-21, which announced the availability of Freddie Mac Servicing Data Corrections. Servicers may use the application prior to the implementation of the December 9, 2019 version of this section.**

This section describes the following requirements for processing a Freddie Mac Standard Modification, Freddie Mac Streamlined Modification, Freddie Mac Flex Modification<sup>®</sup> and a Capitalization and Extension Modification for Disaster Relief (“Disaster Relief Modification”):

- EDR
- MI approval

- Servicing Spread
- Escrows
- Execution of documents
- Texas Equity Section 50(a)(6) Mortgages

**(a) EDR**

Servicers must report specific Flex Modification activity to Freddie Mac as follows:

- **BF – “Standard Modification Trial Period.”** Report default action code BF to notify Freddie Mac that the Borrower has entered into a Trial Period for the Flex Modification or Disaster Relief Modification. Servicers must report this code along with the Trial Period Plan Effective Date each month during the Trial Period. In addition, Servicers must report this code if they elect to use the interim month option under the Trial Period Plan or extend the Trial Period Plan to accommodate a Borrower’s bankruptcy filing. See Section 9206.16(b) for information on the interim month option and Section 9206.11(b) for information on extending a Borrower’s Trial Period Plan when the Borrower is in bankruptcy; or
- **HD – “Modification in Review.”** Report default action code HD to notify Freddie Mac that the Borrower is being evaluated for a modification. Servicers must report this code along with the date they began reviewing the Borrower for the modification. Report this code one time in the month following the month in which the evaluation took place.
- **HE – “Ineligible/Cancel Modification.”** Report default action code HE to notify Freddie Mac that the Borrower is ineligible for a modification or the Trial Period has been canceled. Servicers must report this code along with the date they made the decision. Report this code one time in the month following the month in which the decision took place.

**(b) MI approval**

Servicers must obtain MI approval of a modification before offering the Borrower a Trial Period Plan. Additionally, if the Borrower cannot pay all amounts due plus the modification expenses, the Servicer must inquire if the MI will make an advance claim payment to pay all or part of the amounts due.

**(c) Servicing Spread**

Servicers must retain not more than the lesser of the current Servicing Spread on the modified Mortgage or 25 basis points as the Servicing Spread. For Mortgages with a partial principal forbearance, the Servicing Spread is based on the interest-bearing UPB.



#### **(d) Escrows**

Except as set forth in Sections 9206.3(f) and 9206.4, Servicers must establish an Escrow account on the Mortgage if an Escrow account is not currently maintained on the Mortgage, provided its establishment is not prohibited under applicable federal, State or local law. Prior to or during the Servicer's determination of the Borrower's eligibility for a modification, the Servicer must perform an Escrow analysis in accordance with the Real Estate Settlement Procedures Act (RESPA) and any applicable federal, State, or local law. The Servicer must then establish the Escrow account at the time the Trial Period Plan becomes effective and provide any disclosures required by applicable federal, State, or local law within the time periods prescribed by such laws. In addition:

1. Any advances previously made by the Servicer or any advances that will be made during the Trial Period to pay property taxes or insurance premiums must be capitalized in the modified UPB as long as they were or will be paid to third parties prior to the Modification Effective Date.
2. For taxes and insurance premiums that are not yet due before the Modification Effective Date, the Servicer must determine the amount needed to establish the escrow account (Escrow shortage) that, together with the monthly Escrow payment included in the modified monthly Mortgage payment, will be sufficient to pay all future taxes and insurance premiums when they fall due. If the Borrower is unable to pay the Escrow shortage as a lump sum payment, then the Borrower must pay the shortage as part of the monthly payment on the modified Mortgage ("Project Monthly Escrow Shortage Payments") as set forth in Section 9206.15(b). This amount may not be capitalized in the UPB of the Mortgage.
3. Once the Escrow account is established, the Borrower must continue to make monthly Escrow payments, even if the Borrower fails to comply with the Trial Period Plan and the Mortgage subsequently reinstates.

#### **(e) Execution of documents**

The Servicer must require all Borrowers and any other signatory to the Security Instrument to sign the modification agreement and all other required documents to qualify for a modification except the following:

- A Borrower, co-Borrower or any signatory to the Security Instrument who is deceased, as evidenced by a death certificate, or an obituary or newspaper article reporting the death
- A Borrower, co-Borrower or any signatory to the Security Instrument who is divorced or legally separated from another party, as evidenced by a divorce decree signed by the court or court filed separation agreement, except for the Borrower or co-Borrower retaining possession and title to the property
- A Borrower, co-Borrower or any signatory to the Security Instrument who is unrelated by marriage, civil union or similar domestic partnership under applicable law and who

purchased or owned the property and has since vacated and no longer occupies the property, provided the remaining Borrower submits a copy of a recorded quit claim deed evidencing that the departed party has relinquished all rights to the property; or

- Any signatory to a Security Instrument who is not a Borrower obligated on the Note provided the Security Instrument contains a provision that authorizes any Borrower to modify the terms of the Security Instrument or the Note without such signatory's consent

Servicers may evaluate requests on a case-by-case basis when the Borrower is unable to sign due to circumstances such as mental incapacity, military deployment, etc.

For Mortgages secured by a property owned by an eligible Living Trust all Standard Modification-related documents must be executed by the Borrower as follows:

- In his or her individual capacity; and
- By the trustee on behalf of the Living Trust

**(f) Texas Equity Section 50(a)(6) Mortgages**

When the Mortgaged Premises is secured by a Texas Equity Section 50(a)(6) Mortgage:

- If the Borrower is eligible and qualifies for a Trial Period Plan and/or modification, the Servicer must offer the Borrower a Trial Period Plan and/or modification in accordance with Freddie Mac's requirements in Chapters 9205 and 9206
- If the Servicer receives Borrower notification stating that the terms of the modification agreement do not comply with the provisions of Article XVI Section, 50(a)(6) of the Texas Constitution, the Servicer must notify Freddie Mac within seven Business Days of receipt of such objection or complaint (**see Directory 5**) by completing and submitting the following sections of Form 1205, Post-Settlement Correction Request:
  - Freddie Mac Loan Number
  - Servicer Loan Number
  - Transaction type (i.e., Texas Home Equity modification)
  - Accounting Cycle in which Freddie Mac settled the workout
  - Servicer's analysis (i.e., Borrower complaint related to Section 50(a)(6) of the Texas Constitution)
- Upon receipt of Freddie Mac's instructions, the Servicer must comply with any required response time frames to claims of defects and any other complaint in accordance with Section 8104.1 and the Texas Constitution

## 9206.13: Other modification conditions and requirements (Future effective date 12/09/19)

This section describes the following requirements for processing a Freddie Mac Standard Modification, Freddie Mac Streamlined Modification, Freddie Mac Flex Modification<sup>®</sup> and a Capitalization and Extension Modification for Disaster Relief (“Disaster Relief Modification”):

- EDR
- MI approval
- Servicing Spread
- Escrows
- Execution of documents
- Texas Equity Section 50(a)(6) Mortgages

### (a) EDR

Servicers must report specific Flex Modification activity to Freddie Mac as follows:

- **BF – “Standard Modification Trial Period.”** Report default action code BF to notify Freddie Mac that the Borrower has entered into a Trial Period for the Flex Modification or Disaster Relief Modification. Servicers must report this code along with the Trial Period Plan Effective Date each month during the Trial Period. In addition, Servicers must report this code if they elect to use the interim month option under the Trial Period Plan or extend the Trial Period Plan to accommodate a Borrower’s bankruptcy filing. See Section 9206.16(b) for information on the interim month option and Section 9206.11(b) for information on extending a Borrower’s Trial Period Plan when the Borrower is in bankruptcy; or
- **HD – “Modification in Review.”** Report default action code HD to notify Freddie Mac that the Borrower is being evaluated for a modification. Servicers must report this code along with the date they began reviewing the Borrower for the modification. Report this code one time in the month following the month in which the evaluation took place.
- **HE – “Ineligible/Cancel Modification.”** Report default action code HE to notify Freddie Mac that the Borrower is ineligible for a modification or the Trial Period has been canceled. Servicers must report this code along with the date they made the decision. Report this code one time in the month following the month in which the decision took place.

## **(b) MI approval**

Servicers must obtain MI approval of a modification before offering the Borrower a Trial Period Plan. Additionally, if the Borrower cannot pay all amounts due plus the modification expenses, the Servicer must inquire if the MI will make an advance claim payment to pay all or part of the amounts due.

## **(c) Servicing Spread**

Servicers must retain not more than the lesser of the current Servicing Spread on the modified Mortgage or 25 basis points as the Servicing Spread. For Mortgages with a partial principal forbearance, the Servicing Spread is based on the interest-bearing UPB.

## **(d) Escrows**

Except as set forth in Sections 9206.3(f) and 9206.4, Servicers must establish an Escrow account on the Mortgage if an Escrow account is not currently maintained on the Mortgage, provided its establishment is not prohibited under applicable federal, State or local law. Prior to or during the Servicer's determination of the Borrower's eligibility for a modification, the Servicer must perform an Escrow analysis in accordance with the Real Estate Settlement Procedures Act (RESPA) and any applicable federal, State, or local law. The Servicer must then establish the Escrow account at the time the Trial Period Plan becomes effective and provide any disclosures required by applicable federal, State, or local law within the time periods prescribed by such laws. In addition:

1. Any advances previously made by the Servicer or any advances that will be made during the Trial Period to pay property taxes or insurance premiums must be capitalized in the modified UPB as long as they were or will be paid to third parties prior to the Modification Effective Date.
2. For taxes and insurance premiums that are not yet due before the Modification Effective Date, the Servicer must determine the amount needed to establish the escrow account (Escrow shortage) that, together with the monthly Escrow payment included in the modified monthly Mortgage payment, will be sufficient to pay all future taxes and insurance premiums when they fall due. If the Borrower is unable to pay the Escrow shortage as a lump sum payment, then the Borrower must pay the shortage as part of the monthly payment on the modified Mortgage ("Project Monthly Escrow Shortage Payments") as set forth in Section 9206.15(b). This amount may not be capitalized in the UPB of the Mortgage.
3. Once the Escrow account is established, the Borrower must continue to make monthly Escrow payments, even if the Borrower fails to comply with the Trial Period Plan and the Mortgage subsequently reinstates.

## **(e) Execution of documents**

The Servicer must require all Borrowers and any other signatory to the Security Instrument to sign the modification agreement and all other required documents to qualify for a modification except the following:

- A Borrower, co-Borrower or any signatory to the Security Instrument who is deceased, as evidenced by a death certificate, or an obituary or newspaper article reporting the death
- A Borrower, co-Borrower or any signatory to the Security Instrument who is divorced or legally separated from another party, as evidenced by a divorce decree signed by the court or court filed separation agreement, except for the Borrower or co-Borrower retaining possession and title to the property
- A Borrower, co-Borrower or any signatory to the Security Instrument who is unrelated by marriage, civil union or similar domestic partnership under applicable law and who purchased or owned the property and has since vacated and no longer occupies the property, provided the remaining Borrower submits a copy of a recorded quit claim deed evidencing that the departed party has relinquished all rights to the property; or
- Any signatory to a Security Instrument who is not a Borrower obligated on the Note provided the Security Instrument contains a provision that authorizes any Borrower to modify the terms of the Security Instrument or the Note without such signatory's consent

Servicers may evaluate requests on a case-by-case basis when the Borrower is unable to sign due to circumstances such as mental incapacity, military deployment, etc.

For Mortgages secured by a property owned by an eligible Living Trust all Standard Modification-related documents must be executed by the Borrower as follows:

- In his or her individual capacity; and
- By the trustee on behalf of the Living Trust

**(f) Texas Equity Section 50(a)(6) Mortgages**

When the Mortgaged Premises is secured by a Texas Equity Section 50(a)(6) Mortgage:

- If the Borrower is eligible and qualifies for a Trial Period Plan and/or modification, the Servicer must offer the Borrower a Trial Period Plan and/or modification in accordance with Freddie Mac's requirements in Chapters 9205 and 9206
- If the Servicer receives Borrower notification stating that the terms of the modification agreement do not comply with the provisions of Article XVI Section, 50(a)(6) of the Texas Constitution, the Servicer must notify Freddie Mac within seven Business Days of receipt of such objection or complaint [via Freddie Mac Servicing Data Corrections and include the following:](#)

- Freddie Mac Loan Number

- ❑ Servicer Loan Number
- ❑ Transaction type (i.e., Texas Home Equity modification)
- ❑ Accounting Cycle in which Freddie Mac settled the workout
- ❑ Servicer's analysis (i.e., Borrower complaint related to Section 50(a)(6) of the Texas Constitution)
- Upon receipt of Freddie Mac's instructions, the Servicer must comply with any required response time frames to claims of defects and any other complaint in accordance with Section 8104.1 and the Texas Constitution

## **9206.14: Loan modification expenses (03/02/16)**

Subject to applicable law, loan modification expenses may include, but are not limited to:

1. Notary fees
2. Recordation fees if they meet the requirements in Section 9206.12
3. Title report according to the requirements of Section 9206.12. To reduce the expenses, order any required title report from a vendor that is an agent of the current title insurer, when possible.
4. Updated title endorsement or a new title insurance policy according to the requirements of Section 9206.12
5. Legal and settlement fees
6. Property inspection
7. BPO cost, if a BPO is used as the property valuation. See Section 9202.19 for BPO cost details.

The Servicer may not charge the Borrower any processing fee or other administrative fee in connection with the processing of a loan modification.

If the Servicer does not modify the Mortgage, the Servicer must refund to the Borrower all prepaid, but unused expense funds.

## **9206.15: Expenses, delinquent amounts, capitalization rules and expense reimbursements for modifications (07/01/18)**

### **(a) Expenses and delinquent amounts**

Whenever possible the Borrower must pay, subject to applicable federal, State, and local law and the Mortgage, the following expenses and delinquent amounts in the form of a cash contribution as a condition of the modification:

- Delinquent accrued interest
- Expenses paid to a third party specifically related to the loan modification (e.g., title costs, not to exceed the reimbursable expense limits in Exhibit 57A, Approved Attorney Fees and Title Expenses, notary fees, recordation fees, if applicable, and credit report fees)
- Funds advanced by the Servicer, or to be advanced and paid to a third party, prior to the date the Borrower executes the loan modification agreement for the payment of real estate taxes and insurance premiums
- Incurred foreclosure costs, including attorney fees and title costs incurred as part of the foreclosure process, not to exceed the reimbursable expense limits in Exhibit 57A
- Property preservation expenses and property inspection fees, not to exceed the reimbursable limits in Exhibit 57, 1- to 4-Unit Property Approved Expense Amounts, and further subject to limitations on the amount or frequency of inspections under applicable federal, State or local law
- Any other expenses that were advanced and paid to a third party related to the preservation of Freddie Mac's lien priority, as specified in Sections 9301.27 and 9701.10
- Escrow shortages (i.e., the amount needed to establish the Escrow account or to bring it current that, together with the monthly Escrow payment included in the monthly Mortgage payment, will be sufficient to pay the next twelve months of property taxes and insurance premiums when they fall due)
- Any other amounts due and owing that are secured indebtedness under the current Mortgage

The Borrower must agree to contribute funds held in a buydown account, if any, to reduce the Delinquency or amount capitalized.

The Servicer may not charge the Borrower or capitalize any processing fee or other administrative fees in connection with the processing of a loan modification.

**(b) Capitalization rules**

If the Borrower has inadequate cash reserves or assets that he or she cannot liquidate to pay all of the expenses and delinquent amounts in the form of a cash contribution under Section 9206.15(a), any cash contribution the Borrower is able to make must be applied to expenses and amounts that may be capitalized.

Generally, a Borrower is expected to pay all expenses and other amounts due. If the Mortgage has mortgage insurance, the Servicer must contact the MI prior to capitalizing any amounts to determine if the MI will pay all or a portion of the expenses and delinquent amounts due. The Servicer may capitalize any expense or delinquent amount set forth in the table below provided that such capitalization is not prohibited by applicable federal, State or local law, the amount to be capitalized is part of the indebtedness secured by the current Mortgage, and the expense complies with Exhibits 57 and 57A.

<b>Expense or delinquent amount</b>	<b>May be capitalized (if part of the secured indebtedness and subject to applicable law)</b>
Delinquent accrued interest	Yes
Expenses paid to a third party specifically related to the loan modification (e.g., title costs, notary fees, recordation fees, if applicable, and credit report fees)	No
Funds advanced by the Servicer, or to be advanced and paid to a third party, prior to the date the Borrower executes the loan modification agreement for the payment of real estate taxes and insurance premiums	Yes
Escrow shortages to fund an Escrow account for future post-modification advances	No
Incurred foreclosure costs, including attorney fees and title costs incurred as part of the foreclosure process	Yes (not to exceed the reimbursable expense limits in Exhibit 57A)



Expense or delinquent amount	May be capitalized (if part of the secured indebtedness and subject to applicable law)
Property preservation expenses and property inspection fees	Yes (not to exceed the reimbursable limits in Exhibit 57)
Any other expenses that were advanced and paid to a third party related to the preservation of Freddie Mac’s lien priority, as specified in Sections 9301.27 and 9701.10	Yes

With respect to Escrow shortages, if the Borrower is unable to pay the Escrow shortage as a lump sum, then the Borrower must pay the shortage as part of the monthly payment (“Projected Monthly Escrow Shortage Payments”) on the modified Mortgage. If the Borrower must pay Projected Monthly Escrow Shortage Payments, then the Servicer must:

- Spread the **repayment of the Escrow shortage amount in equal monthly payments** over a period of **at least 12, but not more than 60 months**; and
- Take into account any remaining unpaid amount of the Escrow shortage in any subsequent Escrow analysis to ensure that the Borrower **is able to continue to pay all Escrow shortage amounts** over the remaining portion of **either the current remaining Escrow shortage repayment period or a period up to 60 months**. The Servicer may not accelerate or compress the remaining Escrow shortage amount into a new Escrow payment **or shorter repayment period** as a result of a future Escrow analysis.

**(c) Reimbursement of expenses**

Servicers may use the Freddie Mac Reimbursement System to request reimbursement for the following mortgage modification expenses associated with all modification types that would otherwise be paid by the Borrower and that may not be capitalized:

Expense Description	Expense Code	Expense Limit and Notes
Recordation fees	<b>300003</b>	Actual cost

<b>Expense Description</b>	<b>Expense Code</b>	<b>Expense Limit and Notes</b>
Title costs, if applicable (except with respect to title costs in connection with a foreclosure proceeding)	<b>300004</b>	Reimbursable amounts are in accordance with the limits specified in Exhibit 57A
Notary fees	<b>042001</b>	\$150
Home Value Explorer® (HVE®)	<b>400003</b>	\$150

Additionally, Freddie Mac will reimburse certain expenses (e.g., legal fees and/or legal costs) considered unrecoverable from the Borrower under applicable federal, State or local law upon completion of a mortgage modification in accordance with Section 9701.5(f).

All reimbursement requests must be received by Freddie Mac in accordance with Section 9701.5(a). If the Servicer submits a claim for reimbursement of mortgage modification expenses and the mortgage modification settlement date does not exist in Freddie Mac's systems, the claim will not be eligible for payment. All modifications types, excluding modifications with Mortgages insured by the FHA, or guaranteed by the VA or RHS, must have been submitted to Freddie Mac for settlement in its systems to be eligible for expense reimbursement via the Reimbursement System.

For modifications with Mortgages insured by the FHA, or guaranteed by the VA or RHS, refer to Section 9701.5 for requirements related to claim submission time frames.

## **9206.16: Preparing to close the loan modification (08/14/19)**

The Servicer should allow sufficient processing time to prepare the modification agreement and provide it to the Borrower for execution, so that the Borrower has sufficient time to return it to the Servicer and make the first modified payment by its due date. The first modified payment due date is the first day of the month following the final Trial Period month, or, if applicable, the first day of the month following an interim month.

### **(a) Preparing the modification agreement and providing it to the Borrower**

The Servicer must:

1. Prepare two original modification agreements for the Borrower's signature (see Exhibit 76, Loan Modification for Delinquent Mortgages, for an example of a modification agreement and Exhibit 76A, for authorized changes to Exhibit 76)

The modification agreement:

- Must be revised as necessary to conform with federal, State and local law and the terms of the modification
- Must not include any language that requires the Borrower to waive rights he or she may have under applicable law, including the Consumer Credit Protection Act, as a condition of the modification
- Must have a Modification Effective Date and a due date of the first payment due after the Trial Period (the "First Modified Payment") of the first day of the month following the end of the Trial Period, or, if applicable, the first day of the month following the end of the interim month
  - Must be in recordable form in the following circumstances: (1) if State or local law requires the modification agreement be recorded to be enforceable, (2) if the Mortgage is secured by property located in New York, (3) if the modification agreement must be recorded pursuant to Section 9206.12(1)(d), or (4) if the Servicer's practice for modifying Mortgages in its portfolio is to create modification agreements in recordable form

The new interest rate and new principal balance on the modified Mortgage are effective retroactive to the first day of the month just prior to the First Modified Payment due date (i.e., to allow for payment of interest in arrears). (See below for information on the "interim month option.")

2. **Deliver to** the Borrower two unsigned copies of the modification agreement, together with any applicable riders and disclosures, and provide a date by which the Borrower must sign and return the two executed modification agreements (and applicable riders and disclosures), which must be no more than 14 days from the date the Servicer sent the modification agreement
3. Once the Borrower has signed both copies of the modification agreement and made the last required monthly payment due during the Trial Period and the Servicer determines the Borrower otherwise remains in compliance with the terms of the Trial Period Plan, the Servicer must sign the two modification agreements, and return one modification agreement with all signatures to the Borrower in order for the modification to take effect. The Servicer may not sign the modification agreements until the Borrower has signed the modification agreement and complied with all requirements of the Trial Period Plan.
4. Prepare two assignment of rents riders, if applicable (see Section 9206.12)

5. Prepare two due-on-transfer riders, if applicable (see Section 9206.12)
6. Prepare two Modification Bankruptcy Disclosure Riders, if applicable (see Section 9206.12)
7. Prepare any documents necessary to modify the Mortgage, including applicable disclosure statements
8. Arrange to obtain a title endorsement or similar title insurance product, if applicable. Refer to Section 9206.12 for specific information.

**(b) Interim month option**

In the event the Borrower does not pay the final Trial Period payment on or before the due date set forth in the Trial Period Plan Notice, then the Servicer may, at its option, prepare the modification agreement such that the Modification Effective Date and the due date of the First Modified Payment is the first day of the second month following the final Trial Period month. However, in this case, interest will not begin to accrue at the modified interest rate on the modified principal balance until the first day of the month following the final Trial Period month to accommodate the First Modified Payment's payment of interest in arrears ("interim month option.")

For example, if the final Trial Period payment is due March 1 and the Servicer elects the option described above, the Borrower is not required to make any payment during April, and the First Modified Payment under the modification agreement is due on May 1. During the month of March, interest will accrue at the current pre-modification rate under the current loan documents, which may impact the amount of the modified principal balance. The modified interest rate and the modified principal balance will take effect on April 1. The First Modified Payment due on May 1 will include interest in arrears that accrued during April on the modified principal balance at the modified interest rate.

If the Servicer elects this option, the Borrower will not be required to make an additional Trial Period payment during the month (the "interim month") between the final Trial Period month and the month in which the First Modified Payment is due.

A Servicer must treat all Borrowers the same in applying this option by selecting, in its discretion and evidenced by a written policy, the date by which the final Trial Period payment must be submitted ("cutoff date") before the Servicer applies this option. The cutoff date must be after the due date for the final Trial Period payment as set forth in the Trial Period Plan Notice.

In the event the Borrower does not submit funds during the interim month, the effects of the interim month and attendant capitalization of arrearages on the terms of the modification agreement may not alter the Servicer's previous determination of the Borrower's eligibility.

The Servicer, when sending the modification agreement for signature, must include a cover letter that informs the Borrower of (i) the delay of the Modification Effective Date and First

Modified Payment due date by one month and (ii) the effects of the interim month, including, but not limited to, the delay in the effective date of the modified interest rate, any increase in the delinquent interest capitalized.

## **EDR**

If the Servicer elects to use the interim month option in accordance with the requirements under this Section 9206.16(b), the Servicer must report the interim month to Freddie Mac through EDR. In doing so, the Servicer must report default action codes “BF” under the Freddie Mac Standard Modification Trial Period Plan, Freddie Mac Flex Modification<sup>®</sup> Trial Period Plan or Capitalization and Extension Modification for Disaster Relief Trial Period Plan, and “TM” under the Freddie Mac Streamlined Modification Trial Period Plan. In addition, the Servicer must also report the Trial Period Plan Effective Date as the default action date until the default action codes would no longer apply once the Mortgage is modified.

Refer to Section 9102.7 for information on EDR and Exhibit 82, Electronic Default Reporting Transmission Code List, for descriptions of the default action codes and default reason codes.

## **9206.17: Loan modification documents and settlement data submissions (06/12/19)**

After the Servicer has sent a fully executed modification agreement to the Borrower as required by Section 9206.16(a), the Servicer must comply with the following requirements:

- If the modification agreement must be recorded (see Sections 9206.12 and 9206.16), the Servicer must:
  - Submit the second fully executed original modification agreement for recordation within one Business Day of receiving either the Borrower executed modification agreement or the final Trial Period payment, whichever is later (See Section 1401.14 for requirements pertaining to Electronic recording of paper post-closing documents)
  - If the original Security Instrument was registered with MERS<sup>®</sup>, execute the modification agreement on behalf of MERS
  - Within 25 days of receiving the executed modification agreement from the Borrower:
    - If the modification agreement will not be electronically recorded, send a certified copy of the fully executed modification agreement to the Document Custodian to be maintained with the Note
    - If the modification agreement will be electronically recorded, send the fully executed modification agreement to the Document Custodian to be maintained with the Note

(see Section 1401.14 for requirements pertaining to Electronic recording of paper post-closing documents and related delivery requirements to the Document Custodian or Designated Custodian, as applicable)

- ❑ Send the modification agreement that is returned from the recorder's office to the Document Custodian within five Business Days of receiving it (see Section 1401.14 for requirements pertaining to Electronic recording of paper post-closing documents and related delivery requirements to the Document Custodian or Designated Custodian, as applicable)
- ❑ If recordation is not required, send the fully executed modification agreement to the Document Custodian within 25 days after receiving it from the Borrower
- ❑ Retain a copy of the fully executed modification agreement in the Mortgage file (see Section 1401.14 for requirements pertaining to Electronic recording of paper post-closing documents and related modification storage requirements by the Servicer in the Mortgage file)
- Per Section 1402.11(a), the Servicer must update the MERS® eRegistry (as defined in Section 1402.2) to provide notice of the modification agreement upon a modification of an eMortgage (as defined in Section 1402.2)
- Complete the “Loan Modification Settlement” screen in Workout Prospector® and transmit the status for all Mortgages due for settlement into Workout Prospector no later than the 4<sup>th</sup> Business Day of the month in which the first modified payment is due. When submitting the data for a modification via the “Loan Modification Settlement” screen, the Servicer must comply with the instructions for each Freddie Mac modification offer set forth in the Workout Prospector Users’ Guide.

By completing the “Loan Modification Settlement” screen in Workout Prospector and submitting the data for a modified Mortgage, the Servicer represents and warrants to Freddie Mac that it has completed the data entry in accordance with the instructions set forth in the Workout Prospector Users’ Guide and that all information set forth on the “Loan Modification Settlement” screen is accurate. In submitting the modification terms via the “Loan Modification Settlement” screen, the Servicer represents and warrants, among other things, that:

- ❑ The “Current UPB (pre-modification)” and the DDLPI entered on the “Loan Modification Settlement” screen matches the UPB and DDLPI reported to Freddie Mac as of the end of the last Accounting Cycle in the month prior to the first modified payment due date
- ❑ The data entered on the “Loan Modification Settlement” screen matches the terms of the modification agreement and those terms comply with the underwriting requirements applicable to the modification.

In its sole discretion, Freddie Mac may choose not to accept for settlement any modification and data related to such modification undertaken by the Servicer where required settlement documentation is not provided in accordance with the time frame set forth above or that otherwise does not comply with the underwriting requirements of the Guide or other applicable Purchase Documents. If Freddie Mac does accept a modification for settlement, such acceptance does not waive any rights Freddie Mac may have available under the Guide or other applicable Purchase Documents including, without limitation, the right to withhold workout compensation for any modifications undertaken by the Servicer where required settlement documentation or accurate settlement data is not provided in accordance with the time frame set forth above or the terms of the modification do not comply with the underwriting requirements of the Guide or other applicable Purchase Documents.

Once the data entered onto the “Loan Modification Settlement” screen has been submitted to Freddie Mac, Servicers should monitor the *Modification Pending Update* report, accessible via the “Modifications” tile of the Servicer’s Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools). All Mortgages that are scheduled to be processed in Freddie Mac’s systems will appear on this report in the SPP.

In addition, Freddie Mac will notify Servicers that the modification has been processed in Freddie Mac’s systems via the *Modification Status Overview* report in the SPP. If a Servicer attempts to report a monthly loan-level transaction on a Mortgage based on the modified terms prior to the modification being processed in Freddie Mac’s systems, the Servicer will not be able to successfully complete the transaction.

- Comply with the reporting requirements set forth in Section 9206.18 to complete the loan modification. Freddie Mac will enter a credit for its proportionate share of the capitalized amount, if applicable, on the Adjustment line of the Servicer’s Monthly Account Statement (MAS) plus an adjustment for any miscellaneous interest, if applicable.

## **9206.18: Modification reporting and drafting requirements (10/09/19)**

**Refer to Bulletins 2019-18, 2019-19 and 2019-21, which announced the availability of Freddie Mac Servicing Data Corrections. Servicers may use the application prior to the implementation of the December 9, 2019 version of this section.**

Freddie Mac will process and settle mortgage modifications daily, except on the first Business Day of the month, and notify the Servicer through the Loan Modification Status Report when a loan modification has settled. During settlement, Freddie Mac will update the DDLPI to be the Modification Effective Date.

The Servicer must comply with the following reporting requirements:

**(a) Before the first modified payment is due**

The Servicer must report in accordance with the Note and Security Instrument, and any modification agreement, if applicable. In doing so, the Servicer must report to Freddie Mac as follows:

<b>If the mortgage modification was settled in the current Accounting Cycle....</b>	<b>Then the Servicer must....</b>
With the first modified payment <b>due in the following month</b>	<b>Report the next month's forecasted scheduled interest based on the modified terms</b> in the current Accounting Cycle
With the first modified payment <b>due in the current month</b>	<b>Report the principal and forecasted scheduled interest based on the newly modified terms</b> in the current Accounting Cycle.  Note: If the mortgage modification settles after the P&I Determination Date and the Servicer does not report the modified loan data, Freddie Mac will simulate the loan activity.
And <b>the Modification Effective Date is in a past Accounting Cycle</b> , the Mortgage will remain inactive after the mortgage modification	<b>Complete a full reinstatement.</b> Refer to Section 8303.23(a) for reporting the corresponding payment and DDLPI date change. (The DDLPI would change to the same date as the Modification Effective Date).

If a Trial Period Payment is received in the same month that Freddie Mac settles the mortgage modification and the pre-modified UPB is equal to the UPB reported in the current Accounting Cycle, the Trial Period Payment will be applied as a miscellaneous principal adjustment.

**(b) After the modification has been executed**

Once the modification has been executed, the Servicer must update their Mortgage records to reflect the modified terms.

In the next monthly Accounting Cycle after the effective date of the modification, the Servicer must report to Freddie Mac as follows:



1. Report the Mortgage in its Loan-Level Transaction using the modified terms and report any payments received after the modification agreement has been executed. If the modified Mortgage includes capitalized amounts, then the UPB field must reflect the modified UPB amount. Freddie Mac will enter a credit for its proportionate share of the capitalized amount, if applicable, on the Adjustment Line of the Servicer's Monthly Account Statement (MAS).
2. On the P&I Draft Date, Freddie Mac will draft all modified principal and interest payments to Freddie Mac. The Servicer must update its Mortgage records to reflect the modified terms of the Mortgage as soon as the modification agreement has been executed.

**(c) Drafting**

Freddie Mac will draft principal and interest payments in accordance with Section 8303.3(b). Adjustments for loan modification capitalized interest, miscellaneous principal, miscellaneous interest or reinstatement interest, if applicable, will be posted to the Draft Report in the month the loan modification settles on or before the P&I Determination Date. If the Loan Modification settles after the P&I Determination Date, these adjustments will be posted to the following month's Draft Report.

**(d) Post-settlement discrepancies**

The Servicer must report any post-settlement discrepancies to Freddie Mac by submitting Form 1205, Post-Settlement Correction Request, within 30 calendar days following the close of Freddie Mac's Accounting Cycle in which the settlement occurred.

When submitting a request to correct a post-settlement discrepancy, Servicers must submit the executed modification agreement or court documents to support the requested change and explain why the modification was not initially settled with data elements matching these documents.

Freddie Mac may assess a contract noncompliance and contract change compensatory fee (see Section 8303.43) for any post-settlement discrepancies submitted more than 60 calendar days after the close of Freddie Mac's Accounting Cycle in which the settlement occurred. Additionally, in the event the modification agreement did not comply with Freddie Mac's requirements, Freddie Mac may pursue available remedies depending on the nature of the modification violation, including, but not limited to, a repurchase demand, repurchase alternative and/or recovery of any workout incentives that were paid.

Refer to Section 8303.4 for specific reporting requirements for Mortgages with partial principal forbearance.

## 9206.18: Modification reporting and drafting requirements (Future effective date 12/09/19)

Freddie Mac will process and settle mortgage modifications daily, except on the first Business Day of the month, and notify the Servicer through the Loan Modification Status Report when a loan modification has settled. During settlement, Freddie Mac will update the DDLPI to be the Modification Effective Date.

The Servicer must comply with the following reporting requirements:

### (a) Before the first modified payment is due

The Servicer must report in accordance with the Note and Security Instrument, and any modification agreement, if applicable. In doing so, the Servicer must report to Freddie Mac as follows:

<b>If the mortgage modification was settled in the current Accounting Cycle....</b>	<b>Then the Servicer must....</b>
With the first modified payment <b>due in the following month</b>	<b>Report the next month's forecasted scheduled interest based on the modified terms</b> in the current Accounting Cycle
With the first modified payment <b>due in the current month</b>	<b>Report the principal and forecasted scheduled interest based on the newly modified terms</b> in the current Accounting Cycle.  Note: If the mortgage modification settles after the P&I Determination Date and the Servicer does not report the modified loan data, Freddie Mac will simulate the loan activity.
And <b>the Modification Effective Date is in a past Accounting Cycle</b> , the Mortgage will remain inactive after the mortgage modification	<b>Complete a full reinstatement.</b> Refer to Section 8303.23(a) for reporting the corresponding payment and DDLPI date change. (The DDLPI would change to the same date as the Modification Effective Date).

If a Trial Period Payment is received in the same month that Freddie Mac settles the mortgage modification and the pre-modified UPB is equal to the UPB reported in the current

Accounting Cycle, the Trial Period Payment will be applied as a miscellaneous principal adjustment.

**(b) After the modification has been executed**

Once the modification has been executed, the Servicer must update their Mortgage records to reflect the modified terms.

In the next monthly Accounting Cycle after the effective date of the modification, the Servicer must report to Freddie Mac as follows:

1. Report the Mortgage in its Loan-Level Transaction using the modified terms and report any payments received after the modification agreement has been executed. If the modified Mortgage includes capitalized amounts, then the UPB field must reflect the modified UPB amount. Freddie Mac will enter a credit for its proportionate share of the capitalized amount, if applicable, on the Adjustment Line of the Servicer's Monthly Account Statement (MAS).
2. On the P&I Draft Date, Freddie Mac will draft all modified principal and interest payments to Freddie Mac. The Servicer must update its Mortgage records to reflect the modified terms of the Mortgage as soon as the modification agreement has been executed.

**(c) Drafting**

Freddie Mac will draft principal and interest payments in accordance with Section 8303.3(b). Adjustments for loan modification capitalized interest, miscellaneous principal, miscellaneous interest or reinstatement interest, if applicable, will be posted to the Draft Report in the month the loan modification settles on or before the P&I Determination Date. If the Loan Modification settles after the P&I Determination Date, these adjustments will be posted to the following month's Draft Report.

**(d) Post-settlement discrepancies**

The Servicer must report any post-settlement discrepancies to Freddie Mac via [the Freddie Mac Servicing Data Corrections tool \(see Exhibit 88, Servicing Tools\)](#) within 30 calendar days following the close of Freddie Mac's Accounting Cycle in which the settlement occurred.

When submitting a request to correct a post-settlement discrepancy, Servicers must [upload](#) the executed modification agreement or court documents to support the requested change [in the Servicing Data Corrections tool](#) and explain why the modification was not initially settled with data elements matching these documents.

Freddie Mac may assess a contract noncompliance and contract change compensatory fee (see Section 8303.43) for any post-settlement discrepancies submitted more than 60 calendar

days after the close of Freddie Mac's Accounting Cycle in which the settlement occurred. Additionally, in the event the modification agreement did not comply with Freddie Mac's requirements, Freddie Mac may pursue available remedies depending on the nature of the modification violation, including, but not limited to, a repurchase demand, repurchase alternative and/or recovery of any workout incentives that were paid.

Refer to Section 8303.4 for specific reporting requirements for Mortgages with partial principal forbearance.

## 9206.19: Electronic solicitation and modification (08/14/19)

### (a) Defined terms

For purposes of this section:

**Borrower** means, as applicable to eModification Agreements, in addition to the definition contained in the Glossary, a person defined as a consumer under E-SIGN, to the extent E-SIGN applies to a transaction. For the purposes of this section, "Borrower" also includes any and all persons obligated under the terms of any applicable Note as the context shall permit or require.

**Electronic** has the meaning set forth in Section 1401.2.

**Electronic Record** has the meaning set forth in Section 1401.2.

**Electronic Signature** has the meaning set forth in Section 1401.2.

**Electronic Transaction** has the meaning set forth in Section 1401.2.

**eModification Agreement** has the meaning set forth in Section 1401.2.

**eStorage System** has the meaning set forth in Section 1402.2.

**eNote** has the meaning set forth in Section 1402.2.

**E-SIGN** has the meaning set forth in Section 1402.1.

**eVault** has the meaning set forth in Section 1402.2.

**UETA** has the meaning set forth in Section 1402.1.

### (b) Electronic submission of documents

Refer to Section 9102.5(d) for requirements regarding electronic submission of documents.

**(c) Electronic solicitation**

Servicers may solicit Borrowers for a modification electronically and may add new Borrowers and release Borrowers pursuant to Electronic assumption and release of liability agreements provided the Servicer complies with the requirements of Section 1401.17 and other applicable Guide sections.

**(d) eModification Agreements**

The requirements of this Section 9206.19(d) apply only to eModification Agreements of paper Notes and related Security Instruments. See Section 1402.11(a) for requirements for eModification Agreements that modify an eMortgage.

**(i) Special representations and warranties**

A Servicer allowing Borrowers to receive, transmit or electronically sign an eModification Agreement represents and warrants to Freddie Mac that it has complied with the requirements of the Guide and that the eModification Agreement is authentic, its terms are valid and enforceable against the Borrower, and the modified Mortgage complies with the requirements of Section 9206.12.

**(ii) Restrictions on the use of an eModification Agreement**

An eModification Agreement may be a Category 3 SMARTDoc (v1.02), unless this Chapter 9206 requires the eModification Agreement to be recorded or in recordable format and the recording jurisdiction does not support the Category 3 SMARTDoc format.

Servicers may **not** use an eModification Agreement if:

- The Mortgage, as modified by the eModification Agreement, would be invalid or unenforceable or would no longer be in First Lien position
- The jurisdiction in which the eModification Agreement would be recorded, when recordation is required, does not permit or provide for recordation of Electronic documents
- The Servicer is unable to comply with the recording jurisdiction's recordation and formatting requirements for an Electronic document or the jurisdiction does not permit or provide for recordation of Electronic documents, and Sections 9206.12 or 9206.16 requires the Modification Agreement to be recorded or in recordable form

Freddie Mac will not reimburse any costs that result from a Servicer's decision to use an eModification Agreement, and such costs may not be assessed to the Borrower.

### **(iii) General requirements applicable to all Freddie Mac eModification Agreements**

Servicers must:

- Process, modify, and store eModification Agreements of Freddie Mac Mortgages under requirements that are no less stringent than applicable industry standards when electronically processing, modifying and storing its own Electronic modification agreements for mortgages that it owns or services for others
- Consult with their legal counsel to ensure that the Servicer's use, processing, and storage of an eModification Agreement complies with all applicable federal, State and local laws
- Provide for Electronic notarization when required, subject to applicable law
- Comply with all requirements in the Servicing Contract to service the Mortgage, as modified by an eModification Agreement including, but not limited to, Servicing obligations related to payoff or short sale (e.g., cancelation of the Mortgage, Note and eModification Agreement), grant of a deed-in-lieu of foreclosure, foreclosure, repurchase of an electronically modified Mortgage and litigation
- Notify the Freddie Mac Legal Division (**Legal\_eMortgage@freddiemac.com**) before initiating legal action, including foreclosure, on a Mortgage that has been electronically modified, cooperate with Freddie Mac to determine appropriate legal actions and strategies to undertake in such legal proceedings, and further, must use counsel that has the experience or demonstrated ability to enforce claims under electronically created Mortgages, Notes or other financial instruments
- Assure that the signing platform has a robust audit trail of all key events starting from the creation of the eModification Agreement through and including the Borrower and Servicer execution that the Servicer can reproduce upon request by Freddie Mac

### **(iv) Additional requirements when the eModification Agreement must be recorded or in recordable format**

When an eModification Agreement must be recorded or in recordable format as required in Sections 9206.12 or 9206.16, a Servicer may use an eModification Agreement, provided the Servicer is able to comply with the recording jurisdiction's recordation and Electronic format requirements.

### **(v) Document custodial requirements**

Upon execution of an eModification Agreement, the Servicer must provide a copy of the executed eModification Agreement (**explicitly designated as a copy**) to its Document Custodian in a format that is acceptable to the Document Custodian, to be maintained or logically associated with the Note.

If recordation is required, the Servicer must provide a copy of the recorded eModification Agreement or a copy of evidence of recordation together with a copy of the executed eModification Agreement to its Document Custodian.

**(vi) Storage and safekeeping of eModification Agreements**

eModification Agreements (including printed paper copies of facsimiles of eModification Agreements) must be stored in accordance with the Guide requirements for storing Mortgage file documents and must be stored in an eVault or eStorage System.

eModification Agreements must be logically associated with all paper Mortgage file documents so that all Servicing records (both paper and Electronic) are identified and associated with the affiliated Mortgage transaction.

**(vii) Transfers of Servicing**

Upon a Transfer of Servicing involving Mortgages with eModification Agreements, the Transferor Servicer must comply with Section 7101.2(b)(ii)#8 and inform the Transferee Servicer of the name of the eVault or eStorage System holding the eModification Agreement. The Transferor Servicer must cause its eVault or eStorage System provider to transfer the eModification Agreement and all related data to the Transferee Servicer's eVault or eStorage System provider in a manner that ensures the ongoing validity and enforceability of the eModification Agreement and its associated Electronic Signature. A Transferor Servicer may not satisfy its obligations under this section by relying on Section 7101.8(a) by generating paper copies of eModification Agreements for the Transferee Servicer.

**(viii) Data security requirements and data privacy protection**

Servicers must follow data security requirements in Sections 1302.2 and 1401.5 and the data privacy protection standards in Section 8101.8. Servicers are required to maintain their eStorage System and conduct periodic information security reviews of the data stored and maintained in such systems based on, but not limited to, applicable federal, State and local laws and regulations and the Guide.

Freddie Mac reserves the right to require a Servicer to implement additional security measures regarding its Servicing eStorage System.

**(ix) Disaster Recovery/Business Continuity Plan**

Servicers must create and maintain a Disaster Recovery/Business Continuity Plan (DR/BCP) that includes a backup storage site that is not susceptible to the same types of major disasters as the primary storage site. The DR/BCP must provide for recovery of functionality, availability, and data services back to the point of failure within a commercially reasonable period of time (usually within 48 hours of a disaster).

# **Chapter 9207: Workout Mortgage Assumption**

## **9207.1: What is a workout Mortgage assumption? (03/02/16)**

A workout Mortgage assumption permits a qualified applicant to assume title to the property and the Mortgage obligation from a Borrower who is currently delinquent or in imminent danger of default on his or her Mortgage because of an eligible hardship.

This workout option has different requirements than the requirements for Transfers of Ownership allowed under certain Mortgage documents or federal law. (For example, the workout Mortgage assumption recommendation must be submitted to Freddie Mac for its approval.) Refer to Chapter 8406 for those requirements.

## **9207.2: When to consider a workout Mortgage assumption (10/01/17)**

If the Borrower's eligible hardship, as described in Section 9202.2, is permanent or long term and he or she cannot or does not want to retain ownership of the property, but is cooperative and has a potential buyer for the property, then the Servicer should explore the possibility of a workout Mortgage assumption in accordance with the requirements in Sections 9207.3 through 9207.8 as a solution to the Delinquency.

### **Simultaneous assumptions and modifications**

The Servicer must also consider an assumption of the Mortgage in situations where all Borrowers are deceased or one or more Borrower on the Note has an eligible hardship as described in Section 9202.2 and the hardship is expected to cause a long-term or permanent decrease in the Borrower's income or increase in the Borrower's expenses such that all Borrowers on the Note are unable or unlikely to continue making the monthly mortgage payment obligation. In this circumstance, if a natural person with a legal or beneficial interest in the Mortgaged Premises wishes to assume the Mortgage obligation ("non-Borrower applicant") then the Servicer must first determine if the non-Borrower applicant meets the transfer of ownership requirements under Chapter 8406. If the non-Borrower applicant does not meet the transfer of ownership requirements under Chapter 8406 and the due-on-transfer clause has been triggered or the Mortgage is delinquent, the Servicer must explore all available relief options as described in Chapter 9203, including forbearance. For purposes of this section, a natural person with a beneficial interest in the Mortgaged Premises includes:



- An heir or legatee who will inherit the Mortgaged Premises following completion of probate or distribution of the assets of the estate of the deceased Borrower; or
- A person awarded title to the Mortgaged Premises pursuant to a court decree or court approved separation agreement where a quit claim deed has not been executed or recorded. If a Servicer is uncertain whether a person has a beneficial interest in the Mortgaged Premises, it should consult its legal counsel or submit the case to Freddie Mac via Workout Prospector<sup>®</sup>.

If the non-Borrower applicant meets the transfer of ownership requirements under Chapter 8406 and the due-on-transfer clause has not been triggered or the Mortgage is delinquent, and the Servicer determines that a relief option is unlikely to lead to a resolution of the default or Delinquency, the non-Borrower applicant may be considered for a simultaneous assumption and modification under the Freddie Mac Flex Modification<sup>®</sup> requirements. The non-Borrower applicant must provide the Servicer with a complete Borrower Response Package and the Servicer must evaluate the non-Borrower applicant as if he or she were a Borrower.

Servicers may first consider whether the non-Borrower with a legal or beneficial interest in the property can qualify using the non-Borrower income requirements specified in Section 9202.3(b). If the applicant does not meet the non-Borrower income criteria in Section 9202.3(b) and/or wishes to assume the Mortgage obligation, then Servicers must follow the requirements below to submit a recommendation to Freddie Mac for a simultaneous assumption and modification.

Servicers must obtain Freddie Mac's approval prior to offering an otherwise eligible non-Borrower applicant a simultaneous assumption and modification.

- To submit a recommendation for a simultaneous assumption and HAMP modification based on a complete Borrower Response Package received on or before December 30, 2016, the Servicer must calculate the terms for the modification and submit its recommendation to Freddie Mac (**see Directory 5**) along with the modification terms
- To submit a recommendation for a simultaneous assumption and Flex Modification, the Servicer must submit its recommendation to Freddie Mac via Workout Prospector and indicate in the comments that the Borrower should be considered for a simultaneous modification and assumption with a Flex Modification
- Supporting documentation must be submitted to Freddie Mac (**see Directory 5**) upon request

If Freddie Mac does not approve the request for a simultaneous assumption and modification, the Servicer must refer to Section 1301.2(h) for information on adverse action notices that must be provided to the non-Borrower applicant on behalf of Freddie Mac.

The requirements in this Section 9207.2 also apply in cases where the only remaining Borrower is a trust and to other transfers that require acceleration of the Note.

Refer to Chapter 8406 for additional information regarding Transfers of Ownership.

### **9207.3: Eligibility requirements for a workout Mortgage assumption (11/15/17)**

To recommend a Borrower for a workout Mortgage assumption, the Servicer must complete Form 1077, Uniform Underwriting and Transmittal Summary, and ensure that all of the following eligibility requirements are met:

1. The Borrower must have an eligible hardship
2. The Borrower must be delinquent in his or her payments, or in imminent danger of default
3. The Borrower must submit a complete Borrower Response Package (see Section 9102.5 for information on the Borrower Response Package)
4. For a Mortgage secured by a 2- to 4-unit property, a Manufactured Home or a dwelling subject to a leasehold estate, or for a Cooperative Share Loan, the Borrower must be cooperative and allow access to the interior of the property for a BPO
5. The indebtedness-to-value (ITV) ratio must be equal to or greater than 85%. The total ITV ratio is the total indebtedness under the terms of the Mortgage, which includes the UPB, accrued interest, Escrow advances and expenses (see Exhibit 57A, Approved Attorney Fees and Title Expenses, for the applicable expense limits) divided by the probable sales price determined by Freddie Mac.
6. The applicant assuming the Mortgage must meet Freddie Mac's underwriting guidelines in Topics 5100 through 5500 and Section 8406.5 as documented on Form 1077
7. The applicant must pay a Down Payment of at least 5% of the total indebtedness

### **9207.4: Submitting a workout Mortgage assumption recommendation to Freddie Mac (11/15/17)**

To recommend a workout Mortgage assumption, the Servicer must:

- Obtain a property valuation through BPOdirect<sup>®</sup> (see Section 2406.4 regarding obtaining a property value via BPOdirect). For a Mortgage secured by a 1-unit property (excluding a Manufactured Home, a dwelling subject to a leasehold estate or a Cooperative Unit), the Servicer must, unless otherwise noted below, use an available automated value. If an automated value is not available in BPOdirect for a Mortgage that is secured by a 2- to 4-unit property, Manufactured Home, or a dwelling subject to a leasehold estate or for a

Cooperative Share Loan, then the Servicer must order a new property valuation in accordance with Sections 2406.4, 9202.17 and 9202.19, if necessary. The property valuation must be less than 90 days old on the date the Servicer recommends the workout Mortgage assumption to Freddie Mac. The Servicer does not need to submit the valuation to Freddie Mac because Freddie Mac will have access to the value via BPOdirect.

Notwithstanding the requirements above, if the Servicer has previously obtained a Freddie Mac-compliant property valuation (i.e., Freddie Mac-provided BPO, Freddie Mac-provided appraisal or an appraisal obtained in compliance with Chapter 5601), the Servicer must use the Freddie Mac-compliant property valuation in connection with a workout Mortgage assumption evaluation.

- Submit all of the following to Freddie Mac (**see Directory 5**)
  - The Borrower's complete Borrower Response Package. (See Section 9102.5 for a description of the Borrower Response Package.)
  - Completed Form 1077, Uniform Underwriting and Transmittal Summary, detailing the Servicer's underwriting of the applicant
  - A copy of the fully executed sales contract and addenda
  - Estimated seller Closing Costs, if applicable
  - If the Mortgage is covered by mortgage insurance, fax a copy of the approval from the MI to Freddie Mac (**see Directory 5**) within two Business Days of the Servicer's receipt of the MI's approval

## **9207.5: Freddie Mac's decision about a Servicer's recommendation for workout Mortgage assumption (03/02/16)**

Freddie Mac will review the documentation the Servicer submits and make a decision to approve or deny the workout Mortgage assumption request.

### **(a) Approval of request**

If Freddie Mac approves the assumption request, it will send the Servicer an approval letter detailing any conditions of Freddie Mac's approval.

### **(b) Denial of request**

If Freddie Mac denies the assumption request, it will send the Servicer an explanation of why Freddie Mac denied the request and provide the Servicer with the course of action it must

take to resolve the Delinquency. The Servicer must provide an adverse action notice to all applicable parties, in addition to any other notice or disclosure required under the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth in Lending Act and any other applicable law or regulation.

Refer to Section 1301.2(h) for more information about adverse action notice requirements.

## **9207.6: Approval conditions for workout Mortgage assumption (06/12/19)**

If Freddie Mac approves the Servicer's recommendation to allow an assumption of the Mortgage, the Servicer must ensure that all conditions listed on Freddie Mac's approval letter are met, and must:

1. Obtain approval from the FHA, RHS, VA or MI, if applicable; for leasehold Mortgages, obtain the consent of the fee simple landowner/lessor to the assignment of lease, if required under the lease
2. Complete an Escrow analysis or establish an Escrow account to ensure that there are sufficient funds to pay the real estate taxes, or for Manufactured Homes taxed as personal property, personal property taxes, property and mortgage insurance premiums, and ground rent when they become due, if State law allows
3. Process the assumption so that the settlement occurs within 30 days of Freddie Mac's approval, and submit the assumption agreement for recordation within one Business Day of the settlement. (Note: Per Section 1402.11(b), the Servicer must update the MERS<sup>®</sup> eRegistry (as defined in Section 1402.2) to provide notice of the assumption agreement upon a workout Mortgage assumption (with or without a release of liability) of an eMortgage (as defined in Section 1402.2).)
4. Comply with the documentation requirements in Section 8406.9
5. Ensure that the Borrower does not receive any cash-out from the transaction unless Freddie Mac receives all sums due to it
6. Ensure that all delinquent amounts, including taxes, insurance and fees are brought current at the time of settlement
7. Retain any credit enhancement, if the existing Mortgage has a credit enhancement. (If the Servicer is not the provider of the credit enhancement, it must obtain written approval from the institution providing the enhancement.)
8. For leasehold Mortgages, ensure the transferee has acquired the transferor's leasehold interest either by obtaining a new lease or assuming the existing lease and that the transfer of the leasehold interest is recorded

## **9207.7: Closing requirements for workout Mortgage assumption (03/02/16)**

After the workout Mortgage assumption has been closed, submit the following to Freddie Mac (see **Directory 5**) to settle the workout:

1. A copy of the settlement statement
2. A copy of the executed assumption agreement
3. A copy of the deed
4. Borrower's contribution or promissory note, if applicable
5. A copy of the written approval from the provider of the credit enhancement, if applicable

## **9207.8: Servicer fee for workout Mortgage assumption (03/02/16)**

The Servicer may charge the applicant a fee not to exceed the greater of \$400 or 1% of the UPB of the Mortgage, to a maximum fee of \$900.

# Chapter 9208: Freddie Mac Standard Short Sale

## 9208.1: What is a short sale? (03/02/16)

A Freddie Mac Standard Short Sale (“short sale”) is the sale of the Mortgaged Premises for less than the total amount necessary to satisfy the Mortgage.

When the sale proceeds are less than the total amount due, but there is a mortgage insurance claim payment or a Borrower cash contribution that results in Freddie Mac’s receiving all sums owed on the Mortgage, then Freddie Mac considers the transaction a “make-whole” preforeclosure sale rather than a short sale. The Servicer does not need to obtain Freddie Mac’s prior approval for a make-whole preforeclosure sale. Refer to Section 9208.8 for Freddie Mac’s reporting and closing requirements for a make-whole preforeclosure sale.

## 9208.2: Short sale eligibility requirements and Servicer approval authority (09/01/19)

If the Borrower’s eligible hardship is permanent or long-term and the Borrower is unable or unwilling to sustain homeownership, then the Servicer should determine if the Borrower meets the eligibility requirements for a Freddie Mac Standard Short Sale (“short sale”). The Servicer must evaluate the Borrower for a short sale under this chapter once the Servicer has otherwise complied with the evaluation hierarchy in Section 9201.2.

If the Mortgage is subject to a recourse or indemnification agreement, the Servicer may approve a short sale provided the Servicer reports and Freddie Mac drafts a full payoff to Freddie Mac and the Servicer absorbs any losses and expenses related to the Delinquency.

If the Mortgage is an FHA, VA or Guaranteed Rural Housing Mortgage, the Servicer must comply with the requirements of the applicable agency when approving a short sale in a manner that ensures continued coverage of the Mortgage.

The Servicer must use the Borrower’s Delinquency status to determine eligibility, documentation requirements and Borrower contributions. The Servicer determines the Delinquency status at the time of evaluation for eligibility and Borrower contribution in accordance with the following:

- When determining eligibility in accordance with this section, the Servicer must use the Delinquency status of the Mortgage on the date the Servicer begins the evaluation using required documentation pursuant to Section 9208.3(a)
- When the Servicer’s evaluation for eligibility did not include a review of a purchase offer, the Servicer must evaluate the Borrower for a contribution, if applicable, once the purchase offer is received. The Servicer must determine the Delinquency status of the Mortgage when

beginning the review of the purchase offer. If the credit report is now greater than 90 days old from the date of initial evaluation for eligibility, the Servicer must order a new credit report.

**(a) Eligibility requirements for a short sale**

Every Borrower, regardless of Delinquency status, is eligible to be considered for a short sale, provided the following requirements are met:

- Borrowers **who do not meet the requirements for a Streamlined Short Sale** must be experiencing or have experienced one of the eligible hardships listed in Section 9202.2(a)
- The sale must be an arm's length transaction as defined in Section 9208.7
- The Borrower has listed the Mortgaged Premises for sale with a licensed real estate broker who in turn must have listed the Mortgaged Premises on the Multiple Listing Service (MLS) covering the market in which the Mortgaged Premises is located for at least five consecutive days. The listing period must include at least one weekend (i.e., Saturday and Sunday). The listing must be in an "active" status for at least the five days immediately preceding the day on which the purchase offer is accepted by the Borrower and submitted to the Servicer for approval. If the Mortgaged Premises is located in an area that is not covered by an MLS, then it must be advertised for sale by the real estate broker in a manner customary for that real estate market at least five consecutive calendar days, which must include at least one weekend. The Servicer must retain a copy of the MLS listing of the Mortgaged Premises in the Mortgage file (or documentation of the advertisement(s) if the Mortgaged Premises is located in an area not covered by an MLS). The Borrower may not act as the listing agent or attempt to sell the Mortgaged Premises without a licensed real estate professional.
- The Borrower has not acquired a new Mortgage in the six months preceding the Borrower's Delinquency or, if the Borrower is current, in the six months preceding the evaluation of the Borrower for a short sale. The Borrower is only permitted to have obtained a new Mortgage if the Borrower's eligible hardship was distant employment transfer.
- The Borrower must not have entered into a program or arrangement where a third party takes title to the Mortgaged Premises and arranges a short sale in exchange for a fee

A Borrower who is current or less than 60 days delinquent must meet the **imminent default requirements as described in Section 9208.3(c)**.

**(b) Servicer approval authority**

Unless otherwise notified by Freddie Mac, all Servicers are delegated to approve a short sale that meets the eligibility requirements of Section 9208.2(a).

Servicers must refer to the requirements in Sections 9208.3 through 9208.7 for additional circumstances for which Servicers are not delegated to approve a short sale transaction.

**(c) Submitting a short sale recommendation to Freddie Mac**

For situations where the Borrower does not meet the eligibility requirements for a short sale and the Servicer determines a short sale may be the best option for addressing the Delinquency or imminent Delinquency, the Servicer must submit a recommendation and rationale for its recommendation to Freddie Mac for review with the following required documentation (see **Directory 5**):

1. Complete Borrower Response Package or other documentation as permitted in Section 9208.3
2. A copy of the fully executed sales contract on the Mortgaged Premises with addenda, stating that it is being purchased in “as-is” condition. If the buyer obtains FHA, RHS or VA financing, then the contract does not need to include the “as-is” condition if FHA, RHS or VA requires the condition to be removed.
3. Preliminary Settlement/Closing Disclosure Statement
4. For Mortgages secured by Mortgaged Premises with resale restrictions (in accordance with Chapter 4502 or 4406, as applicable), the applicable resale restrictions containing details on the property valuation and/or the restricted resale price, as well as any other terms and conditions that must be met

In addition, the Servicer may submit a recommendation to Freddie Mac for consideration if the Borrower does not have an eligible hardship but one of the following conditions exists and, in the Servicer’s judgment, the short sale is an appropriate resolution to the Delinquency:

- There is a Risk of Property Ownership to Freddie Mac (see Section 9202.5)
- Litigation is pending that affects the Mortgaged Premises or the Mortgage and could jeopardize a successful foreclosure sale
- Other special circumstances (e.g., the Mortgaged Premises deteriorated resulting in an unexpected decline in the value)



## **9208.2: Short sale eligibility requirements and Servicer approval authority (Future effective date 03/01/20)**

If the Borrower's eligible hardship is permanent or long-term and the Borrower is unable or unwilling to sustain homeownership, then the Servicer should determine if the Borrower meets the eligibility requirements for a Freddie Mac Standard Short Sale ("short sale"). The Servicer must evaluate the Borrower for a short sale under this chapter once the Servicer has otherwise complied with the evaluation hierarchy in Section 9201.2.

If the Mortgage is subject to a recourse or indemnification agreement, the Servicer may approve a short sale provided the Servicer reports and Freddie Mac drafts a full payoff to Freddie Mac and the Servicer absorbs any losses and expenses related to the Delinquency.

If the Mortgage is an FHA, VA or Guaranteed Rural Housing Mortgage, the Servicer must comply with the requirements of the applicable agency when approving a short sale in a manner that ensures continued coverage of the Mortgage.

The Servicer must use the Borrower's Delinquency status to determine eligibility, documentation requirements and Borrower contributions. The Servicer determines the Delinquency status at the time of evaluation for eligibility and Borrower contribution in accordance with the following:

- When determining eligibility in accordance with this section, the Servicer must use the Delinquency status of the Mortgage on the date the Servicer begins the evaluation using required documentation pursuant to Section 9208.3(a)
- When the Servicer's evaluation for eligibility did not include a review of a purchase offer, the Servicer must evaluate the Borrower for a contribution, if applicable, once the purchase offer is received. The Servicer must determine the Delinquency status of the Mortgage when beginning the review of the purchase offer. If the credit report is now greater than 90 days old from the date of initial evaluation for eligibility, the Servicer must order a new credit report.

### **(d) Eligibility requirements for a short sale**

Every Borrower, regardless of Delinquency status, is eligible to be considered for a short sale, provided the following requirements are met:

- Borrowers who do not meet the requirements for a Streamlined Short Sale must be experiencing or have experienced one of the eligible hardships listed in Section 9202.2(a)
- The sale must be an arm's length transaction as defined in Section 9208.7
- The Borrower has listed the Mortgaged Premises for sale with a licensed real estate broker who in turn must have listed the Mortgaged Premises on the Multiple Listing

Service (MLS) covering the market in which the Mortgaged Premises is located for at least five consecutive days. The listing period must include at least one weekend (i.e., Saturday and Sunday). The listing must be in an “active” status for at least the five days immediately preceding the day on which the purchase offer is accepted by the Borrower and submitted to the Servicer for approval. If the Mortgaged Premises is located in an area that is not covered by an MLS, then it must be advertised for sale by the real estate broker in a manner customary for that real estate market at least five consecutive calendar days, which must include at least one weekend. The Servicer must retain a copy of the MLS listing of the Mortgaged Premises in the Mortgage file (or documentation of the advertisement(s) if the Mortgaged Premises is located in an area not covered by an MLS). The Borrower may not act as the listing agent or attempt to sell the Mortgaged Premises without a licensed real estate professional.

- The Borrower has not acquired a new Mortgage in the six months preceding the Borrower’s Delinquency or, if the Borrower is current, in the six months preceding the evaluation of the Borrower for a short sale. The Borrower is only permitted to have obtained a new Mortgage if the Borrower’s eligible hardship was distant employment transfer.
- The Borrower must not have entered into a program or arrangement where a third party takes title to the Mortgaged Premises and arranges a short sale in exchange for a fee

A Borrower who is current or less than 60 days delinquent must meet the imminent default requirements as described in Section 9208.3(c).

**(e) Servicer approval authority**

Unless otherwise notified by Freddie Mac, all Servicers are delegated to approve a short sale that meets the eligibility requirements of Section 9208.2(a).

Servicers must refer to the requirements in Sections 9208.3 through 9208.7 for additional circumstances for which Servicers are not delegated to approve a short sale transaction.

**(f) Submitting a short sale recommendation to Freddie Mac**

For situations where the Borrower does not meet the eligibility requirements for a short sale and the Servicer determines a short sale may be the best option for addressing the Delinquency or imminent Delinquency, the Servicer must submit a recommendation and rationale for its recommendation to Freddie Mac for review with the following required documentation (**see Directory 5**):

5. Complete Borrower Response Package or other documentation as permitted in Section 9208.3
6. A copy of the fully executed sales contract on the Mortgaged Premises with addenda, stating that it is being purchased in “as-is” condition. If the buyer obtains FHA, RHS or

VA financing, then the contract does not need to include the “as-is” condition if FHA, RHS or VA requires the condition to be removed.

7. Preliminary Settlement/Closing Disclosure Statement
8. For Mortgages secured by **properties subject to** resale restrictions (in accordance with Chapter 4502 or 4406, as applicable), the applicable resale restrictions containing details on the property valuation and/or the restricted resale price, as well as any other terms and conditions that must be met

In addition, the Servicer may submit a recommendation to Freddie Mac for consideration if the Borrower does not have an eligible hardship but one of the following conditions exists and, in the Servicer’s judgment, the short sale is an appropriate resolution to the Delinquency:

- There is a Risk of Property Ownership to Freddie Mac (see Section 9202.5)
- Litigation is pending that affects the Mortgaged Premises or the Mortgage and could jeopardize a successful foreclosure sale
- Other special circumstances (e.g., the Mortgaged Premises deteriorated resulting in an unexpected decline in the value)

## 9208.3: Borrower documentation for a short sale (09/01/19)

### (a) Borrower documentation

The table below describes Borrower documentation requirements for a short sale by delinquency status. In addition to the requirements below, all Borrowers must provide the Servicer a copy of the fully executed sales contract with any addenda and the preliminary Settlement/Closing Disclosure Statement once those documents are available.

If the Mortgage delinquency status at the time of evaluation is...	The Servicer must...
Current or less than 90 days delinquent	<p>Evaluate the Borrower based on a complete Borrower Response Package (BPR) as defined in Section 9102.5.</p> <p>Note: If the Mortgage is current or less than 60 days delinquent, the Servicer must determine that the Borrower's monthly payment is in non-retention imminent default in accordance with Section 9208.3(c).</p>

<p>Between 90 days and 18 months delinquent</p>	<p>Evaluate the Borrower based on a complete BRP, unless one of the following conditions applies:</p> <ul style="list-style-type: none"> <li>■ The Borrower failed a Freddie Mac Flex Modification<sup>®</sup> Trial Period Plan within the 12 months prior to evaluation for a short sale or deed-in-lieu of foreclosure</li> <li>■ The Borrower previously received a Freddie Mac Flex Modification and became 60 days or more delinquent within the first 12 months of the effective date of the modification without curing the Delinquency</li> <li>■ The Borrower previously completed three or more modifications; or</li> <li>■ The Mortgage is not secured by an Investment Property, as identified at origination and the Borrower's FICO<sup>®</sup> credit score is less than or equal to 620</li> </ul> <p>In these cases, the Servicer must evaluate the Borrower for a Streamlined Short Sale or Streamlined Deed-in-Lieu of Foreclosure.</p>
<p>Greater than 18 months delinquent</p>	<p>Evaluate the Borrower for a Streamlined Short Sale.</p> <p>A Streamlined Short Sale is a Standard Short Sale where the Servicer is not required to obtain the Borrower Response Package or to verify an eligible hardship.</p>

If the debt secured by the Mortgaged Premises has been discharged in a bankruptcy proceeding filed pursuant to Chapter 7 of the U.S. Bankruptcy Code, the Borrower is eligible for a short sale evaluation regardless of delinquency, occupancy or property type and without requiring a BRP. The Borrower must provide the Servicer a copy of the order and accompanying documents showing that the debt was discharged. The Servicer must retain those documents in the Mortgage file.

The Borrower's FICO score must be no more than 90 days old as of the date the Servicer evaluates the Borrower for a short sale. If there is more than one Borrower on the Mortgage, the Servicer must choose one FICO score that is adequately indicative of the credit reputation of all Borrowers currently on the Mortgage. The Servicer must first select a single FICO score for each Borrower on the Mortgage. If the Servicer obtains multiple FICO scores for a single Borrower, the Servicer must use the middle/lower method to select the single FICO score for that Borrower. If there are multiple Borrowers on the Mortgage, the Servicer must determine the single FICO score for each Borrower using the method described above. The Servicer must then select either the lowest FICO score across all Borrowers on the Mortgage or the average FICO score from all Borrowers' single scores. Whichever method is used, the Servicer must choose the single FICO score using the same method and procedure for all Borrowers and for all Mortgages consistent with fair lending laws.

If the Borrower was previously determined to be eligible for a Streamlined Short Sale and had yet to receive a purchase offer, then when a subsequent purchase offer is received, the Servicer may use the same FICO score obtained for the Servicer's initial evaluation of the Borrower for a short sale even if the FICO score has become more than 90 days old. However, if the Borrower has since brought the Mortgage current, then the Borrower is no longer eligible for a Streamlined Short Sale and is required to submit a complete Borrower Response Package to the Servicer to be evaluated for the short sale.

## **(b) Evaluating the Borrower**

### **(i) Evaluating the credit report**

The Servicer must obtain a credit report for each Borrower on the Mortgage (or a joint report for co-Borrowers). The credit report must be no more than 90 days old as of the date the Servicer evaluates the Borrower for a short sale. The Servicer must review the credit report to verify that the Borrower meets the relevant requirements for a short sale and to evaluate the Borrower's ability to make a contribution.

### **(A) Verifying occupancy**

For Borrowers who are current or less than 60 days delinquent, the Servicer must review the credit report to verify that at least one of the Borrowers is occupying the Mortgaged Premises as a Primary Residence. If the credit report does not indicate that the Mortgaged Premises is the Primary Residence for at least one Borrower, then the Servicer must use good business judgment in reconciling the inconsistency.

### **(B) New Mortgages**

Unless a Borrower is eligible for a Streamlined Short Sale, the Servicer must review the Borrower's credit report to determine whether the Borrower obtained a new Mortgage(s) in the six months preceding the Borrower's Delinquency or, if the Borrower is current, in the six months preceding the evaluation of the Borrower for a short sale.

If the Servicer's review of the credit report reveals a new Mortgage, the Servicer may approve the short sale only if the hardship was due to distant employment transfer, relocation due to new employment or Permanent Change of Station (PCS) orders and the Servicer verifies that:

- The Borrower intends to occupy the property securing the new Mortgage as the Borrower's Primary Residence
- The new employment location is greater than 50 miles one-way from the subject property

- The new property address is reasonably near the Borrower’s new employment location

If the Borrower has any other hardship and the Servicer determines a new Mortgage has been obtained, the Servicer is not delegated to approve the short sale and must submit the request to Freddie Mac for consideration.

If the Servicer’s review of the credit report indicates that a mortgage creditor has made an inquiry within the previous four-month period, the Servicer must contact the Borrower to determine the following on the Mortgage sought:

- The address of the property,
- The purpose of the inquiry (e.g., refinance or purchase Mortgage) and
- The result of the inquiry (e.g., refinance or purchase Mortgage is pending, closed or canceled)

If a purchase Mortgage was obtained, then the Servicer is not delegated to approve the short sale and the file must be sent to Freddie Mac. Refer to Section 9208.2 regarding submission of a short sale to Freddie Mac.

**(C) Evaluating the Borrower’s monthly debt obligations**

If a Borrower is current or less than 60 days delinquent at the time of initial evaluation, he or she must be considered to be in imminent default following the business rules in the chart below unless the Borrower was discharged from a Chapter 7 bankruptcy in order to be eligible for a short sale.

**(I) Imminent default evaluation business rules**

Any Borrower who is current or less than 60 days delinquent at the time the Servicer begins the initial evaluation is in imminent default if the Borrower meets the requirements of the following business rules:

<b>Non-retention imminent default evaluation Business Rules</b>	
<p><b>To be considered in non-retention imminent default, the Borrower must meet all requirements under Business Rule 1, and must meet the requirements for either:</b></p> <ul style="list-style-type: none"> <li>• <b>Business Rule 2, or</b></li> <li>• <b>Business Rule 3</b></li> </ul>	
Business Rule 1	Each Borrower must:

<b>Non-retention imminent default evaluation Business Rules</b>	
<p><b>To be considered in non-retention imminent default, the Borrower must meet all requirements under Business Rule 1, and must meet the requirements for either:</b></p> <ul style="list-style-type: none"> <li>• <b>Business Rule 2, or</b></li> <li>• <b>Business Rule 3</b></li> </ul>	
	<ul style="list-style-type: none"> <li>■ Submit a complete Borrower Response Package</li> <li>■ Be current or less than 60 days delinquent (i.e., less than three monthly payments past due) on the Mortgage as of the evaluation date</li> <li>■ Occupy the property as a Primary Residence; or at least one Borrower on the Mortgage must occupy the property as his or her Primary Residence</li> <li>■ Have Cash Reserves less than \$25,000</li> <li>■ Have an eligible hardship as described in Section 9202.2</li> </ul> <p>Note: Requirements related to occupancy and non-retirement liquid assets do not apply if the Borrower is a Servicemember with PCS orders and the property securing the mortgage is or was the Borrower's Primary Residence, where the transfer or new employment location is greater than 50 miles one-way from the property securing the Mortgage.</p>
Business Rule 2	<p>The Borrower is considered in non-retention imminent default if the Borrower meets the requirements of Business Rule 1, and</p> <ul style="list-style-type: none"> <li>■ The Borrower's FICO score is less than or equal to 620 determined in accordance with Section 9206.7(e); <b>AND</b></li> <li>■ The Mortgage has had two or more 30-day Delinquencies in the most recent 6-month period; <b>OR</b></li> <li>■ The Borrower's housing expense-to-income ratio is greater than 40% as of the evaluation date</li> </ul> <p>If the Borrower has one of the Imminent Default Hardships described below in Business Rule 3, the Borrower may be determined to be in imminent default even if these Business Rule 2 requirements are not met.</p>
Business Rule 3	<p>The Borrower is considered in non-retention imminent default if the Borrower meets the requirements of Business Rule 1, and the Borrower provided the documentation</p>

<b>Non-retention imminent default evaluation Business Rules</b>	
<p><b>To be considered in non-retention imminent default, the Borrower must meet all requirements under Business Rule 1, and must meet the requirements for either:</b></p> <ul style="list-style-type: none"> <li>• <b>Business Rule 2, or</b></li> <li>• <b>Business Rule 3</b></li> </ul>	
	<p>required in Section 9202.2 supporting one of the Imminent Default Hardships listed below:</p> <ul style="list-style-type: none"> <li>■ Death of a Borrower or death of either the primary or secondary wage earner in the household</li> <li>■ Long-term or permanent disability; or serious illness of a Borrower/co-Borrower or dependent family member</li> <li>■ Divorce or legal separation; separation of Borrower unrelated by marriage, civil union or similar domestic partnership under applicable law; or</li> <li>■ Distant employment transfer or relocation due to new employment or PCS orders where the property securing the Mortgage being evaluated is the Borrower's Primary Residence. The new employment location must be more than 50 miles one-way from the property securing the Mortgage being evaluated.</li> </ul> <p>The Imminent Default Hardship must currently cause and be expected to continue to cause a long-term or permanent decrease in income or increase in expenses.</p>

The Servicer must always submit all information for Business Rule 1 and Business Rule 2, even if the Borrower does not meet the requirements under Business Rule 2 and instead is approved based on the Imminent Default Hardship under Business Rule 3.

**(II) Income and asset documentation and verification**

**(a) Documentation Verification**

To be evaluated for non-retention imminent default, a Borrower must, at a minimum, provide a complete Borrower Response Package as defined in Section 9102.5(c). In addition to the income documentation required under Section 9202.3, the Servicer must obtain the Borrower's FICO score in accordance with Section 9208.3(d)

**(b) Verification of income and assets; resolution of material inconsistencies**



Servicers must review all documentation submitted by the Borrower to identify any material inconsistencies, including material inconsistencies with a tax return or tax transcript if one was obtained under Section 9202.3. If, based on the Servicer's good business judgment, there are material inconsistencies with respect to the income or asset information disclosed by the Borrower or with other documentation relevant to the imminent default decision, the Servicer must obtain other documentation to reasonably reconcile such material inconsistencies. Servicers must also document such material differences in their servicing system. If the Servicer cannot reconcile such material differences, the Borrower cannot be considered in imminent default.

### **(III) Cash Reserves test**

The Servicer must complete an evaluation of the Borrower's Cash Reserves. The Borrower must have Cash Reserves of less than \$25,000 to be further evaluated for imminent default. If the Borrower either discloses or provides documentation indicating the Borrower has Cash Reserves equal to or greater than \$25,000, then the Borrower is not in imminent default.

#### **(a) Definition of Cash Reserves**

For purposes of determining imminent default, Cash Reserves are defined as follows:

**Cash Reserves:** Any non-retirement liquid asset the Borrower has available for withdrawal from any financial institution or brokerage, including funds on deposit in the Borrower's checking, savings, money market or certificate of deposit account or other depository account, stocks, bonds, mutual funds, U.S. Government Securities and other securities that are traded on an exchange or marketplace generally available to the public (e.g., New York Stock Exchange, National Association of Securities Dealers Automated Quotations, Midwest SE, Chicago Board of Trade or Over the Counter) for which the price can be readily verified through financial publications.

Assets are only considered retirement assets if they are held in a qualified retirement account such as a 401k, 403b, 457, Individual Retirement Account (IRA) or pension fund. If the assets are not held in a retirement account, the assets must be considered Cash Reserves.

#### **(b) Calculating Cash Reserves**

The Servicer must calculate the Borrower's Cash Reserves in accordance with the following requirements:

1. The Servicer must determine that, for every Borrower on the Mortgage, all of the Borrower's Cash Reserves have been accounted for on Form 710, Mortgage Assistance Application
2. In making the determination that all Cash Reserves have been accounted for, the Servicer must review all information provided by the Borrower to determine if the asset information stated on Form 710 is reasonably consistent with information available from all other information provided by the Borrower, including verbal information shared by the Borrower. If there are inconsistencies between the Borrower's disclosure of assets and the information provided by the Borrower, then the Servicer must obtain the Borrower's tax return or tax transcript in order to reconcile the inconsistencies.

If, upon reviewing the Borrower's tax return or tax transcript, if applicable, the Servicer observes interest, dividend income or gains/losses that, in total, that could not be reasonably produced by the Borrower's disclosed Cash Reserves, and such income indicates deposits, securities holdings or other assets that could be in excess of the amounts disclosed by the Borrower on Form 710, the Servicer must reconcile the inconsistency with the Borrower. The Servicer must require the Borrower to produce a signed federal tax return and all relevant schedules, in the event the Servicer used a tax transcript in lieu of a tax return, along with any other relevant documentation that verifies the disposition and/or current status of those assets, which produced the income or gains/losses to resolve the inconsistency.

The Servicer must ensure that the Borrower's disclosure of assets is reasonably accurate despite the inconsistency between the disclosed assets and the income or gain/loss from assets reported on the tax return or tax transcript. In determining what documentation is needed to reconcile an inconsistency, the Servicer must review the detailed tax return schedules and forms, and request from the Borrower copies of recent and past statements from those asset holdings or transactions indicated on the schedules and forms that produced the income or gain/loss (e.g., checking, savings, brokerage account statements, asset sale statements or records, etc.).

3. If there are inconsistencies between the Borrower's disclosure of assets and the tax return information that cannot be reconciled, the Borrower cannot be considered in imminent default.

If the Servicer determines that the Borrower has Cash Reserves of less than \$25,000 and meets all other requirements of Section 9208.3(d) then the Borrower is considered to be in imminent default.

#### **(IV) Imminent default credit score**

Servicers must choose one FICO score that is adequately indicative of the credit reputation of all Borrowers currently on the Mortgage. Servicers must use a credit score based on the FICO credit-scoring model. This score must be obtained and determined in accordance with the requirements below.

**(a) Obtaining FICO scores for each Borrower**

The Servicer must request a FICO score for each Borrower on the Mortgage from any one of the following three credit repositories:

- Equifax Credit Information Services
- Experian Information Systems and Services
- TransUnion Credit Information Company

The Borrower's FICO score must be less than 90 days old on the date the Servicer performs the imminent default evaluation.

**Borrowers with no available FICO score**

It is unusual for any Borrower who has obtained a Mortgage not to have a FICO score. If no single FICO score can be identified for a Borrower, the Servicer must recheck the information provided when ordering the FICO scores and resubmit a request. If the Servicer is still unable to obtain a FICO score for that Borrower, it may rely on the FICO scores of all other Borrowers as determined in accordance with this section.

Absent a FICO score for any Borrower on the Mortgage, the Borrower may not be determined to be in imminent default under the requirements of Business Rule 2, and the Servicer must proceed to evaluate the Borrower under the requirements of Business Rule 3 in Section 9208.3(a). In such instances when a FICO score is not available for any Borrower on the Mortgage, the Servicer must:

1. Maintain documentation in the Mortgage file that demonstrates the Servicer's attempts to obtain FICO scores from all three credit repositories on all Borrowers
2. Enter the result that a FICO score is not available for any Borrower on the Mortgage into Workout Prospector®
3. Proceed to the Imminent Default Hardship test in Business Rule 3 to determine if an Imminent Default Hardship exists

**(b) Determining the Imminent Default Credit Score**

The Servicer must identify the Imminent Default Credit Score in accordance with the following:

- The Servicer must first select a single FICO score for each Borrower on the Mortgage. If the Servicer obtains multiple FICO scores for a single Borrower, the Servicer must use the middle/lower method to select the single FICO score for that Borrower. This method is the most predictive when determining a single Borrower's overall credit reputation. If three FICO scores are obtained for a Borrower, the single score for that Borrower is the one with the middle value. For example, if the FICO scores were 660, 656 and 640, the single FICO score selected by the Servicer should be 656. When there is a duplicate score, the Seller must select that score to be the single score. If the FICO scores for a Borrower were 660, 660 and 640, the Servicer should select 660. If two FICO scores were obtained for a Borrower, the Servicer must select the lower of the two FICO scores to be the single FICO score for that Borrower.
- If there is only one Borrower on the Mortgage, the single FICO score, determined in accordance with the above requirements, is considered the Imminent Default Credit Score
- If there are multiple Borrowers on the Mortgage, the Servicer must determine the single FICO score for each Borrower using the method described above. The Servicer must then select either the lowest FICO score across all Borrowers on the Mortgage or the average FICO score from all Borrowers' single scores. (Note: Whichever method is used, the Servicer should choose the single FICO score using the same method and procedure for all Borrowers and for all Mortgages consistent with fair lending laws.)

**(V) Calculating housing expense-to-income (HTI) ratio**

The Servicer must use verified income to determine that the Borrower's housing expense-to-income (HTI) ratio is greater than 40%. For purposes of this determination, the Servicer must divide the Borrower's current monthly housing expense (i.e., PITIAS Payment) by the Borrower's monthly gross income (or the Borrowers' combined monthly gross income in the case of co-Borrowers) plus any allowable non-obligor household income.

If the Borrower has been granted interest rate relief under the Servicemembers Civil Relief Act (SCRA), the Servicer must use the principal and interest payment and the contractual rate of interest in effect on the Note prior to the granting of the SCRA relief rather than the temporarily SCRA reduced interest rate and related SCRA monthly payment when calculating the Borrower's current monthly HTI ratio.

If a Borrower has indicated that there are homeowner's association dues or Condominium Unit or Cooperative Unit maintenance fees or ground rent, but has not been able to provide written documentation to verify these amounts, the Servicer must rely on the information provided by the Borrower if the Servicer has made reasonable efforts to obtain the amounts in writing.

The current monthly housing expense does not include mortgage insurance premium payments or payments due to holders of subordinate liens.

For each imminent default evaluation under Business Rule 2, the Servicer must report the housing expense-to-income ratio, in addition to the FICO score and payment history as described below, to Freddie Mac via Workout Prospector.

#### **(VI) Payment history**

For imminent default evaluations under the requirements of Business Rule 2, the Servicer must determine whether the Mortgage has had two or more 30-day Delinquencies in the most recent six-month period. For each imminent default evaluation under Business Rule 2, the Servicer must report the payment history, in addition to the FICO score and pre-modification housing expense-to-income ratio, to Freddie Mac via Workout Prospector.

Note: The Servicer must not consider a missed contractual payment that becomes 60 or more days delinquent as a Mortgage having two or more 30 day Delinquencies in the most recent six-month period.

#### **(VII) Imminent default evaluation results**

If the Borrower meets the requirements of Business Rule 1 and meets the requirements of either: (i) Business Rule 2, or (ii) Business Rule 3, the Borrower is in imminent default. The Servicer must evaluate the Borrower for a short sale and no further analysis is required by the Servicer to determine imminent default.

#### **(VIII) General requirements and information**

If the Servicer determines that a Borrower is in imminent default, the Servicer must continue evaluating the Borrower using the applicable underwriting requirements outlined in this chapter to determine if the Borrower qualifies for a short sale.

## **9208.4: Short sale Borrower contributions and relocation assistance (09/01/19)**

### **(a) Borrower contributions towards the deficiency**

If the Servicer determines that the Borrower's Cash Reserves exceed \$10,000 or the Borrower's housing expense-to-income (HTI) ratio is less than or equal to 40%, the Servicer must request a cash contribution in accordance with the requirements below. The Servicer must verbally confirm the assets reported on Form 710, Mortgage Assistance Application, and reconcile any differences with documentation following the procedure in Section 9202.3.

A Servicer may negotiate contribution amounts less than the initial contribution requests, which must be determined in accordance with the cash contribution formula in this section. When a Servicer negotiates a contribution that is less than the initial request, the Servicer must document the reason for its decision(s) in the Mortgage file and note the specific financial circumstances that limit the Borrower's ability to contribute towards the deficiency.

Unless Freddie Mac has delegated authority with the MI or communicates otherwise, if the Mortgage is covered by mortgage insurance and the MI requires a contribution from the Borrower that is greater than the contribution limits required by this section in order to approve the short sale, the Servicer must require the Borrower to make the contribution required by the MI as a condition of approval.

Borrowers are not required to make a contribution in the following instances:

- Borrowers who are service members with Permanent Change of Station orders, provided the property securing the Mortgage is or was previously the Borrower's Primary Residence **where the transfer or new employment location is greater than 50 miles one-way from the property securing the Mortgage being evaluated**
- Borrowers who qualify for a Streamlined Short Sale (refer to Section 9208.3)
- Applicable law prohibits requesting or receiving a contribution

#### **1. Determining a cash contribution amount**

If the Borrower's Cash Reserves exceed \$10,000 or **his or her HTI ratio is less than or equal to 40%**, the Servicer must request **the greater of 20% of the Cash Reserves or four times principal, interest, taxes and insurance (PITI)** as a cash contribution. **The cash contribution must not exceed the total amount of the deficiency.**

If a Borrower who is **60** or more days delinquent cannot contribute 20% of his or her Cash Reserves, the Servicer may negotiate a lower level of contribution. If the Servicer negotiates and collects less than 20% of the Cash Reserves, the Servicer must document the specific financial circumstances that limit the Borrower's ability to make the initially requested level of cash contribution (i.e., 20% of the Borrower's Cash Reserves) in the Mortgage file. **Based on the Servicer's assessment of the Borrower's written or stated ability to pay in combination with its evaluation of the Borrower's financial and hardship information, the Servicer is authorized to negotiate a lower contribution amount. Additionally, the Servicer may determine that the Borrower's individual circumstances warrant a lower starting point to cash contribution negotiations or no contribution.** If a Borrower **refuses** to contribute an amount the Servicer deems acceptable, then the short sale is not delegated and must be submitted to Freddie Mac following the process in Section 9208.2. If the Servicer determines the Borrower is unable to contribute at least \$500 toward the deficiency, then the Servicer must not collect a cash contribution.



If the Borrower's Cash Reserves are in excess of \$50,000, the Servicer must submit the short sale request to Freddie Mac for review.

Refer to Section 9208.2 regarding the details for submitting a short sale recommendation to Freddie Mac.

#### **(b) Borrower relocation assistance**

If the Servicer determines that the Borrower is not required to make a financial contribution toward the deficiency, the Borrower is eligible to receive up to \$3,000 in relocation assistance provided that the Borrower occupies the Mortgaged Premises as his or her primary residence. The Borrower is not eligible to receive relocation assistance in the following circumstances:

- The Borrower will receive relocation assistance from a source other than Freddie Mac or the Servicer, such as an employer, and the amount is equal to or greater than \$3,000. If the Borrower will receive relocation assistance from a source other than Freddie Mac or the Servicer and the amount is less than \$3,000, the Servicer must reduce the amount of Freddie Mac's relocation assistance by the amount received from the other source.
- The Servicer determines that the Borrower's Cash Reserves exceed \$10,000 or his or her HTI ratio is less than or equal to 40%, regardless of whether the Borrower makes a contribution. If the Servicer believes such a Borrower is experiencing financial circumstances necessitating relocation assistance, the Servicer may submit the file to Freddie Mac. Refer to Section 9208.2 regarding the details for submission to Freddie Mac.
- The Borrower is subject to PCS orders and receives government assistance with the relocation.

**For example**, if the Borrower receives \$1,000 of relocation assistance from his or her employer, Freddie Mac may provide the Borrower with an additional \$2,000 of relocation assistance.

The Servicer must instruct the settlement agent to pay the Freddie Mac relocation assistance from sale proceeds and itemize it and any relocation assistance received from other entities separately on the Settlement/Closing Disclosure Statement to the extent that the Servicer is aware of other relocation or transition assistance payments being paid as part of the short sale transaction.

In addition to the relocation assistance offered by Freddie Mac, the Servicer may in its discretion offer the Borrower an additional financial incentive to complete the short sale. Any relocation assistance provided by the Servicer will be in addition to the relocation assistance amount provided by Freddie Mac and the Servicer's assistance amount does not have to be subtracted from the assistance amount Freddie Mac will pay. If the Servicer does offer its own financial assistance, it must not deduct this payment from the proceeds of the short sale and must provide the incentive from its own funds, either by payment made directly to the

Borrower, or through the settlement agent closing the short sale transaction. Payments made to the Borrower by the Servicer must be reflected on the Settlement/Closing Disclosure Statement in accordance with applicable law.

The relocation assistance payment may not be applied to other debts secured by the Mortgaged Premises.

## **9208.5: Property valuation and minimum net proceeds for short sales (09/01/19)**

### **(a) When to obtain a property valuation**

If the Servicer has evaluated the Borrower for all other alternatives to foreclosure in accordance with Freddie Mac's evaluation hierarchy set forth in Section 9201.2 and believes that the Borrower meets the eligibility requirements for a Freddie Mac Standard Short Sale ("short sale"), then, unless otherwise instructed by Freddie Mac, the Servicer must obtain an interior property valuation in accordance with the Guide, if the Borrower:

1. Has listed the Mortgaged Premises for sale; or
2. Has expressed interest in a short sale; or
3. Notifies the Servicer of a purchase offer on the Mortgaged Premises

The Servicer must obtain a short sale property value from Freddie Mac, as applicable, when one of the above situations occurs. An evaluation for a Borrower contribution should not delay the Servicer's request for a property valuation.

### **(b) How to obtain a short sale property value and minimum net proceeds**

With the exception of Mortgages secured by Mortgaged Premises with resale restrictions (in accordance with Chapter 4502 or 4406, as applicable), the Servicer must submit a request to Freddie Mac for the short sale property value and the minimum net proceeds via the "Obtain Valuation" tab in Freddie Mac Service Loans application when considering a Borrower for a short sale.

The Servicer must advise the Borrower that the person evaluating the Mortgaged Premises must be given interior access and that the Borrower must otherwise cooperate with the inspection.

An "estimated market value" of the Mortgaged Premises and the "minimum net proceeds" as determined by Freddie Mac will be returned by the Service Loans application with a "good through date" indicating the expiration date of the property value and minimum net proceeds amount. If the Servicer is unable to render an evaluation decision on a purchase offer prior to



the good through date, a new property value and minimum net proceeds must be obtained via the Service Loans application to evaluate the purchase offer.

Refer to Section 2404.1 for terms and requirements for using the Service Loans application.

**(c) Listing price guidance**

If a short sale property value and minimum net proceeds were obtained, the Servicer should provide listing price guidance to the Borrower or real estate broker based upon the property value obtained from Freddie Mac. However, the Servicer must inform the Borrower or real estate broker of the following when providing such guidance:

- The value provided is only guidance. Such guidance should not be presented as the required listing price to the Borrower or real estate broker. The Borrower and the real estate broker are responsible for determining the list price for the Mortgaged Premises.
- All transactions must meet the minimum net proceeds required by Freddie Mac regardless of the value provided. An offer at or above the value provided by the Servicer may not necessarily result in an acceptable level of net proceeds.

In addition to providing listing price guidance, Servicers must communicate a list of acceptable closing expense categories to the Borrower and the real estate broker **as described in Section 9208.7(d)**.

**(d) Mortgages secured by Mortgaged Premises with resale restrictions**

Servicers are not required to obtain short sale property values and minimum net proceeds on Mortgages secured by Mortgaged Premises with resale restrictions (in accordance with Chapter 4502 or 4406, as applicable). If the Servicer is considering a Borrower for a short sale on a Mortgage secured by a Mortgaged Premises with resale restrictions, then the Servicer is not delegated to approve the short sale and the file must be sent to Freddie Mac. Refer to Section 9208.2 regarding submission of a short sale to Freddie Mac.

For listing price guidance and acceptable closing expense categories which may be specific to Mortgages secured by Mortgaged Premises with resale restrictions, Servicers must refer to the applicable resale restrictions.

## **9208.5: Property valuation and minimum net proceeds for short sales (Future effective date 12/09/19)**

**(a) When to obtain a property valuation**

If the Servicer has evaluated the Borrower for all other alternatives to foreclosure in accordance with Freddie Mac's evaluation hierarchy set forth in Section 9201.2 and believes

that the Borrower meets the eligibility requirements for a Freddie Mac Standard Short Sale (“short sale”), then, unless otherwise instructed by Freddie Mac, the Servicer must obtain an interior property valuation in accordance with the Guide, if the Borrower:

1. Has listed the Mortgaged Premises for sale; or
2. Has expressed interest in a short sale; or
3. Notifies the Servicer of a purchase offer on the Mortgaged Premises

The Servicer must obtain a short sale property value from Freddie Mac, as applicable, when one of the above situations occurs. An evaluation for a Borrower contribution should not delay the Servicer’s request for a property valuation.

#### **(b) How to obtain a short sale property value and minimum net proceeds**

With the exception of Mortgages secured by Mortgaged Premises with resale restrictions (in accordance with Chapter 4502 or 4406, as applicable), the Servicer must submit a request to Freddie Mac for the short sale property value and the minimum net proceeds via the “Obtain Valuation” tab in Freddie Mac [Real Estate Valuation and Pricing tool](#) when considering a Borrower for a short sale.

The Servicer must advise the Borrower that the person evaluating the Mortgaged Premises must be given interior access and that the Borrower must otherwise cooperate with the inspection.

An “estimated market value” of the Mortgaged Premises and the “minimum net proceeds” as determined by Freddie Mac will be returned by the [Real Estate Valuation and Pricing tool](#) with a “good through date” indicating the expiration date of the property value and minimum net proceeds amount. If the Servicer is unable to render an evaluation decision on a purchase offer prior to the good through date, a new property value and minimum net proceeds must be obtained via the [Real Estate Valuation and Pricing tool](#) to evaluate the purchase offer.

Refer to Chapter 2404 for terms and requirements for using [Freddie Mac’s Servicing Tools](#).

#### **(c) Listing price guidance**

If a short sale property value and minimum net proceeds were obtained, the Servicer should provide listing price guidance to the Borrower or real estate broker based upon the property value obtained from Freddie Mac. However, the Servicer must inform the Borrower or real estate broker of the following when providing such guidance:

- The value provided is only guidance. Such guidance should not be presented as the required listing price to the Borrower or real estate broker. The Borrower and the real estate broker are responsible for determining the list price for the Mortgaged Premises.

- All transactions must meet the minimum net proceeds required by Freddie Mac regardless of the value provided. An offer at or above the value provided by the Servicer may not necessarily result in an acceptable level of net proceeds.

In addition to providing listing price guidance, Servicers must communicate a list of acceptable closing expense categories to the Borrower and the real estate broker as described in Section 9208.7(d).

**(d) Mortgages secured by Mortgaged Premises with resale restrictions**

Servicers are not required to obtain short sale property values and minimum net proceeds on Mortgages secured by Mortgaged Premises with resale restrictions (in accordance with Chapter 4502 or 4406, as applicable). If the Servicer is considering a Borrower for a short sale on a Mortgage secured by a Mortgaged Premises with resale restrictions, then the Servicer is not delegated to approve the short sale and the file must be sent to Freddie Mac. Refer to Section 9208.2 regarding submission of a short sale to Freddie Mac.

For listing price guidance and acceptable closing expense categories which may be specific to Mortgages secured by Mortgaged Premises with resale restrictions, Servicers must refer to the applicable resale restrictions.

## **9208.5: Property valuation and minimum net proceeds for short sales (Future effective date 03/01/20)**

**(a) When to obtain a property valuation**

If the Servicer has evaluated the Borrower for all other alternatives to foreclosure in accordance with Freddie Mac's evaluation hierarchy set forth in Section 9201.2 and believes that the Borrower meets the eligibility requirements for a Freddie Mac Standard Short Sale ("short sale"), then, unless otherwise instructed by Freddie Mac, the Servicer must obtain an interior property valuation in accordance with the Guide, if the Borrower:

4. Has listed the Mortgaged Premises for sale; or
5. Has expressed interest in a short sale; or
6. Notifies the Servicer of a purchase offer on the Mortgaged Premises

The Servicer must obtain a short sale property value from Freddie Mac, as applicable, when one of the above situations occurs. An evaluation for a Borrower contribution should not delay the Servicer's request for a property valuation.

## **(b) How to obtain a short sale property value and minimum net proceeds**

With the exception of Mortgages secured by **properties subject to** resale restrictions (in accordance with Chapter 4502 or 4406, as applicable), the Servicer must submit a request to Freddie Mac for the short sale property value and the minimum net proceeds via the “Obtain Valuation” tab in Freddie Mac Real Estate Valuation and Pricing tool when considering a Borrower for a short sale.

The Servicer must advise the Borrower that the person evaluating the Mortgaged Premises must be given interior access and that the Borrower must otherwise cooperate with the inspection.

An “estimated market value” of the Mortgaged Premises and the “minimum net proceeds” as determined by Freddie Mac will be returned by the Real Estate Valuation and Pricing tool with a “good through date” indicating the expiration date of the property value and minimum net proceeds amount. If the Servicer is unable to render an evaluation decision on a purchase offer prior to the good through date, a new property value and minimum net proceeds must be obtained via the Real Estate Valuation and Pricing tool to evaluate the purchase offer.

Refer to Chapter 2404 for terms and requirements for using Freddie Mac’s Servicing Tools.

## **(c) Listing price guidance**

If a short sale property value and minimum net proceeds were obtained, the Servicer should provide listing price guidance to the Borrower or real estate broker based upon the property value obtained from Freddie Mac. However, the Servicer must inform the Borrower or real estate broker of the following when providing such guidance:

- The value provided is only guidance. Such guidance should not be presented as the required listing price to the Borrower or real estate broker. The Borrower and the real estate broker are responsible for determining the list price for the Mortgaged Premises.
- All transactions must meet the minimum net proceeds required by Freddie Mac regardless of the value provided. An offer at or above the value provided by the Servicer may not necessarily result in an acceptable level of net proceeds.

In addition to providing listing price guidance, Servicers must communicate a list of acceptable closing expense categories to the Borrower and the real estate broker as described in Section 9208.7(d).

## **(d) Mortgages secured by **properties subject to** resale restrictions**

Servicers are not required to obtain short sale property values and minimum net proceeds on Mortgages secured by **properties subject to** with resale restrictions (in accordance with Chapter 4502 or 4406, as applicable). If the Servicer is considering a Borrower for a short sale on a Mortgage secured by a **property subject to** resale restrictions, then the Servicer is

not delegated to approve the short sale and the file must be sent to Freddie Mac. Refer to Section 9208.2 regarding submission of a short sale to Freddie Mac.

For listing price guidance and acceptable closing expense categories which may be specific to Mortgages secured by **properties subject to** resale restrictions, Servicers must refer to the applicable resale restrictions.

## 9208.6: Communication timelines for short sales (03/02/16)

The following chart sets forth the required response times when a Freddie Mac Standard Short Sale (“short sale”) is being considered as a solution to the Delinquency for either: (i) a Mortgage that is not secured by a Primary Residence or (ii) a Mortgage that is secured by a Primary Residence and the Servicer is not evaluating the Borrower for a short sale using the First Complete Borrower Response Package received more than 37 days prior to a scheduled foreclosure sale date.

<b>Short sale: Submission of purchase offer and Servicer decision</b>	
<b>Days</b>	<b>Action required</b>
5 Business Days	<p>The Servicer must acknowledge receipt of the purchase offer within five Business Days.</p> <p>If the purchase offer is submitted with insufficient information, the Servicer must notify the Borrower of the information needed to evaluate the offer within five Business Days of receipt of the offer.</p>
30 days	<p>The Servicer must respond to the Borrower with a purchase decision within 30 days of receipt of the purchase offer. If the purchase offer does not meet Freddie Mac’s minimum net proceeds threshold, and/or is denied by Freddie Mac, the Servicer must notify the Borrower and include an acceptable counteroffer in its response.</p> <p>Note: In the event that a Borrower has submitted a complete Borrower Response Package and a purchase offer simultaneously, the response period for evaluating both the complete Borrower Response Package and the purchase offer is the same as outlined in this section (i.e., provide a decision within 30 days following receipt of purchase offer and Borrower Response Package).</p>

<b>Short sale: Counteroffers (if purchase offer is less than the minimum net proceeds)</b>	
<b>Days</b>	<b>Action required</b>
5 Business Days	Borrower must respond to the Servicer's counteroffer within five Business Days of the date the counteroffer is received
10 Business Days	Servicer must respond to the Borrower within 10 Business Days of receipt of the Borrower's response to the counteroffer

The Servicer must maintain documentation of all communications to and from the Borrower, whether verbal or written, and including status updates, either in the Mortgage file or in the Servicer's servicing system. In addition, the Servicer must provide the information to Freddie Mac for review upon request.

Refer to Section 9101.4 for foreclosure suspension requirements when the First Complete Borrower Response Package is received more than 37 days prior to a scheduled foreclosure sale. Refer to Sections 9102.5(c) and 9301.28 for foreclosure suspension requirements for a Mortgage that has been referred to foreclosure and is either: (i) not secured by a Primary Residence or (ii) secured by a Primary Residence and the Servicer is not evaluating the Borrower for a short sale using the First Complete Borrower Response Package received more than 37 days prior to a scheduled foreclosure sale date.

## **9208.7: Short sale transaction and processing requirements (09/01/19)**

In order for the Freddie Mac Standard Short Sale ("short sale") to be approved by either the Servicer or Freddie Mac, the short sale transaction must meet the following requirements:

**(a) Sales proceeds**

The Servicer must review the executed sales contract and preliminary Settlement/Closing Disclosure Statement to ensure the minimum net proceeds amount provided by Freddie Mac via the Freddie Mac Service Loans application, if applicable, will result from the sale unless otherwise permitted by Freddie Mac in writing.

The Borrower must not receive any proceeds from the sale of the Mortgaged Premises other than relocation assistance paid to the Borrower in accordance with the requirements of Section 9208.4 and reflected on the Settlement/Closing Disclosure Statement.

**(b) Determining if the transaction meets the minimum net proceeds**

If applicable, when determining whether the transaction meets or exceeds the minimum net proceeds as provided by the Service Loans application, the Servicer must deduct from the gross sales price the following allowable transaction costs up to the maximum amount as described below:

- Allowable Closing Costs reasonable and customary for the jurisdiction where the Mortgage Premises is located, including:
  - ❑ Real estate taxes and other assessments prorated to the date of closing
  - ❑ Typical and customary local and state transfer taxes and stamps
  - ❑ Title and settlement charges typically paid by the seller
  - ❑ Seller's attorney fees for settlement services typically provided by a title or escrow company
  - ❑ Wood-destroying pest inspections and treatment, when required by local law or custom
  - ❑ Past-due homeowners association fees, if applicable
- The following transaction costs are subject to more specific parameters, as indicated below:
  - ❑ Real estate broker commission, including any short sale negotiation fees, if applicable, as described in Section 9208.7(e) and 9208.7(f)
  - ❑ Borrower incentives (if applicable), as described in Section 9208.4
  - ❑ Payment to subordinate mortgage holders (if applicable) as provided in Section 9208.7(c)
  - ❑ Any other amounts authorized by Freddie Mac
- The following transaction costs are prohibited by Freddie Mac:
  - ❑ Real estate sales commissions paid to the Borrower or the purchaser
  - ❑ Buyer's discount points or mortgage loan origination costs; or
  - ❑ Fees that are not usual or customary to the local market

**For example**, if the purchase offer submitted by the Borrower/real estate broker is \$100,000 then the Servicer will determine whether the minimum net proceeds are met as follows:

\$100,000 (Gross sales price)  
-\$9,000 (Allowable Closing Costs including real estate commission)  
-\$6,000 (Payment to subordinate mortgage holders)  
-\$3,000 (Borrower relocation assistance)

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\$82,000 (Determine whether this amount meets or exceeds the minimum net proceeds provided in the Service Loans application)

The Servicer must not disclose the minimum net proceeds to any party, if applicable, including, but not limited to, the Borrower, the real estate broker and any prospective buyer, except as authorized by Freddie Mac.

As applicable, the Servicer must ensure that the transaction meets or exceeds the minimum net proceeds amount prior to approving a short sale transaction. If the minimum net proceeds are not met, the Servicer must provide a counteroffer for an amount that would meet the minimum net proceeds in accordance with the response time frames set forth in Section 9208.6. Under no circumstances is the Servicer delegated to approve a transaction if the amount to be remitted to Freddie Mac at closing is less than the minimum net proceeds amount, if applicable. If the transaction does not meet the minimum net proceeds established by Freddie Mac, the Servicer may submit the Mortgage to Freddie Mac for further review. (Refer to Section 9208.2 for more information regarding the requirements for submitting a recommendation to Freddie Mac).

### **(c) Payments to subordinate mortgage holders**

For each short sale completed in accordance with Sections 9208.1 through 9208.8, the Servicer may authorize the settlement agent closing the short sale transaction to pay subordinate mortgage holders an aggregate amount of six thousand dollars (\$6,000.00) from sale proceeds at the same time that all other payments, including the payoff to Freddie Mac, are disbursed by the settlement agent. The subordinate mortgage holders may not receive any other payments, in cash, promissory note or otherwise, from the Borrower in connection with approval of the short sale.

If there are multiple subordinate mortgage holders, the Servicer has the discretion to divide the subordinate mortgage payment among them so as to maximize the chances that all subordinate mortgage holders will approve the short sale.

Payment of any amount to subordinate mortgage holders is contingent upon agreement by all mortgage holders to release their Mortgages and, if they are accepting a payment from Freddie Mac, extinguish the indebtedness secured by the Mortgaged Premises. In addition, subordinate mortgage holders accepting payment from Freddie Mac must agree in writing to waive all rights to seek a deficiency judgment against the Borrower. If a subordinate mortgage holder releases its Mortgage to allow the short sale to close, but does not extinguish the indebtedness, the mortgage holder will not receive a payment from Freddie Mac.



Regardless of whether payment is made to a subordinate mortgage holder, the Servicer must obtain written commitment from the subordinate mortgage holder(s) to release the Mortgage(s).

All payments made to subordinate mortgage holders must be documented on the Settlement/Closing Disclosure Statement in accordance with applicable law. The Servicer must have established written policies governing how subordinate mortgage payments are paid and the Servicer must provide evidence to Borrowers that the subordinate mortgage holder has agreed to accept the payment, extinguish the secured indebtedness and waive all rights to seek a deficiency judgment against the Borrower.

Note: Only Mortgages, deeds of trust or security deeds recorded in the land records and constituting a valid lien against the property are eligible for a payment from Freddie Mac. Any and all other types of liens including, but not limited to, judgments, mechanic's and materialman's liens and common interest association liens, are not eligible for the subordinate mortgage payment.

**(d) Closing Costs**

The Servicer is permitted to deduct reasonable Closing Costs customarily paid by a seller in the jurisdiction where the Mortgaged Premises are located.

**(e) Real estate broker commissions**

Unless a real estate broker's sales commission exceeds 6% of the Mortgaged Premises sales price, the Servicer must not, as a condition of the Servicer's acceptance of an offer, renegotiate the real estate broker's sales commission to an amount that is lower than the amount that was originally agreed upon between the broker and the Borrower. In the event the sales commission exceeds 6%, the Servicer must renegotiate the commission to limit it to 6% of the Mortgaged Premises' sales price.

Neither the Borrower nor the purchaser may receive a commission from the sale of the Mortgaged Premises.

**(f) Short sale negotiation fees**

Fees paid to any party to evaluate, negotiate or process a short sale with the Servicer, which are commonly referred to as "short sale negotiation fees," "short sale processing fees," "marketing fees," or "administrative fees," **may be included as part of the real estate broker's commission at the discretion of the real estate broker.** Negotiation fees must not be deducted from the proceeds of sale or charged to the Borrower. Additionally, neither the Servicer nor its agents may charge Freddie Mac or the Borrower, either directly or indirectly, any fee whatsoever in connection with processing a short sale on any Mortgage. Standard and customary real estate commissions and settlement service fees agreed to by the Borrower and paid to the real estate brokerage and settlement agent are not prohibited.

**(g) Waiver of Escrow funds or prepaid items**

The Borrower must waive reimbursement of any Escrow, buydown funds or prepaid items and assign any insurance proceeds to Freddie Mac, if applicable.

**(h) Short sale affidavit**

The Servicer must obtain a short sale affidavit in which the parties to the transaction attest that the sale is an “arm’s length” transaction. An “arm’s length transaction” is a transaction between parties who are unrelated and unaffiliated by family, marriage or commercial enterprise, other than the purchase and sale of the Mortgaged Premises between the Borrower(s) and the purchaser(s) that is the specific subject of the proposed short sale as disclosed to the Servicer. This affidavit must be executed before or at the time of closing of the sale of the Mortgaged Premises by all Borrower(s), purchaser(s), real estate brokers representing any of the parties, the escrow/closing agent and the transaction facilitator (if any). Each signatory must certify under penalty of perjury that to the best of his or her knowledge and belief:

- The sale of the Mortgaged Premises is an arm’s length transaction, between parties who are unrelated and unaffiliated by family, marriage, or commercial enterprise;
- There are no agreements, understandings or contracts between the parties that the Borrower will remain in the Mortgaged Premises as a tenant or later obtain title or ownership of the Mortgaged Premises, except if the Borrower is permitted to remain as a tenant on the Mortgaged Premises for a short term, but no longer than ninety (90) days, in order to facilitate relocation;
- Neither the Borrower(s) nor the purchaser(s) will receive any funds or commissions from the sale of the Mortgaged Premises. The Borrower may receive a relocation assistance payment if it is offered by the Servicer and reflected on the Settlement/Closing Disclosure Statement;
- The seller(s)/listing agent has presented all offers for the purchase of the Mortgaged Premises to the Borrower and no offers have been held, concealed or delayed due to action or inaction by a real estate agent;
- There are no agreements, understandings or contracts relating to the current sale or subsequent sale of the Mortgaged Premises that have not been disclosed to the Servicer;
- All amounts to be paid to any party, including holders of other liens on the Mortgaged Premises, in connection with the short sale transaction have been disclosed to and approved by the Servicer and will be reflected on the Settlement/Closing Disclosure Statement;
- Each signatory understands, agrees and intends that the Servicer and Freddie Mac are relying upon the statements made in the affidavit as consideration for the reduction of the payoff amount of the Mortgage and agreement to the sale of the Mortgaged Premises;

- A signatory who makes a negligent or intentional misrepresentation agrees to indemnify the Servicer and Freddie Mac for any and all loss resulting from the misrepresentation including, but not limited to, repayment of the amount of the reduced payoff of the Mortgage;
- The certification will survive the closing of the transaction; and
- Each signatory understands that a misrepresentation may subject the party making the misrepresentation to civil and/or criminal liability

The affidavit must contain the name of the Servicer, the Servicer loan number for the subject Mortgage, the property address of the Mortgaged Premises and the date the sales contract that is the subject of the short sale was ratified by the parties.

The affidavit must contain the printed name and signature of each signatory and all signatures to the affidavit must be dated. The signature of a real estate agent or settlement agent signing as a representative for the brokerage or settlement service provider is acceptable so long as the representative capacity is clearly identified. The Servicer may modify and integrate its own requirements into the affidavit so long as it contains the minimum requirements contained in this section. The short sale affidavit must be a separately identifiable document, distinct from other closing or pre-closing documents, such as the sales contract. (See Exhibit 97, Short Sale Affidavit, for an example of a short sale affidavit.)

If the closing agent is prohibited from signing the affidavit by applicable local, State, or federal law, the Servicer may waive the closing agent's signature requirement upon request. The Servicer must condition the waiver upon the closing agent's agreement that it will not also act as the closing agent on a subsequent transaction involving the Mortgaged Premises within one year of closing the short sale transaction. In all other circumstances, signatures from all parties identified above are required as a condition to Freddie Mac's agreement to accept a short sale of the Mortgage.

If a party reveals an agreement, understanding or contract relating to the current sale or subsequent sale of the Mortgaged Premises that indicates the transaction is not an arm's length transaction, or otherwise indicates bad faith, collusion or fraud on the part of the parties, the Servicer must withdraw agreement to the short sale and immediately notify Freddie Mac at **mortgage\_fraud\_reporting@freddiemac.com**.

**(i) Re-sale deed restriction**

The Servicer must instruct the settlement agent to ensure that the deed conveying the Mortgaged Premises from the Borrower to the purchaser contains a provision to restrict any re-sale of the Mortgaged Premises for 30 days following the short sale closing, and to restrict re-sales of greater than 120% of the short sale's sales price for the period beginning 31 days after the short sale closing and ending 90 days from the short sale closing.

The deed must contain the following provision:

*Grantee herein is prohibited from conveying captioned property for any sales price for a period of 30 days from [DATE – short sale closing]. After this 30 day period, Grantee is further prohibited from conveying the property for a sales price greater than \$ (120% of short sale price) until 90 days from [DATE – short sale closing]. These restrictions shall run with the land and are not personal to the Grantee.*

The provided language may be amended as necessary to comply with applicable law.

Note: If the Servicer believes a re-sale restriction is not appropriate for a particular short sale transaction (such as a short sale transaction under the Homeowners Assistance Program provided by the United States Department of Defense), then the Servicer must submit the Mortgage to Freddie Mac for review prior to instructing the settlement agent to insert the above referenced deed provision. The Servicer’s submission must include a thorough explanation of the reason(s) why it is requesting additional review.

**(j) Workout Prospector®**

Servicers must use Workout Prospector to submit short sale transactions on Freddie Mac-owned Mortgages. Servicers represent and warrant that they will only use Workout Prospector on Freddie Mac Mortgages and not Mortgages owned by other investors. Both the input and output of Workout Prospector is confidential information that the Servicer must not disclose to third parties, except as authorized by Freddie Mac. Servicers using Workout Prospector are bound by all of the provisions of the Workout Prospector Users’ Agreement, included in this Guide as Exhibit 86, to the same degree as if they had signed such Agreement as a “User.” The Servicer represents and warrants that its use of Workout Prospector to process short sales is in compliance with this Chapter 9208, other applicable Purchase Documents, and the Workout Prospector Users’ Guide. In addition, Servicers must ensure that all data input into Workout Prospector is true, complete and accurate and that all data is entered correctly. (Refer to Section 9204.4 for additional requirements when submitting any workout solution via Workout Prospector for approval and closing in Freddie Mac’s systems.)

If a Servicer is unable to complete a submission via Workout Prospector, the Servicer should contact Customer Support at (800) FREDDIE.

**(k) Mortgage insurance**

The Servicer must approve and process a short sale in compliance with all requirements of applicable mortgage insurance policies so as to preserve and not to impair existing mortgage insurance coverage, if any. When approving and processing a short sale, unless Freddie Mac has delegations of authority with the MI, the Servicer must either obtain the applicable MI's approval of the terms of each short sale on a case-by-case basis, or ensure that the applicable MI has provided a delegation of authority to the Servicer that applies to the requested short sale.

If the Servicer is notified that the MI will curtail or deny a claim for any reason including, but not limited to, failure of the Servicer to comply with mortgage insurance conditions such

as payment of a Borrower contribution, the Servicer may not approve the short sale; however, the Servicer must submit the proposed short sale to Freddie Mac.

If the Servicer approves a short sale for which the mortgage insurance claim is reduced or eliminated because the Servicer failed to comply with the Guide or applicable mortgage insurance requirements, the Servicer must indemnify and reimburse Freddie Mac in the amount of the reduction.

## **9208.7: Short sale transaction and processing requirements (Future effective date 12/09/19)**

In order for the Freddie Mac Standard Short Sale (“short sale”) to be approved by either the Servicer or Freddie Mac, the short sale transaction must meet the following requirements:

### **(a) Sales proceeds**

The Servicer must review the executed sales contract and preliminary Settlement/Closing Disclosure Statement to ensure the minimum net proceeds amount provided by Freddie Mac via the Freddie Mac [Real Estate Valuation and Pricing tool](#) (see [Exhibit 88, Servicing Tools](#)), if applicable, will result from the sale unless otherwise permitted by Freddie Mac in writing.

The Borrower must not receive any proceeds from the sale of the Mortgaged Premises other than relocation assistance paid to the Borrower in accordance with the requirements of Section 9208.4 and reflected on the Settlement/Closing Disclosure Statement.

### **(b) Determining if the transaction meets the minimum net proceeds**

If applicable, when determining whether the transaction meets or exceeds the minimum net proceeds as provided by the [Real Estate Valuation and Pricing tool](#), the Servicer must deduct from the gross sales price the following allowable transaction costs up to the maximum amount as described below:

- Allowable Closing Costs reasonable and customary for the jurisdiction where the Mortgage Premises is located, including:
  - Real estate taxes and other assessments prorated to the date of closing
  - Typical and customary local and state transfer taxes and stamps
  - Title and settlement charges typically paid by the seller
  - Seller’s attorney fees for settlement services typically provided by a title or escrow company

- ❑ Wood-destroying pest inspections and treatment, when required by local law or custom
- ❑ Past-due homeowners association fees, if applicable
- The following transaction costs are subject to more specific parameters, as indicated below:
  - ❑ Real estate broker commission, including any short sale negotiation fees, if applicable, as described in Section 9208.7(e) and 9208.7(f)
  - ❑ Borrower incentives (if applicable), as described in Section 9208.4
  - ❑ Payment to subordinate mortgage holders (if applicable) as provided in Section 9208.7(c)
  - ❑ Any other amounts authorized by Freddie Mac
- The following transaction costs are prohibited by Freddie Mac:
  - ❑ Real estate sales commissions paid to the Borrower or the purchaser
  - ❑ Buyer's discount points or mortgage loan origination costs; or
  - ❑ Fees that are not usual or customary to the local market

**For example**, if the purchase offer submitted by the Borrower/real estate broker is \$100,000 then the Servicer will determine whether the minimum net proceeds are met as follows:

\$100,000	(Gross sales price)
-\$9,000	(Allowable Closing Costs including real estate commission)
-\$6,000	(Payment to subordinate mortgage holders)
-\$3,000	(Borrower relocation assistance)

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\$82,000 (Determine whether this amount meets or exceeds the minimum net proceeds provided in the [Real Estate Valuation and Pricing tool](#))

The Servicer must not disclose the minimum net proceeds to any party, if applicable, including, but not limited to, the Borrower, the real estate broker and any prospective buyer, except as authorized by Freddie Mac.

As applicable, the Servicer must ensure that the transaction meets or exceeds the minimum net proceeds amount prior to approving a short sale transaction. If the minimum net proceeds are not met, the Servicer must provide a counteroffer for an amount that would meet the minimum net proceeds in accordance with the response time frames set forth in Section 9208.6. Under no circumstances is the Servicer delegated to approve a transaction if the

amount to be remitted to Freddie Mac at closing is less than the minimum net proceeds amount, if applicable. If the transaction does not meet the minimum net proceeds established by Freddie Mac, the Servicer may submit the Mortgage to Freddie Mac for further review. (Refer to Section 9208.2 for more information regarding the requirements for submitting a recommendation to Freddie Mac).

**(c) Payments to subordinate mortgage holders**

For each short sale completed in accordance with Sections 9208.1 through 9208.8, the Servicer may authorize the settlement agent closing the short sale transaction to pay subordinate mortgage holders an aggregate amount of six thousand dollars (\$6,000.00) from sale proceeds at the same time that all other payments, including the payoff to Freddie Mac, are disbursed by the settlement agent. The subordinate mortgage holders may not receive any other payments, in cash, promissory note or otherwise, from the Borrower in connection with approval of the short sale.

If there are multiple subordinate mortgage holders, the Servicer has the discretion to divide the subordinate mortgage payment among them so as to maximize the chances that all subordinate mortgage holders will approve the short sale.

Payment of any amount to subordinate mortgage holders is contingent upon agreement by all mortgage holders to release their Mortgages and, if they are accepting a payment from Freddie Mac, extinguish the indebtedness secured by the Mortgaged Premises. In addition, subordinate mortgage holders accepting payment from Freddie Mac must agree in writing to waive all rights to seek a deficiency judgment against the Borrower. If a subordinate mortgage holder releases its Mortgage to allow the short sale to close, but does not extinguish the indebtedness, the mortgage holder will not receive a payment from Freddie Mac. Regardless of whether payment is made to a subordinate mortgage holder, the Servicer must obtain written commitment from the subordinate mortgage holder(s) to release the Mortgage(s).

All payments made to subordinate mortgage holders must be documented on the Settlement/Closing Disclosure Statement in accordance with applicable law. The Servicer must have established written policies governing how subordinate mortgage payments are paid and the Servicer must provide evidence to Borrowers that the subordinate mortgage holder has agreed to accept the payment, extinguish the secured indebtedness and waive all rights to seek a deficiency judgment against the Borrower.

Note: Only Mortgages, deeds of trust or security deeds recorded in the land records and constituting a valid lien against the property are eligible for a payment from Freddie Mac. Any and all other types of liens including, but not limited to, judgments, mechanic's and materialman's liens and common interest association liens, are not eligible for the subordinate mortgage payment.

**(d) Closing Costs**

The Servicer is permitted to deduct reasonable Closing Costs customarily paid by a seller in the jurisdiction where the Mortgaged Premises are located.

**(e) Real estate broker commissions**

Unless a real estate broker's sales commission exceeds 6% of the Mortgaged Premises sales price, the Servicer must not, as a condition of the Servicer's acceptance of an offer, renegotiate the real estate broker's sales commission to an amount that is lower than the amount that was originally agreed upon between the broker and the Borrower. In the event the sales commission exceeds 6%, the Servicer must renegotiate the commission to limit it to 6% of the Mortgaged Premises' sales price.

Neither the Borrower nor the purchaser may receive a commission from the sale of the Mortgaged Premises.

**(f) Short sale negotiation fees**

Fees paid to any party to evaluate, negotiate or process a short sale with the Servicer, which are commonly referred to as "short sale negotiation fees," "short sale processing fees," "marketing fees," or "administrative fees," may be included as part of the real estate broker's commission at the discretion of the real estate broker. Negotiation fees must not be deducted from the proceeds of sale or charged to the Borrower. Additionally, neither the Servicer nor its agents may charge Freddie Mac or the Borrower, either directly or indirectly, any fee whatsoever in connection with processing a short sale on any Mortgage. Standard and customary real estate commissions and settlement service fees agreed to by the Borrower and paid to the real estate brokerage and settlement agent are not prohibited.

**(g) Waiver of Escrow funds or prepaid items**

The Borrower must waive reimbursement of any Escrow, buydown funds or prepaid items and assign any insurance proceeds to Freddie Mac, if applicable.

**(h) Short sale affidavit**

The Servicer must obtain a short sale affidavit in which the parties to the transaction attest that the sale is an "arm's length" transaction. An "arm's length transaction" is a transaction between parties who are unrelated and unaffiliated by family, marriage or commercial enterprise, other than the purchase and sale of the Mortgaged Premises between the Borrower(s) and the purchaser(s) that is the specific subject of the proposed short sale as disclosed to the Servicer. This affidavit must be executed before or at the time of closing of the sale of the Mortgaged Premises by all Borrower(s), purchaser(s), real estate brokers representing any of the parties, the escrow/closing agent and the transaction facilitator (if any). Each signatory must certify under penalty of perjury that to the best of his or her knowledge and belief:

- The sale of the Mortgaged Premises is an arm's length transaction, between parties who are unrelated and unaffiliated by family, marriage, or commercial enterprise;



- There are no agreements, understandings or contracts between the parties that the Borrower will remain in the Mortgaged Premises as a tenant or later obtain title or ownership of the Mortgaged Premises, except if the Borrower is permitted to remain as a tenant on the Mortgaged Premises for a short term, but no longer than ninety (90) days, in order to facilitate relocation;
- Neither the Borrower(s) nor the purchaser(s) will receive any funds or commissions from the sale of the Mortgaged Premises. The Borrower may receive a relocation assistance payment if it is offered by the Servicer and reflected on the Settlement/Closing Disclosure Statement;
- The seller(s)/listing agent has presented all offers for the purchase of the Mortgaged Premises to the Borrower and no offers have been held, concealed or delayed due to action or inaction by a real estate agent;
- There are no agreements, understandings or contracts relating to the current sale or subsequent sale of the Mortgaged Premises that have not been disclosed to the Servicer;
- All amounts to be paid to any party, including holders of other liens on the Mortgaged Premises, in connection with the short sale transaction have been disclosed to and approved by the Servicer and will be reflected on the Settlement/Closing Disclosure Statement;
- Each signatory understands, agrees and intends that the Servicer and Freddie Mac are relying upon the statements made in the affidavit as consideration for the reduction of the payoff amount of the Mortgage and agreement to the sale of the Mortgaged Premises;
- A signatory who makes a negligent or intentional misrepresentation agrees to indemnify the Servicer and Freddie Mac for any and all loss resulting from the misrepresentation including, but not limited to, repayment of the amount of the reduced payoff of the Mortgage;
- The certification will survive the closing of the transaction; and
- Each signatory understands that a misrepresentation may subject the party making the misrepresentation to civil and/or criminal liability

The affidavit must contain the name of the Servicer, the Servicer loan number for the subject Mortgage, the property address of the Mortgaged Premises and the date the sales contract that is the subject of the short sale was ratified by the parties.

The affidavit must contain the printed name and signature of each signatory and all signatures to the affidavit must be dated. The signature of a real estate agent or settlement agent signing as a representative for the brokerage or settlement service provider is acceptable so long as the representative capacity is clearly identified. The Servicer may modify and integrate its own requirements into the affidavit so long as it contains the

minimum requirements contained in this section. The short sale affidavit must be a separately identifiable document, distinct from other closing or pre-closing documents, such as the sales contract. (See Exhibit 97, Short Sale Affidavit, for an example of a short sale affidavit.)

If the closing agent is prohibited from signing the affidavit by applicable local, State, or federal law, the Servicer may waive the closing agent's signature requirement upon request. The Servicer must condition the waiver upon the closing agent's agreement that it will not also act as the closing agent on a subsequent transaction involving the Mortgaged Premises within one year of closing the short sale transaction. In all other circumstances, signatures from all parties identified above are required as a condition to Freddie Mac's agreement to accept a short sale of the Mortgage.

If a party reveals an agreement, understanding or contract relating to the current sale or subsequent sale of the Mortgaged Premises that indicates the transaction is not an arm's length transaction, or otherwise indicates bad faith, collusion or fraud on the part of the parties, the Servicer must withdraw agreement to the short sale and immediately notify Freddie Mac at [mortgage\\_fraud\\_reporting@freddiemac.com](mailto:mortgage_fraud_reporting@freddiemac.com).

**(i) Re-sale deed restriction**

The Servicer must instruct the settlement agent to ensure that the deed conveying the Mortgaged Premises from the Borrower to the purchaser contains a provision to restrict any re-sale of the Mortgaged Premises for 30 days following the short sale closing, and to restrict re-sales of greater than 120% of the short sale's sales price for the period beginning 31 days after the short sale closing and ending 90 days from the short sale closing.

The deed must contain the following provision:

*Grantee herein is prohibited from conveying captioned property for any sales price for a period of 30 days from [DATE – short sale closing]. After this 30 day period, Grantee is further prohibited from conveying the property for a sales price greater than \$ (120% of short sale price) until 90 days from [DATE – short sale closing]. These restrictions shall run with the land and are not personal to the Grantee.*

The provided language may be amended as necessary to comply with applicable law.

Note: If the Servicer believes a re-sale restriction is not appropriate for a particular short sale transaction (such as a short sale transaction under the Homeowners Assistance Program provided by the United States Department of Defense), then the Servicer must submit the Mortgage to Freddie Mac for review prior to instructing the settlement agent to insert the above referenced deed provision. The Servicer's submission must include a thorough explanation of the reason(s) why it is requesting additional review.

**(j) Workout Prospector<sup>®</sup>**

Servicers must use Workout Prospector to submit short sale transactions on Freddie Mac-owned Mortgages. Servicers represent and warrant that they will only use Workout Prospector on Freddie Mac Mortgages and not Mortgages owned by other investors. Both the input and output of Workout Prospector is confidential information that the Servicer must not

disclose to third parties, except as authorized by Freddie Mac. Servicers using Workout Prospector are bound by all of the provisions of the Workout Prospector Users' Agreement, included in this Guide as Exhibit 86, to the same degree as if they had signed such Agreement as a "User." The Servicer represents and warrants that its use of Workout Prospector to process short sales is in compliance with this Chapter 9208, other applicable Purchase Documents, and the Workout Prospector Users' Guide. In addition, Servicers must ensure that all data input into Workout Prospector is true, complete and accurate and that all data is entered correctly. (Refer to Section 9204.4 for additional requirements when submitting any workout solution via Workout Prospector for approval and closing in Freddie Mac's systems.)

If a Servicer is unable to complete a submission via Workout Prospector, the Servicer should contact Customer Support at (800) FREDDIE.

#### **(k) Mortgage insurance**

The Servicer must approve and process a short sale in compliance with all requirements of applicable mortgage insurance policies so as to preserve and not to impair existing mortgage insurance coverage, if any. When approving and processing a short sale, unless Freddie Mac has delegations of authority with the MI, the Servicer must either obtain the applicable MI's approval of the terms of each short sale on a case-by-case basis, or ensure that the applicable MI has provided a delegation of authority to the Servicer that applies to the requested short sale.

If the Servicer is notified that the MI will curtail or deny a claim for any reason including, but not limited to, failure of the Servicer to comply with mortgage insurance conditions such as payment of a Borrower contribution, the Servicer may not approve the short sale; however, the Servicer must submit the proposed short sale to Freddie Mac.

If the Servicer approves a short sale for which the mortgage insurance claim is reduced or eliminated because the Servicer failed to comply with the Guide or applicable mortgage insurance requirements, the Servicer must indemnify and reimburse Freddie Mac in the amount of the reduction.

## **9208.8: Closing, reporting, drafting and remittance requirements for short sales and make-whole preforeclosure sales (10/09/19)**

Refer to **Bulletins 2019-18, 2019-19 and 2019-21**, which announced the availability of **Freddie Mac Servicing Data Corrections**. Servicers may use the application prior to the implementation of the **December 9, 2019** version of this section.

#### **(a) Servicer review of the Freddie Mac Standard Short Sale ("short sale") closing documentation**

The Servicer must:

1. Pay any delinquent real estate taxes, or, for Manufactured Homes taxed as personal property, delinquent personal property taxes and assessments and ground rent prior to and outside of the transaction. Freddie Mac will reimburse the Servicer for these expenses in accordance with Chapter 9701.
2. Ensure that the Borrower pays all cash contributions in the form of cash or certified funds at settlement
3. Ensure that the title is conveyed directly from the Borrower to the buyer
4. Complete the short sale closing within 60 days of approving the purchase offer
5. Waive its rights to any accrued late fees or property inspection costs
6. Maintain the original short sale affidavit in the Mortgage file in accordance with the requirements of Section 3302.3 and provide Freddie Mac with a copy of the short sale affidavit upon request
7. Review the Settlement/Closing Disclosure Statement prior to closing to ensure proper transfer of title directly from the Borrower to the buyer
8. Review the Settlement/Closing Disclosure Statement and deed within five Business Days after closing to validate compliance with this chapter and the Servicer's approval instructions, including:
  - The name of the buyer on the Settlement/Closing Disclosure Statement is the same as shown on the sales contract
  - The Settlement/Closing Disclosure Statement is consistent with the closing instructions, especially regarding ineligible transfer of title to related parties; and
  - The deed will be recorded in the name of the buyer and contains resale restriction language as required in Section 9208.7(i)

**(b) Reporting the transaction, remitting the proceeds and submitting the settlement data**

To close a short sale, or a make-whole preforeclosure sale in Freddie Mac's systems, complete the following accounting, reporting and remittance steps:

1. Report the Mortgage as a "Short Sale/Charge-off/Make-whole" via the Freddie Mac Service Loans application by the second Business Day after the Servicer receives the settlement proceeds. When reporting, ensure that the:

- Ending UPB is zero
- Principal collected is the ending balance of the Mortgage (Not the proceeds collected from the sale of the property)
- Payoff date is the date the Servicer received the Settlement Proceeds
- DDLPI reflects the due date of the last fully paid installment

Freddie Mac will draft the full UPB plus exception interest. Refer to Section 8303.11 for details on payoff requirements and charge-off adjustments. See Sections 8303.11 and 8303.12 for additional requirements related to short sale reporting and drafting.

2. Complete the “Short Sales Settlement” screen in Workout Prospector<sup>®</sup> and transmit the data to Freddie Mac. In circumstances where a short sale settlement requires a manual settlement review by Freddie Mac, Freddie Mac may request copies of documentation including, but not limited to, the following:
  - A copy of the Settlement/Closing Disclosure Statement
  - Copies of the sales contract and any addenda to the sales contract

**(c) Make-whole preforeclosure sale**

To notify Freddie Mac that the Servicer has approved a make-whole preforeclosure sale, the Servicer must submit the following to Freddie Mac (**see Directory 5**):

- Completed and signed Form 710, Mortgage Assistance Application (or other documentation as permitted in Section 9208.3)
- Copy of the executed sales contract
- Copy of the MI’s approval letter (if applicable and if not previously delegated by the MI)
- A breakdown of the transaction to show how the sale of the Mortgaged Premises plus any other proceeds will result in a total satisfaction of the debt

Upon receipt of the required documentation as described above, Freddie Mac will review the file and provide the appropriate decision in Workout Prospector. In all cases, the Servicer will need to monitor Workout Prospector for the decision and process the file accordingly. Report and close the transaction in accordance with the requirements in this Section 9208.8.

Freddie Mac will draft the full UPB plus exception interest. Refer to Section 8303.12 for details on payoff requirements and charge off adjustments.

**(d) Charging off the deficiency**

The amount that Freddie Mac has determined to be charged off will be reflected on the Draft Report. The Servicer must review the Draft Report and report any discrepancies between its records and the amount on the Draft Report to Freddie Mac (see **Directory 5**) by submitting Form 1205, Post-Settlement Correction Request, within 30 calendar days following Freddie Mac's posting of the amount to the Draft Report. Servicers may access the Draft Report through the Service Loans application at <http://www.freddiemac.com/singlefamily/service>.

When reporting a discrepancy, Servicers must submit the calculation used to determine the variance in the comment section of Form 1205 and a copy of the Settlement/Closing Disclosure Statement and of the sales contract and any addenda to the sales contract to support the request and explain why the short sale and any related deficiency was not initially settled with data elements matching these documents.

Freddie Mac will process, at its discretion, discrepancies that are submitted more than 60 calendar days after the initial adjustment is posted to the Draft Report. Such discrepancies may be subject to a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the post-settlement correction request is denied, the Servicer may be liable for any additional losses. Additionally, Freddie Mac may recover any workout incentives that were paid.

**(e) Remitting additional proceeds**

If there are any proceeds that were not included in the proceeds check (for example, property insurance premium rebate, refunded Escrow advance prepayments), remit the full amount of such proceeds to Freddie Mac by wire transfer or check and send it to Freddie Mac (see **Directory 5**) within five Business Days of receipt of the proceeds.

**(f) Release of deficiency if participants have acted in good faith and in compliance with all applicable law**

If the Borrower has acted in good faith and in compliance with the Guide and all applicable local, State and federal law, then Freddie Mac will not pursue the Borrower for the entire amount owed under the current Mortgage. Freddie Mac will accept the proceeds of sale and the cash contribution by the Borrower and the Servicer must instruct the closing agent to release the lien on the Mortgaged Premises and mark the previous Note as canceled. For a short sale completed with respect to an eMortgage (as defined in Section 1402.2), the Servicer must also comply with the requirements in Section 1402.11(c).

However, if the Borrower had knowledge of and/or consented to a transaction that was not in compliance with the Guide and all applicable local, State and federal law, Freddie Mac reserves its rights to pursue any and all participants including, but not limited to, the Borrower, for the full amount owed under the Mortgage, the amount of any other loss or damage Freddie Mac may have suffered and other costs and expenses, including, but not limited to, attorney fees. Failure to fully execute and provide the short sale affidavit required by Section 9208.7 is considered bad faith and noncompliance with the Guide.

### **(g) Requesting reimbursement**

Request reimbursement for any applicable expenses, in accordance with the requirements in Chapter 9701. For claim submissions on Mortgages insured by the FHA or guaranteed by the VA or RHS not subject to recourse or indemnification, expense reimbursement will occur after Freddie Mac receives the claim payment from the applicable entity and determines that all other requirements for reimbursement have been satisfied. (Refer to Section 9603.2 on FHA/VA/RHS claim filing and Section 9603.5 on receipt of claim payment.)

## **9208.8: Closing, reporting, drafting and remittance requirements for short sales and make-whole preforeclosure sales (Future effective date 12/09/19)**

### **(a) Servicer review of the Freddie Mac Standard Short Sale (“short sale”) closing documentation**

The Servicer must:

1. Pay any delinquent real estate taxes, or, for Manufactured Homes taxed as personal property, delinquent personal property taxes and assessments and ground rent prior to and outside of the transaction. Freddie Mac will reimburse the Servicer for these expenses in accordance with Chapter 9701.
2. Ensure that the Borrower pays all cash contributions in the form of cash or certified funds at settlement
3. Ensure that the title is conveyed directly from the Borrower to the buyer
4. Complete the short sale closing within 60 days of approving the purchase offer
5. Waive its rights to any accrued late fees or property inspection costs
6. Maintain the original short sale affidavit in the Mortgage file in accordance with the requirements of Section 3302.3 and provide Freddie Mac with a copy of the short sale affidavit upon request
7. Review the Settlement/Closing Disclosure Statement prior to closing to ensure proper transfer of title directly from the Borrower to the buyer
8. Review the Settlement/Closing Disclosure Statement and deed within five Business Days after closing to validate compliance with this chapter and the Servicer’s approval instructions, including:

- The name of the buyer on the Settlement/Closing Disclosure Statement is the same as shown on the sales contract
- The Settlement/Closing Disclosure Statement is consistent with the closing instructions, especially regarding ineligible transfer of title to related parties; and
- The deed will be recorded in the name of the buyer and contains resale restriction language as required in Section 9208.7(i)

**(b) Reporting the transaction, remitting the proceeds and submitting the settlement data**

To close a short sale, or a make-whole preforeclosure sale in Freddie Mac’s systems, complete the following accounting, reporting and remittance steps:

1. Report the Mortgage as a “Short Sale/Charge-off/Make-whole” via the Freddie Mac [Loan Level Reporting tool \(see Exhibit 88, Servicing Tools\)](#) by the second Business Day after the Servicer receives the settlement proceeds. When reporting, ensure that the:
  - Ending UPB is zero
  - Principal collected is the ending balance of the Mortgage (Not the proceeds collected from the sale of the property)
  - Payoff date is the date the Servicer received the Settlement Proceeds
  - DDLPI reflects the due date of the last fully paid installment

Freddie Mac will draft the full UPB plus exception interest. Refer to Section 8303.11 for details on payoff requirements and charge-off adjustments. See Sections 8303.11 and 8303.12 for additional requirements related to short sale reporting and drafting.

2. Complete the “Short Sales Settlement” screen in Workout Prospector® and transmit the data to Freddie Mac. In circumstances where a short sale settlement requires a manual settlement review by Freddie Mac, Freddie Mac may request copies of documentation including, but not limited to, the following:
  - A copy of the Settlement/Closing Disclosure Statement
  - Copies of the sales contract and any addenda to the sales contract

**(c) Make-whole preforeclosure sale**

To notify Freddie Mac that the Servicer has approved a make-whole preforeclosure sale, the Servicer must submit the following to Freddie Mac (**see Directory 5**):

- Completed and signed Form 710, Mortgage Assistance Application (or other documentation as permitted in Section 9208.3)



- Copy of the executed sales contract
- Copy of the MI's approval letter (if applicable and if not previously delegated by the MI)
- A breakdown of the transaction to show how the sale of the Mortgaged Premises plus any other proceeds will result in a total satisfaction of the debt

Upon receipt of the required documentation as described above, Freddie Mac will review the file and provide the appropriate decision in Workout Prospector. In all cases, the Servicer will need to monitor Workout Prospector for the decision and process the file accordingly. Report and close the transaction in accordance with the requirements in this Section 9208.8.

Freddie Mac will draft the full UPB plus exception interest. Refer to Section 8303.12 for details on payoff requirements and charge off adjustments.

**(d) Charging off the deficiency**

The amount that Freddie Mac has determined to be charged off will be reflected on the Draft Report. The Servicer must review the Draft Report and report any discrepancies between its records and the amount on the Draft Report to Freddie Mac via [the Freddie Mac Servicing Data Corrections tool \(see Exhibit 88, Servicing Tools\)](#) within [the same Accounting Cycle in which](#) Freddie Mac posts the amount to the Draft Report. Servicers may access the Draft Report through the [Cash Manager tool \(see Exhibit 88, Servicing Tools\)](#).

When reporting a discrepancy, Servicers must [input](#) the calculation used to determine the variance and [upload](#) a copy of the Settlement/Closing Disclosure Statement and of the sales contract and any addenda to the sales contract in [the Servicing Data Corrections tool](#) to support the request and explain why the short sale and any related deficiency was not initially settled with data elements matching these documents.

Discrepancies submitted after [the Accounting Cycle in which](#) the initial adjustment is posted to the Draft Report [closes will be processed at Freddie Mac's discretion](#) and may be subject to a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the post-settlement correction request is denied, the Servicer may be liable for any additional losses. Additionally, Freddie Mac may recover any workout incentives that were paid.

**(e) Remitting additional proceeds**

If there are any proceeds that were not included in the proceeds check (for example, property insurance premium rebate, refunded Escrow advance prepayments), remit the full amount of such proceeds to Freddie Mac by wire transfer or check and send it to Freddie Mac ([see Directory 5](#)) within five Business Days of receipt of the proceeds.

**(f) Release of deficiency if participants have acted in good faith and in compliance with all applicable law**

If the Borrower has acted in good faith and in compliance with the Guide and all applicable local, State and federal law, then Freddie Mac will not pursue the Borrower for the entire amount owed under the current Mortgage. Freddie Mac will accept the proceeds of sale and the cash contribution by the Borrower and the Servicer must instruct the closing agent to release the lien on the Mortgaged Premises and mark the previous Note as canceled. For a short sale completed with respect to an eMortgage (as defined in Section 1402.2), the Servicer must also comply with the requirements in Section 1402.11(c).

However, if the Borrower had knowledge of and/or consented to a transaction that was not in compliance with the Guide and all applicable local, State and federal law, Freddie Mac reserves its rights to pursue any and all participants including, but not limited to, the Borrower, for the full amount owed under the Mortgage, the amount of any other loss or damage Freddie Mac may have suffered and other costs and expenses, including, but not limited to, attorney fees. Failure to fully execute and provide the short sale affidavit required by Section 9208.7 is considered bad faith and noncompliance with the Guide.

**(g) Requesting reimbursement**

Request reimbursement for any applicable expenses, in accordance with the requirements in Chapter 9701. For claim submissions on Mortgages insured by the FHA or guaranteed by the VA or RHS not subject to recourse or indemnification, expense reimbursement will occur after Freddie Mac receives the claim payment from the applicable entity and determines that all other requirements for reimbursement have been satisfied. (Refer to Section 9603.2 on FHA/VA/RHS claim filing and Section 9603.5 on receipt of claim payment.)

## **9208.9: Fraudulent transactions related to short sales (03/02/16)**

Any party to the transaction who engages in fraudulent activity with respect to a short sale transaction may be added to the Freddie Mac Exclusionary List, barring future involvement in Freddie Mac business, and reported to applicable regulatory authorities.

See Chapter 3201 for more information on Freddie Mac requirements for fraud prevention, detection and reporting.

# **Chapter 9209: Freddie Mac Standard Deed-in-Lieu of Foreclosure**

## **9209.1: What is a deed-in-lieu of foreclosure? (03/02/16)**

A Freddie Mac Standard Deed-in-Lieu of Foreclosure (“deed-in-lieu of foreclosure”) is a Borrower’s voluntary conveyance of clear and marketable title to the property to Freddie Mac in exchange for a discharge of debt.

## **9209.2: Deed-in-lieu of foreclosure eligibility requirements and Servicer approval authority (09/01/19)**

If the Borrower’s eligible hardship is permanent or long-term and neither a home retention alternative to foreclosure nor a Freddie Mac Standard Short Sale (“short sale”) is a viable solution to the Delinquency or imminent Delinquency, then the Servicer must determine if the Borrower meets the eligibility requirements for a Freddie Mac Standard Deed-in-Lieu of Foreclosure (“deed-in-lieu of foreclosure”). The Servicer must evaluate the Borrower for a deed-in-lieu of foreclosure under this chapter once the Servicer has otherwise complied with the evaluation hierarchy in Section 9201.2.

If the Mortgage is subject to a recourse agreement, the Mortgage is ineligible for a deed-in-lieu of foreclosure.

Additionally, Mortgages for which the Borrower is engaged in litigation related to the Mortgage or Mortgaged Premises, with the exception of a foreclosure action, are ineligible for a deed-in-lieu of foreclosure.

If the Mortgage is an FHA, VA or Guaranteed Rural Housing Mortgage, the Servicer must comply with the requirements of the applicable agency when approving a deed-in-lieu of foreclosure in a manner that ensures continued coverage of the Mortgage.

The Servicer must determine the Borrower’s Delinquency status for purposes of establishing eligibility, documentation requirements and Borrower contribution requirements in accordance with Sections 9209.2 through 9209.4. The Servicer must use the Delinquency status of the Mortgage on the date the Servicer begins the evaluation of the Borrower for a deed-in-lieu of foreclosure using the documentation required in Section 9209.3.

### **(a) Eligibility requirements for a deed-in-lieu of foreclosure**

Every Borrower, regardless of Delinquency status, is eligible to be considered for a deed-in-lieu of foreclosure, provided the following requirements are met:

- Borrowers who do not meet the requirements for a Streamlined Deed-in-Lieu of Foreclosure must be experiencing or have experienced one of the eligible hardships listed in Section 9202.2(a)
- The Borrower must be able to convey clear and marketable title to the Mortgaged Premises to Freddie Mac
- The Borrower has not acquired a new Mortgage in the six months preceding the Borrower's Delinquency or, if the Borrower is current, in the six months preceding the evaluation of the Borrower for a deed-in-lieu of foreclosure. The Borrower is only permitted to have obtained a new Mortgage if the Borrower's eligible hardship was distant employment transfer.

If the debt secured by the Mortgaged Premises has been discharged in a bankruptcy proceeding filed pursuant to Chapter 7 of the U.S. Bankruptcy Code, the Borrower is eligible for a deed-in-lieu of foreclosure regardless of Delinquency, occupancy or property type. The Borrower must provide the Servicer a copy of the order and accompanying documents showing that the debt was discharged. The Servicer must retain those documents in the Mortgage file.

A Borrower who is current or less than 60 days delinquent must meet the imminent default requirements as described in Section 9209.3(c).

### **(b) Servicer approval authority**

Unless otherwise notified by Freddie Mac, all Servicers are delegated to approve a deed-in-lieu of foreclosure that meets the eligibility requirements of Section 9209.2(a).

When evaluating a Borrower who is a service member with Permanent Change of Station orders and is current or less than 90 days delinquent, the Servicer is encouraged to submit a recommendation to Freddie Mac for review if the Servicer believes a deed-in-lieu of foreclosure is the most appropriate option given the Borrower's circumstances.

If a property inspection reveals that the property has been poorly maintained, needs major repairs, or has structural or foundation problems, then the Servicer is not delegated to approve a deed-in-lieu of foreclosure. However, if the Servicer believes a deed-in-lieu of foreclosure is still the most appropriate remedy, then the Servicer must submit a recommendation to Freddie Mac for approval.

Servicers must refer to the requirements in Sections 9209.1 through 9209.8 for additional circumstances where Servicers are not delegated to approve a deed-in-lieu of foreclosure.

### **(c) Property requirements**

If the BPO obtained according to the valuation requirements in Section 9209.5 or any previous or subsequent Servicer inspection indicates that the Mortgaged Premises has been poorly maintained, needs major repairs, or has structural or foundation problems, the Servicer is not delegated to approve a deed-in-lieu of foreclosure. However, if the Servicer believes a deed-in-lieu of foreclosure is still the most appropriate remedy, then the Servicer must submit a recommendation to Freddie Mac for approval in accordance with Section 9209.2(b).

In addition, if the Servicer has any indication that the Mortgaged Premises contains environmental contamination or hazardous substances, the Servicer is not delegated to approve a deed-in-lieu of foreclosure. Examples of environmental contamination and hazardous substances include:

- High sulfur building content, such as drywall
- Interior mold
- Exposed asbestos
- Exposed or chipping lead-based paint
- Evidence of illegal activity having taken place on the premises, such as growing or manufacturing illegal substances
- Mortgaged Premises is or is part of a superfund site
- Mortgaged Premises exhibits other conditions that could negatively impact the health of occupants

**(d) Submitting a deed-in-lieu of foreclosure recommendation to Freddie Mac**

For situations where a Borrower does not meet the eligibility requirements for a deed-in-lieu of foreclosure and the Servicer feels a deed-in-lieu of foreclosure may be the best option for addressing the Delinquency or imminent Delinquency, the Servicer may submit a recommendation and rationale for the recommendation to Freddie Mac for review with a complete Borrower Response Package or other documentation as permitted in Section 9209.3 (see **Directory 5**).

## 9209.3: Borrower documentation for deeds-in-lieu of foreclosure (09/01/19)

### (a) Borrower documentation

The table below describes Borrower documentation requirements for a deed-in-lieu of foreclosure by delinquency status.

If the Mortgage delinquency status at of the time of evaluation is...	The Servicer must...
Current or less than 90 days delinquent	<p>Evaluate the Borrower based on a complete Borrower Response Package (BPR) as defined in Section 9102.5.</p> <p>Note: If the Mortgage is current or less than 60 days delinquent, the Servicer must determine that the Borrower's monthly payment is in non-retention imminent default in accordance with Section 9209.3(c).</p>
Between 90 days and 18 months delinquent	<p>Evaluate the Borrower based on a complete BRP, unless one of the following conditions applies:</p> <ul style="list-style-type: none"> <li>■ The Borrower failed a Freddie Mac Flex Modification<sup>®</sup> Trial Period Plan within the 12 months prior to evaluation for a short sale or deed-in-lieu of foreclosure</li> <li>■ The Borrower previously received a Freddie Mac Flex Modification and become 60 days or more delinquent within the first 12 months of the effective date of the modification without curing the Delinquency</li> <li>■ The Borrower previously completed three or more modifications; or</li> <li>■ The Mortgage is not secured by an Investment Property, as identified at origination, and the Borrower's FICO<sup>®</sup> credit score is less than or equal to 620</li> </ul> <p>In these cases, the Servicer must evaluate the Borrower for a Streamlined Deed-in-Lieu of Foreclosure ("Streamlined DIL").</p>
Greater than 18 months delinquent	<p>Evaluate the Borrower for a Streamlined DIL.</p> <p>A Streamlined DIL is a Standard Deed-in-Lieu of Foreclosure where the Servicer is not required to obtain the Borrower Response Package or to verify an eligible hardship</p>

The Borrower's FICO score must be no more than 90 days old as of the date the Servicer evaluates the Borrower for a deed-in-lieu of foreclosure. If there is more than one Borrower on the Mortgage, the Servicer must choose one FICO score that is adequately indicative of the credit reputation of all Borrowers currently on the Mortgage. The Servicer must first select a single FICO score for each Borrower on the Mortgage. If the Servicer obtains multiple FICO scores for a single Borrower, the Servicer must use the middle/lower method to select the single FICO score for that Borrower. If there are multiple Borrowers on the Mortgage, the Servicer must determine the single FICO score for each Borrower using the method described above. The Servicer must then select either the lowest FICO score across all Borrowers on the Mortgage or the average FICO score from all Borrowers' single scores. Whichever method is used, the Servicer must choose the single FICO score using the same method and procedure for all Borrowers and for all Mortgages consistent with fair lending laws.

If during the current period of Delinquency the Borrower was determined eligible for a Streamlined Short Sale (refer to Section 9208.3), then the Borrower is also eligible for a Streamlined DIL outlined above, even if the FICO score that was used previously to determine eligibility for the Streamlined Short Sale is now more than 90 days old at the time of the deed-in-lieu of foreclosure evaluation. However, if the Borrower has since brought the Mortgage current, then the Borrower is no longer eligible for a Streamlined Short Sale or Streamlined DIL and is required to submit a complete Borrower Response Package to the Servicer to be evaluated for a deed-in-lieu of foreclosure.

## **(b) Evaluating the Borrower**

### **(i) Evaluating the credit report**

The Servicer must obtain a credit report for each Borrower on the Mortgage (or a joint report for co-Borrowers). The credit report must be no more than 90 days old as of the date the Servicer evaluates the Borrower for a deed-in-lieu of foreclosure. The Servicer must review the credit report to verify that the Borrower meets the relevant requirements for a deed-in-lieu of foreclosure and to evaluate the Borrower's ability to make a contribution.

#### **(A) Verifying occupancy**

For Borrowers who are current or less than 60 days delinquent, the Servicer must review the credit report to verify that at least one of the Borrowers is occupying the Mortgaged Premises as a Primary Residence. If the credit report does not indicate that the Mortgaged Premises is the Primary Residence for at least one Borrower, then the Servicer must use good business judgment to reconcile the inconsistency.

#### **(B) New Mortgages**

Unless the Borrower is eligible for a Streamlined DIL, the Servicer must review the Borrower's credit report to determine whether the Borrower obtained a new

Mortgage(s) in the six months preceding the Borrower's Delinquency or, if the Borrower is current, in the six months preceding the evaluation of the Borrower for a deed-in-lieu of foreclosure.

If the Servicer's review of the credit report reveals a new Mortgage, the Servicer may approve the deed-in-lieu of foreclosure only if the eligible hardship for a Borrower who was 90 or more days delinquent was due to distant employment transfer, relocation due to new employment or Permanent Change of Station (PCS) orders and the Servicer verifies that:

- The Borrower intends to occupy the property securing the new Mortgage as the Borrower's Primary Residence
- The new employment location is greater than 50 miles one-way from the Mortgaged Premises
- The new property address is reasonably near the Borrower's new employment location

If the Borrower has any other hardship, or if the above referenced hardship was for a Borrower who was less than 90 days delinquent, and the Servicer determines a new Mortgage has been obtained, the Servicer is not delegated to approve the deed-in-lieu of foreclosure and must submit the request to Freddie Mac for consideration.

If the Servicer's review of the credit report indicates that a mortgage creditor has made an inquiry within the previous four-month period, the Servicer must contact the Borrower to determine the following on the Mortgage sought:

- The address of the property
- The purpose of the inquiry (e.g., refinance or purchase Mortgage) and
- The result of the inquiry (e.g., refinance or purchase Mortgage is pending, closed or canceled)

If a purchase Mortgage was obtained, then the Servicer is not delegated to approve the deed-in-lieu of foreclosure and the file must be sent Freddie Mac. Refer to Section 9209.2 regarding the submission of a deed-in-lieu of foreclosure to Freddie Mac.

### **(C) Special requirements for Borrowers who are current or less than 60 days delinquent**

If a Borrower is current or less than 60 days delinquent, he or she must be considered to be in non-retention imminent default following the business rules in the chart below unless the Borrower was discharged from a Chapter 7 bankruptcy.



**(I) Non-retention imminent default evaluation business rules**

Any Borrower who is current or less than 60 days delinquent at the time the Servicer commences the initial evaluation is in non-retention imminent default if the Borrower meets the requirements of the following business rules:

<b>Non-retention imminent default evaluation Business Rules</b>	
<p><b>To be considered in non-retention imminent default, the Borrower must meet all requirements under Business Rule 1, and must meet the requirements for either:</b></p> <ul style="list-style-type: none"> <li>■ <b>Business Rule 2, or</b></li> <li>■ <b>Business Rule 3</b></li> </ul>	
Business Rule 1	<p>Each Borrower must:</p> <ul style="list-style-type: none"> <li>■ Submit a complete Borrower Response Package</li> <li>■ Be current or less than 60 days delinquent (i.e., less than three monthly payments past due) on the Mortgage as of the evaluation date</li> <li>■ Occupy the property as a Primary Residence; or at least one Borrower on the Mortgage must occupy the property as his or her Primary Residence</li> <li>■ Have Cash Reserves less than \$25,000</li> <li>■ Have an eligible hardship as described in Section 9202.2</li> </ul> <p>Note: Requirements related to occupancy and non-retirement liquid assets do not apply if the Borrower is a Servicemember with PCS orders and the property securing the Mortgage is or was the Borrower's Primary Residence, where the transfer or new employment location is greater than 50 miles one-way from the property securing the Mortgage.</p>
Business Rule 2	<p>The Borrower is considered in non-retention imminent default if the Borrower meets the requirements of Business Rule 1, and</p> <ul style="list-style-type: none"> <li>■ The Borrower's FICO score is less than or equal to 620 determined in accordance with Section 9206.7(e); <b>AND</b></li> <li>■ The Mortgage has had two or more 30-day Delinquencies in the most recent 6-month period; <b>OR</b></li> <li>■ The Borrower's housing expense-to-income ratio is greater than 40% as of the evaluation date</li> </ul> <p>If the Borrower has one of the Imminent Default Hardships described below in Business Rule 3, the Borrower may be</p>

<b>Non-retention imminent default evaluation Business Rules</b>	
<p><b>To be considered in non-retention imminent default, the Borrower must meet all requirements under Business Rule 1, and must meet the requirements for either:</b></p> <ul style="list-style-type: none"> <li>■ <b>Business Rule 2, or</b></li> <li>■ <b>Business Rule 3</b></li> </ul>	
	<p>determined to be in non-retention imminent default even if these Business Rule 2 requirements are not met.</p>
<p><b>Business Rule 3</b></p>	<p>The Borrower is considered in non-retention imminent default if the Borrower meets the requirements of Business Rule 1, and the Borrower provided the documentation required in Section 9202.2 supporting one of the Imminent Default Hardships listed below:</p> <ul style="list-style-type: none"> <li>■ Death of a Borrower or death of either the primary or secondary wage earner in the household</li> <li>■ Long-term or permanent disability; or serious illness of a Borrower/co-Borrower or dependent family member</li> <li>■ Divorce or legal separation; separation of Borrower unrelated by marriage, civil union or similar domestic partnership under applicable law; or</li> <li>■ Distant employment transfer or relocation due to new employment or PCS orders where the property securing the Mortgage being evaluated is the Borrower's Primary Residence. The new employment location must be more than 50 miles one-way from the property securing the Mortgage being evaluated.</li> </ul> <p>The Imminent Default Hardship must currently cause and be expected to continue to cause a long-term or permanent decrease in income or increase in expenses.</p>

The Servicer must submit all information for Business Rule 1 and Business Rule 2 in all instances, even if the Borrower does not meet the requirements under Business Rule 2 and instead is approved based on the Imminent Default Hardship under Business Rule 3.

## **(II) Income and asset documentation and verification**

### **(a) Documentation and verification**

To be evaluated for imminent default, a Borrower must, at a minimum, provide a complete Borrower Response Package as defined in Section 9102.5(c). In addition to the income documentation required under Section

9202.3, the Servicer must obtain the Borrower's FICO score in accordance with Section 9206.7(e).

**(b) Verification of income and assets; resolution of material inconsistencies**

Servicers must review all documentation submitted by the Borrower to identify any material inconsistencies, including material inconsistencies with a tax return or tax transcript if one was obtained under Section 9202.3. If, based on the Servicer's good business judgment, there are material inconsistencies with respect to the income or asset information disclosed by the Borrower or with other documentation relevant to the imminent default decision, the Servicer must obtain other documentation to reasonably reconcile such material inconsistencies. Servicers must also document such material differences in their servicing system. If the Servicer cannot reconcile such material differences, the Borrower cannot be considered in imminent default.

**(III) Cash Reserves test**

The Servicer must complete an evaluation of the Borrower's Cash Reserves. The Borrower must have Cash Reserves of less than \$25,000 to be further evaluated for imminent default. If the Borrower either discloses or provides documentation indicating the Borrower has Cash Reserves equal to or greater than \$25,000, then the Borrower is not in imminent default.

**(i) Definition of Cash Reserves**

For purposes of determining imminent default, Cash Reserves are defined as follows:

**Cash Reserves:** Any non-retirement liquid asset the Borrower has available for withdrawal from any financial institution or brokerage, including funds on deposit in the Borrower's checking, savings, money market or certificate of deposit account or other depository account, stocks, bonds, mutual funds, U.S. Government Securities and other securities that are traded on an exchange or marketplace generally available to the public (e.g., New York Stock Exchange, National Association of Securities Dealers Automated Quotations, Midwest SE, Chicago Board of Trade or Over the Counter) for which the price can be readily verified through financial publications.

Assets are only considered retirement assets if they are held in a qualified retirement account such as a 401k, 403b, 457, Individual Retirement Account (IRA) or pension fund. If the assets are not held in a retirement account, the assets must be considered Cash Reserves.

**(ii) Calculating Cash Reserves**

The Servicer must calculate the Borrower's Cash Reserves in accordance with the following requirements:

1. The Servicer must determine that, for every Borrower on the Mortgage, all of the Borrower's Cash Reserves have been accounted for on Form 710, Mortgage Assistance Application
2. In making the determination that all Cash Reserves have been accounted for, the Servicer must review all information provided by the Borrower to determine if the asset information stated on Form 710 is reasonably consistent with information available from all other information provided by the Borrower, including verbal information shared by the Borrower. If there are inconsistencies between the Borrower's disclosure of assets and the information provided by the Borrower, then the Servicer must obtain the Borrower's tax return or tax transcript in order to reconcile the inconsistencies.

If, upon reviewing the Borrower's tax return or tax transcript, if applicable, the Servicer observes interest, dividend income or gains/losses that, in total, that could not be reasonably produced by the Borrower's disclosed Cash Reserves, and such income indicates deposits, securities holdings or other assets that could be in excess of the amounts disclosed by the Borrower on Form 710, the Servicer must reconcile the inconsistency with the Borrower. The Servicer must require the Borrower to produce a signed federal tax return and all relevant schedules, in the event the Servicer used a tax transcript in lieu of a tax return, along with any other relevant documentation that verifies the disposition and/or current status of those assets, which produced the income or gains/losses to resolve the inconsistency.

The Servicer must ensure that the Borrower's disclosure of assets is reasonably accurate despite the inconsistency between the disclosed assets and the income or gain/loss from assets reported on the tax return or tax transcript. In determining what documentation is needed to reconcile an inconsistency, the Servicer must review the detailed tax return schedules and forms, and request from the Borrower copies of recent and past statements from those asset holdings or transactions indicated on the schedules and forms that produced the income or gain/loss (e.g., checking, savings, brokerage account statements, asset sale statements or records, etc.).

3. If there are inconsistencies between the Borrower's **disclosure of assets and the tax return information that cannot be reconciled, the Borrower cannot be considered in imminent default**

If the Servicer determines that the Borrower has Cash Reserves of less than \$25,000 and meets all other requirements of Section 9206.7(b) then the Borrower is considered to be in imminent default.

**(IV) Imminent default credit score**

Servicers must choose one FICO score that is adequately indicative of the credit reputation of all Borrowers currently on the Mortgage. Servicers must use a credit score based on the FICO credit-scoring model. This score must be obtained and determined in accordance with the requirements below.

**(i) Obtaining FICO scores for each Borrower**

The Servicer must request a FICO score for each Borrower on the Mortgage from any one of the following three credit repositories:

- Equifax Credit Information Services
- Experian Information Systems and Services
- TransUnion Credit Information Company

The Borrower's FICO score must be less than 90 days old on the date the Servicer performs the imminent default evaluation.

**Borrowers with no available FICO score**

It is unusual for any Borrower who has obtained a Mortgage not to have a FICO score. If no single FICO score can be identified for a Borrower, the Servicer must recheck the information provided when ordering the FICO scores and resubmit a request. If the Servicer is still unable to obtain a FICO score for that Borrower, it may rely on the FICO scores of all other Borrowers as determined in accordance with this section.

Absent a FICO score for any Borrower on the Mortgage, the Borrower may not be determined to be in imminent default under the requirements of Business Rule 2, and the Servicer must proceed to evaluate the Borrower under the requirements of Business Rule 3 in Section 9206.7(b). In such instances when a FICO score is not available for any Borrower on the Mortgage, the Servicer must:

1. Maintain documentation in the Mortgage file that demonstrates the Servicer's attempts to obtain FICO scores from all three credit repositories on all Borrowers
2. Enter the result that a FICO score is not available for any Borrower on the Mortgage into Workout Prospector<sup>®</sup>

3. Proceed to the Imminent Default Hardship test in Business Rule 3 to determine if an Imminent Default Hardship exists

**(ii) Determining the Imminent Default Credit Score**

The Servicer must identify the Imminent Default Credit Score in accordance with the following:

- The Servicer must first select a single FICO score for each Borrower on the Mortgage. If the Servicer obtains multiple FICO scores for a single Borrower, the Servicer must use the middle/lower method to select the single FICO score for that Borrower. This method is the most predictive when determining a single Borrower's overall credit reputation. If three FICO scores are obtained for a Borrower, the single score for that Borrower is the one with the middle value. For example, if the FICO scores were 660, 656 and 640, the single FICO score selected by the Servicer should be 656. When there is a duplicate score, the Seller must select that score to be the single score. If the FICO scores for a Borrower were 660, 660 and 640, the Servicer should select 660. If two FICO scores were obtained for a Borrower, the Servicer must select the lower of the two FICO scores to be the single FICO score for that Borrower.
- If there is only one Borrower on the Mortgage, the single FICO score, determined in accordance with the above requirements, is considered the Imminent Default Credit Score
- If there are multiple Borrowers on the Mortgage, the Servicer must determine the single FICO score for each Borrower using the method described above. The Servicer must then select either the lowest FICO score across all Borrowers on the Mortgage or the average FICO score from all Borrowers' single scores. (Note: Whichever method is used, the Servicer should choose the single FICO score using the same method and procedure for all Borrowers and for all Mortgages consistent with fair lending laws.)

**(V) Calculating housing expense-to-income ratio (HTI)**

The Servicer must use verified income to determine that the Borrower's housing expense-to-income ratio is greater than 40%. For purposes of this determination, the Servicer must divide the Borrower's current monthly housing expense (i.e., PITIAS Payment) by the Borrower's monthly gross income (or the Borrowers' combined monthly gross income in the case of co-Borrowers) plus any allowable non-obligor household income.

If the Borrower has been granted interest rate relief under the Servicemembers Civil Relief Act (SCRA), the Servicer must use the principal and interest payment

and the contractual rate of interest in effect on the Note prior to the granting of the SCRA relief rather than the temporarily SCRA reduced interest rate and related SCRA monthly payment when calculating the Borrower's current monthly housing expense-to-income ratio.

If a Borrower has indicated that there are homeowner's association dues or Condominium Unit or Cooperative Unit maintenance fees or ground rent, but has not been able to provide written documentation to verify these amounts, the Servicer must rely on the information provided by the Borrower if the Servicer has made reasonable efforts to obtain the amounts in writing.

The current monthly housing expense does not include mortgage insurance premium payments or payments due to holders of subordinate liens.

For each imminent default evaluation under Business Rule 2, the Servicer must report the housing expense-to-income ratio, in addition to the FICO score and payment history as described below, to Freddie Mac via Workout Prospector.

#### **(VI) Payment history**

For imminent default evaluations under the requirements of Business Rule 2, the Servicer must determine whether the Mortgage has had two or more 30-day Delinquencies in the most recent six-month period. For each imminent default evaluation under Business Rule 2, the Servicer must report the payment history, in addition to the FICO score and pre-modification housing expense-to-income ratio, to Freddie Mac via Workout Prospector.

Note: The Servicer must not consider a missed contractual payment that becomes 60 or more days delinquent as a Mortgage having two or more 30 day Delinquencies in the most recent six-month period.

#### **(VII) Imminent default evaluation results**

If the Borrower meets the requirements of Business Rule 1 and meets the requirements of either: (i) Business Rule 2, or (ii) Business Rule 3, the Borrower is in imminent default. The Servicer must evaluate the Borrower for a deed-in-lieu of foreclosure and no further analysis is required by the Servicer to determine imminent default.

#### **(VIII) General requirements and information**

If the Servicer determines that a Borrower is in imminent default, the Servicer must continue evaluating the Borrower using the applicable underwriting requirements outlined in this chapter to determine if the Borrower qualifies for a deed-in-lieu of foreclosure.



## 9209.4: Deeds-in-lieu of foreclosure Borrower contributions and relocation assistance (09/01/19)

### (a) Borrower contributions towards the deficiency

If the Servicer determines that the Borrower's Cash Reserves exceed \$10,000 or the Borrower's housing expense-to-income (HTI) ratio is less than or equal to 40%, the Servicer must request a cash contribution in accordance with the requirements below. The Servicer must verbally confirm the assets reported on Form 710, Mortgage Assistance Application and reconcile any differences with documentation following the procedure in Section 9202.3. A Servicer may negotiate contribution amounts less than the initial contribution requests, which must be determined in accordance with the contribution formula in this section. When a Servicer negotiates a cash contribution that is less than the initial request, the Servicer must document the reason for its decision in the Mortgage file and note the specific financial circumstances that limit the Borrower's ability to contribute towards the deficiency.

Unless Freddie Mac has delegated authority with the MI or communicates otherwise, if the Mortgage is covered by mortgage insurance and the MI requires a contribution from the Borrower that is greater than the contribution limits required by this section in order to approve the Freddie Mac Standard Deed-in-Lieu of Foreclosure ("deed-in-lieu of foreclosure"), the Servicer must require the Borrower to make the contribution required by the MI as a condition of approval.

Borrowers are not required to make a contribution in the following instances:

- Borrowers who are service members with Permanent Change of Station (PCS) orders who are 90 or more days delinquent. The property securing the Mortgage is or was previously the Borrower's Primary Residence where the transfer or new employment location is greater than 50 miles one-way from the property securing the Mortgage being evaluated.
- Borrowers who qualify for a Streamlined Deed-in-Lieu of Foreclosure (refer to Section 9209.3)
- Applicable law prohibits requesting or receiving a contribution

#### 1. Determining a cash contribution

If the Borrower's Cash Reserves exceed \$10,000 or his or her HTI ratio is less than or equal to 40%, the Servicer must request the greater of 20% of the Cash Reserves or four times the Borrower's principal, interest, taxes and insurance (PITI), rounded to the nearest \$100 as a cash contribution. The cash contribution cannot exceed the total amount of the deficiency.



If a Borrower is 60 or more days delinquent and cannot contribute 20% of his or her Cash Reserves, the Servicer may negotiate a lower level of contribution. If the Servicer negotiates and collects less than 20% of the Borrower's Cash Reserves, then the Servicer must document in the Mortgage file the specific financial circumstances that limit the Borrower's ability to make the initially requested level of cash contribution (i.e., 20% of the Borrower's Cash Reserves). Based on the Servicer's assessment of the Borrower's written or stated ability to pay in combination with its evaluation of the Borrower's financial and hardship information, the Servicer is authorized to negotiate a lower contribution or agree that the Borrower's individual situation and circumstances warrant a lower starting point to cash contribution negotiations or no contribution. If a Borrower is unwilling to contribute an amount the Servicer deems acceptable, then the deed-in-lieu of foreclosure is not delegated and must be submitted to Freddie Mac in the manner outlined in Section 9209.2. If the Servicer determines the Borrower is unable to contribute at least \$500 toward the deficiency, then the Servicer must not collect a cash contribution.

If the Borrower's Cash Reserves are in excess of \$50,000, the Servicer must submit the deed-in-lieu of foreclosure request to Freddie Mac for review in the following instances:

Refer to Section 9209.2 regarding the details for submitting a deed-in-lieu of foreclosure recommendation to Freddie Mac.

#### **(b) Borrower relocation assistance**

If the Servicer determines that the Borrower is not required to make a financial contribution toward the deficiency, the Borrower is eligible to receive up to \$3,000 in relocation assistance provided that the Borrower occupies the Mortgaged Premises as his or her primary residence. The Borrower is not eligible to receive relocation assistance in the following circumstances:

- The Borrower will receive relocation assistance from a source other than Freddie Mac or the Servicer, such as an employer, and the amount is equal to or greater than \$3,000. If the Borrower will receive relocation assistance from a source other than Freddie Mac or the Servicer and the amount is less than \$3,000, the Servicer must reduce the amount of Freddie Mac's relocation assistance by the amount received from the other source.
- The Servicer determines that the Borrower's Cash Reserves exceed the greater of \$10,000 or four times the Borrower's total monthly mortgage payment, regardless of whether the Borrower makes a contribution. If the Servicer believes such a Borrower is experiencing financial circumstances necessitating relocation assistance, the Servicer may submit the file to Freddie Mac. Refer to Section 9209.2 regarding the details for submission to Freddie Mac.
- The Borrower is subject to PCS orders and receives government assistance with the relocation

Once the final amount of relocation assistance has been determined and the deed has been executed, the Servicer must disburse to the Borrower the relocation assistance payment. Unless otherwise instructed by Freddie Mac, the Servicers must distribute the relocation assistance funds no more than 30 days after execution of the deed. Servicers may request reimbursement for the relocation assistance from Freddie Mac via the Freddie Mac Reimbursement System.

In addition to the relocation assistance offered by Freddie Mac, the Servicer may in its discretion offer the Borrower an additional financial incentive to complete the deed-in-lieu of foreclosure. Any relocation assistance provided by the Servicer will be in addition to the relocation assistance amount provided by Freddie Mac, and the Servicer's assistance amount does not have to be subtracted from the assistance amount Freddie Mac will pay. If the Servicer does offer its own relocation assistance, it must provide the assistance from its own funds, as a payment made directly to the Borrower.

The relocation assistance payment may not be applied to other debts secured by the Mortgaged Premises.

## **9209.5: Property valuation requirements for deeds-in-lieu of foreclosure (09/01/19)**

### **(a) When to obtain a property valuation**

If the Servicer has evaluated the Borrower for all other alternatives to foreclosure in accordance with Freddie Mac's evaluation hierarchy set forth in Section 9201.2 and believes that the Borrower meets the eligibility requirements for a Freddie Mac Standard Deed-in-Lieu of Foreclosure ("deed-in-lieu of foreclosure"), then the Servicer must obtain an interior property valuation in accordance with Section 9202.17. Servicers must ensure that the property valuation is no more than 90 days old as of the date of the deed-in-lieu of foreclosure evaluation decision.

If the Servicer has previously obtained a Freddie Mac-compliant property valuation (i.e., Freddie Mac-provided BPO, Freddie Mac-provided appraisal, or an appraisal in compliance with Chapter 5601), the Servicer must use the Freddie Mac-compliant property valuation in connection with a deed-in-lieu of foreclosure evaluation provided it is less than 90 days old on the date of the deed-in-lieu of foreclosure evaluation decision. The Servicer may not obtain a new property valuation in this circumstance.

An evaluation for a Borrower contribution should not delay the Servicer's request for a property valuation.

**(b) Obtaining a property valuation for a deed-in-lieu of foreclosure and verification of property condition**

If the Servicer believes the Borrower is generally eligible for a deed-in-lieu of foreclosure, the Servicer must obtain a property value from BPOdirect® as set forth in Section 9202.17, if the Borrower:

- Intends to vacate or has vacated the Mortgaged Premises and expresses an interest in a deed-in-lieu of foreclosure; or
- Is ineligible for, failed or does not accept another alternative to foreclosure and a deed-in-lieu of foreclosure is the best solution to the Delinquency

The Servicer must advise the Borrower to grant interior access to the person evaluating the Mortgaged Premises and otherwise cooperate with the inspection.

Once the Servicer receives the BPO, it must review the property condition information carefully to verify that the Mortgaged Premises meets the condition requirements described in Section 9209.2(c).

## **9209.6: Borrower communication and execution timelines for deeds-in-lieu of foreclosure (03/02/16)**

In addition to the response requirements related to Borrower Response Packages addressed in Section 9102.5, the following chart sets forth the required response times when a Freddie Mac Standard Deed-in-Lieu of Foreclosure (“deed-in-lieu of foreclosure”) is being considered as a solution to the Delinquency for either: (i) a Mortgage that is not secured by a Primary Residence or (ii) a Mortgage that is secured by Primary Residence and the Servicer is not evaluating the Borrower for a deed-in-lieu of foreclosure using the First Complete Borrower Response Package received more than 37 days prior to a scheduled foreclosure sale date.

<b>Deed-in-lieu of foreclosure: Submission of Borrower Response Package or streamlined documentation</b>	
<b>Days</b>	<b>Action required</b>
30 days	Within five days of an evaluation decision, but in no event later than 30 days following the receipt of a complete Borrower Response Package or streamlined documentation, the Servicer must send an Evaluation Notice to the Borrower. The Evaluation Notice must include approved model language for a deed-in-lieu of foreclosure, or similar language drafted by the Servicer.

14 days	The Servicer must allow the Borrower 14 days from the date the Evaluation Notice is sent to accept the offer to pursue a deed-in-lieu of foreclosure
60 days (no later than 90 days)	<p>The Servicer must receive all necessary approvals (e.g., title, secondary lien(s), MI) and execute the deed-in-lieu of foreclosure within 60 days of the date the Borrower’s communication to accept the offer was received.</p> <p>If the Servicer is unable to execute the deed-in-lieu of foreclosure within 60 days due to delays encountered as a result of issues with title, secondary lien(s), or MI approval, the Servicer must continue working with the Borrower to resolve these issues. In these instances, the Servicer will be allotted an additional 30 days to execute the deed-in-lieu of foreclosure, and during this time the Servicer must provide weekly status updates to the Borrower (90 days maximum from the date the Borrower’s communication to accept the offer was received to the date the deed-in-lieu of foreclosure is executed).</p>

The Servicer must maintain documentation of all communications to and from the Borrower, whether verbal or written, and including status updates, either in the Mortgage file or in the Servicer’s servicing system. In addition, the Servicer must provide the information to Freddie Mac for review upon request.

Refer to Section 9101.4 for foreclosure suspension requirements for deeds-in-lieu of foreclosure when the First Complete Borrower Response Package is more than 37 days prior to a scheduled foreclosure sale and results in an offer to proceed with a deed-in-lieu of foreclosure. Refer to Sections 9102.5(c) and 9301.28 for foreclosure suspension requirements when the Mortgage has been referred to foreclosure for either: (i) a Mortgage that is not secured by a Primary Residence or (ii) a Mortgage that is secured by a Primary Residence and the Servicer is not evaluating the Borrower for a deed-in-lieu of foreclosure based on the First Complete Borrower Response Package received more than 37 days prior to a scheduled foreclosure sale date.

## **9209.7: Deed-in-lieu of foreclosure transaction and processing requirements (07/15/19)**

In order for the Freddie Mac Standard Deed-in-Lieu of Foreclosure (“deed-in-lieu of foreclosure”) to be completed by the Servicer, the Servicer must work with and assist the Borrower to ensure that the deed-in-lieu of foreclosure transaction meets the following requirements:

**(a) Prior to approval**

The Servicer must:

1. Ensure the Borrower meets all eligibility requirements and negotiates a Borrower contribution, if applicable
2. Obtain mortgage releases from all applicable subordinate mortgage holders as follows:

The Servicer may authorize payment to subordinate mortgage holders in an aggregate amount of six thousand dollars (\$6,000.00). The subordinate mortgage holders must not receive any other payments from the Borrower, in cash, promissory note or otherwise, in connection with approval of the deed-in-lieu of foreclosure. If there are multiple subordinate mortgage holders, the Servicer has the discretion to divide the payment among those mortgage holders so as to maximize the chances that all subordinate mortgage holders will approve the deed-in-lieu of foreclosure. Payment of any amount to subordinate mortgage holders is contingent upon agreement by all mortgage holders to release their Mortgage and, if they are accepting a payment from Freddie Mac, extinguish the indebtedness secured by the Mortgaged Premises. In addition, subordinate mortgage holders accepting payment from Freddie Mac must agree in writing to waive all rights to seek a deficiency judgment against the Borrower. If a subordinate mortgage holder releases its Mortgage to allow the deed-in-lieu of foreclosure to close, but does not extinguish the indebtedness, the mortgage holder will not receive a payment from Freddie Mac. Regardless of whether payment is made to a subordinate mortgage holder, the Servicer must obtain written commitment from the subordinate mortgage holder(s) to release the Mortgage(s).

All payments made to subordinate mortgage holders must be documented and the documentation must be provided to Freddie Mac upon request.

The Servicer must have established written policies governing how subordinate mortgage payments are paid and evidence of their agreement is provided to the Borrower. For deeds-in-lieu of foreclosure completed in accordance with this chapter, the Servicer must advance the amount to the subordinate mortgage holder or holders and request reimbursement for such advancement from Freddie Mac via the Freddie Mac Reimbursement System.

Note: Only Mortgages or deeds of trust recorded in the land records and constituting a valid lien against the property are eligible for a payment from Freddie Mac. Any and all other types of liens including, but not limited to, judgments, mechanic's and materialman's liens and common interest association liens, are not eligible for the subordinate mortgage payment.

3. Approve and process a deed-in-lieu of foreclosure in compliance with all requirements of applicable mortgage insurance policies and any delegated authority granted to the Servicer by the MI so as to preserve and not to impair existing mortgage insurance coverage, if any.

If the MI indicates that it will curtail or deny a claim for any reason, including but not limited to, failure of the Servicer to comply with mortgage insurance conditions such as payment of a Borrower contribution, the Servicer may not approve the deed-in-lieu of foreclosure; however, the Servicer must submit the proposed deed-in-lieu of foreclosure to Freddie Mac.

**(b) Post-approval activities**

1. The Servicer must obtain clear and marketable title to the property
2. The Borrower must:
  - (a) Contribute to any loss, according to the requirements in Section 9209.4(1)
  - (b) Vacate the property and leave it in undamaged, broom-swept condition and provide the Servicer with the keys to the property at the time of conveyance, unless the property is a 2- to 4-unit property and Freddie Mac allows one tenant to remain in the property
  - (c) For leasehold Mortgages, obtain the consent of the fee simple landowner/lessor, if required under the lease, and provide evidence of consent to the Servicer
  - (d) Execute a personal property release for any personal property the Borrower has left at or in the Mortgaged Premises. The Servicer may use Exhibit 100, Personal Property Release, as a template and revise it as necessary to comply with applicable law or to incorporate it into the Servicer's own forms.
3. The Servicer must obtain the executed deed-in-lieu of foreclosure and all other required deed-in-lieu of foreclosure documents (including the personal property release). For leasehold Mortgages, the Servicer must obtain either an assignment of the lease or a new lease of the same priority

**(c) Workout Prospector®**

Servicers must use Workout Prospector to submit deed-in-lieu of foreclosure transactions on Freddie Mac-owned Mortgages. Servicers represent and warrant that they will only use Workout Prospector on Freddie Mac Mortgages and not Mortgages owned by other investors. Both the input and output of Workout Prospector is confidential information that the Servicer must not disclose to third parties, except as authorized by Freddie Mac. Servicers using Workout Prospector are bound by all of the provisions of the Workout Prospector User Agreement, included in the Guide as Exhibit 86, to the same degree as if they had signed such Agreement as a "User." The Servicer represents and warrants that its use of Workout Prospector to process deed-in-lieu of foreclosure transactions is in compliance with this Chapter 9209, other applicable Purchase Documents and the Workout Prospector Users' Guide. In addition, Servicers must ensure that all data input into Workout Prospector is true, complete and accurate and that all data is entered correctly. (Refer to

Section 9204.4 for additional requirements when submitting any workout solution via Workout Prospector for approval and closing in Freddie Mac's systems.)

If a Servicer is unable to complete a submission via Workout Prospector, the Servicer should contact Customer Support at (800) FREDDIE.

## **9209.8: Closing, reporting and remittance requirements for deeds-in-lieu of foreclosure (11/13/19)**

To close the Freddie Mac Standard Deed-in-Lieu of Foreclosure ("deed-in-lieu of foreclosure") in Freddie Mac's systems, the Servicer must complete the following steps once it receives the executed deed, or for a leasehold Mortgage, the executed lease assignment or a new lease, as applicable (collectively, the "lease").

### **(a) Reporting requirements and settlement data submissions**

1. Report the transaction to Freddie Mac via the Freddie Mac Service Loans application as a foreclosure sale/deed-in-lieu of foreclosure, within one Business Day of receiving the executed deed or lease. The date the Servicer received the executed deed or lease is the date that must be used for the Sale Reported Date.
2. Forward to Freddie Mac within five Business Days of receiving the executed deed or lease:
  - a. The Borrower's contribution, if applicable (see **Directory 5**)
  - b. For a leasehold Mortgage, a copy of the lease via e-mail (see **Directory 6**)
  - c. A copy of the signed personal property release via e-mail (see **Directory 6**)
3. Report the Mortgage to Freddie Mac via the Freddie Mac Service Loans application as a Transfer to REO by the end of the Accounting Cycle in which the Servicer receives the executed deed or lease and ensure that the:
  - a. Ending gross UPB is the ending balance of the Mortgage
  - b. Principal due field is zero
  - c. REO acquisition date is the date the deed or lease was executed
  - d. DDLPI reflects the due date of the last fully paid installment

If any of these data elements are incorrect, the Servicer should contact its investor reporting specialist or (800) FREDDIE.

4. Following completion of the reporting and remittance requirements, complete the “Deed-in-lieu of Foreclosure Settlement” screen in Workout Prospector<sup>®</sup> and transmit the data to Freddie Mac

**(b) Remittance requirements**

1. Remit any funds, including funds contributed by the Borrower, via wire transfer or check to Freddie Mac (**see Directory 5**) following completion of the reporting requirements in Section 9209.8(a)(3), but no later than six Business Days of receipt of the executed deed or lease

**(c) Other requirements**

1. Ensure that:
  - a. Clear and marketable title, or for a leasehold Mortgage, a marketable real estate leasehold interest is conveyed to Freddie Mac; 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
  - b. The deed or lease is submitted for recordation within five Business Days of the Servicer’s receipt of the executed deed or lease
  - c. The recorded deed or lease is e-mailed to Freddie Mac (**see Directory 6**) within one Business Day after the Servicer receives it from the recorder’s office
  - d. The recorded deed or lease and all other required deed-in-lieu of foreclosure documents (including the personal property release) are maintained in the Mortgage file and available to Freddie Mac upon request
2. Request reimbursement for any applicable expenses, in accordance with Chapter 9701. For claim submissions on Mortgages insured by the FHA or guaranteed by the VA or RHS not subject to recourse or indemnification, expense reimbursement will occur after Freddie Mac receives the claim payment from the applicable entity and determines that all other requirements for reimbursement have been satisfied. (Refer to Section 9603.2 on FHA/VA/RHS claim filing and Section 9603.5 on receipt of claim payment.)
3. Release the First Lien within the time frame required by the applicable State or local law after the delivery of the deed or lease of the Mortgaged Premises, or if the local or State law does not require release within a specified time frame, the Servicer must submit the lien release for recordation within 30 Business Days of the receipt of the deed or lease and Mortgaged Premises



4. Report the acquisition of the property to the IRS in accordance with the requirements in Section 8106.3 on IRS Form 1099-A, Acquisition or Abandonment of Secured Property
5. Release of deficiency if participants have acted in good faith and in compliance with all applicable law.

If the Borrower has acted in good faith and in compliance with the Guide and all applicable local, State and federal law, then Freddie Mac will not pursue the Borrower for the entire amount owed under the current Mortgage. Freddie Mac will accept the deed or lease and the cash contribution by the Borrower and the Servicer must release the lien on the Mortgaged Premises and mark the previous Note as canceled. For a deed-in-lieu of foreclosure completed with respect to an eMortgage (as defined in Section 1402.2), the Servicer must also comply with the requirements in Section 1402.11(c).

However, if the Borrower had knowledge of and/or consented to a transaction that was not in compliance with the Guide and all applicable local, State and federal law, Freddie Mac reserves its rights to pursue any and all participants, including but not limited to the Borrower, for the full amount owed under the Mortgage, the amount of any other loss or damage Freddie Mac may have suffered and other costs and expenses, including, but not limited to, attorneys' fees.

6. If the Mortgage is covered by mortgage insurance and the MI has not provided a delegation of authority to the Servicer or Freddie Mac, fax a copy of the approval from the MI to Freddie Mac (see **Directory 5**) within two Business Days of the Servicer's receipt of the MI's approval

## **9209.8: Closing, reporting and remittance requirements for deeds-in-lieu of foreclosure (Future effective date 12/09/19)**

To close the Freddie Mac Standard Deed-in-Lieu of Foreclosure ("deed-in-lieu of foreclosure") in Freddie Mac's systems, the Servicer must complete the following steps once it receives the executed deed, or for a leasehold Mortgage, the executed lease assignment or a new lease, as applicable (collectively, the "lease").

### **(a) Reporting requirements and settlement data submissions**

1. Report the transaction to Freddie Mac via the Freddie Mac [Foreclosure Sale Reporting tool](#) (see [Exhibit 88, Servicing Tools](#)) as a foreclosure sale/deed-in-lieu of foreclosure, within one Business Day of receiving the executed deed or lease. The date the Servicer received the executed deed or lease is the date that must be used for the Sale Reported Date.

2. Forward to Freddie Mac within five Business Days of receiving the executed deed or lease:
  - a. The Borrower's contribution, if applicable (see **Directory 5**)
  - b. For a leasehold Mortgage, a copy of the lease via e-mail (see **Directory 6**)
  - c. A copy of the signed personal property release via e-mail (see **Directory 6**)
3. Report the Mortgage to Freddie Mac via the Freddie Mac [Foreclosure Sale Reporting tool](#) as a Transfer to REO by the end of the Accounting Cycle in which the Servicer receives the executed deed or lease and ensure that the:
  - a. Ending gross UPB is the ending balance of the Mortgage
  - b. Principal due field is zero
  - c. REO acquisition date is the date the deed or lease was executed
  - d. DDLPI reflects the due date of the last fully paid installment

If any of these data elements are incorrect, the Servicer should contact its investor reporting specialist or (800) FREDDIE.

4. Following completion of the reporting and remittance requirements, complete the "Deed-in-lieu of Foreclosure Settlement" screen in Workout Prospector<sup>®</sup> and transmit the data to Freddie Mac

**(b) Remittance requirements**

1. Remit any funds, including funds contributed by the Borrower, via wire transfer or check to Freddie Mac (see **Directory 5**) following completion of the reporting requirements in Section 9209.8(a)(3), but no later than six Business Days of receipt of the executed deed or lease

**(c) Other requirements**

1. Ensure that:
  - a. Clear and marketable title, or for a leasehold Mortgage, a marketable real estate leasehold interest is conveyed to Freddie Mac; 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
  - b. The deed or lease is submitted for recordation within five Business Days of the Servicer's receipt of the executed deed or lease

- c. The recorded deed or lease is e-mailed to Freddie Mac (**see Directory 6**) within one Business Day after the Servicer receives it from the recorder's office
  - d. The recorded deed or lease and all other required deed-in-lieu of foreclosure documents (including the personal property release) are maintained in the Mortgage file and available to Freddie Mac upon request
2. Request reimbursement for any applicable expenses, in accordance with Chapter 9701. For claim submissions on Mortgages insured by the FHA or guaranteed by the VA or RHS not subject to recourse or indemnification, expense reimbursement will occur after Freddie Mac receives the claim payment from the applicable entity and determines that all other requirements for reimbursement have been satisfied. (Refer to Section 9603.2 on FHA/VA/RHS claim filing and Section 9603.5 on receipt of claim payment.)
  3. Release the First Lien within the time frame required by the applicable State or local law after the delivery of the deed or lease of the Mortgaged Premises, or if the local or State law does not require release within a specified time frame, the Servicer must submit the lien release for recordation within 30 Business Days of the receipt of the deed or lease and Mortgaged Premises
  4. Report the acquisition of the property to the IRS in accordance with the requirements in Section 8106.3 on IRS Form 1099-A, Acquisition or Abandonment of Secured Property
  5. Release of deficiency if participants have acted in good faith and in compliance with all applicable law.

If the Borrower has acted in good faith and in compliance with the Guide and all applicable local, State and federal law, then Freddie Mac will not pursue the Borrower for the entire amount owed under the current Mortgage. Freddie Mac will accept the deed or lease and the cash contribution by the Borrower and the Servicer must release the lien on the Mortgaged Premises and mark the previous Note as canceled. For a deed-in-lieu of foreclosure completed with respect to an eMortgage (as defined in Section 1402.2), the Servicer must also comply with the requirements in Section 1402.11(c).

However, if the Borrower had knowledge of and/or consented to a transaction that was not in compliance with the Guide and all applicable local, State and federal law, Freddie Mac reserves its rights to pursue any and all participants, including but not limited to the Borrower, for the full amount owed under the Mortgage, the amount of any other loss or damage Freddie Mac may have suffered and other costs and expenses, including, but not limited to, attorneys' fees.

6. If the Mortgage is covered by mortgage insurance and the MI has not provided a delegation of authority to the Servicer or Freddie Mac, fax a copy of the approval from the MI to Freddie Mac (**see Directory 5**) within two Business Days of the Servicer's receipt of the MI's approval

# Chapter 9210: Charge-off

## 9210.1: What is a charge-off? (08/01/18)

A charge-off ceases collection efforts on a Mortgage when all appropriate measures have been exhausted to collect on the delinquent Mortgage and the Servicer has deemed the debt to be uncollectible or that a foreclosure should not be completed. In most cases, a charge-off will be accompanied by a lien release and cancelation of the Note (see Section 9210.4).

A charge-off may be appropriate in varying situations, including:

1. A charge-off of a balance remaining after a short payoff. A short payoff may result from, among other things:
  - A negotiated settlement with the Borrower, a legal settlement or an agreement to resolve a legal dispute
  - A settlement related to: (i) a Condominium Project termination or (ii) a unit (Mortgaged Premises) of a Condominium Project that is damaged and its repair is not feasible
  - A court order
  - A bankruptcy cramdown (see Section 9401.8 regarding completing and transmitting the final terms of a confirmed bankruptcy cramdown to Freddie Mac via the "Court Mandated Modification" screen in Workout Prospector®); or
  - A receivership
2. A full charge-off of a Mortgage that is:
  - Secured by a Mortgaged Premises that is subject to property seizure
  - Not subject to a recourse or repurchase obligation under the Purchase Documents, and it is not practical or possible to complete foreclosure or other enforcement of Freddie Mac's rights under the Note or Mortgage and/or to obtain clear title to the Mortgaged Premises
  - A low balance Mortgage that is delinquent and Freddie Mac has determined to not complete a foreclosure of the Mortgage (see Section 9210.2 for more details)
  - Secured by a Mortgaged Premises that is a unit of a Condominium Project and: (i) the project is not presently economically viable, (ii) has been terminated or (iii) the unit is damaged and its repair is not feasible

- Secured by a Mortgaged Premises that has been impacted by a natural or manmade disaster, or other like circumstance, and rebuilding on the land is determined by the Servicer to be impracticable or impossible
- Secured by undeveloped land or any above-grade primary structure has been demolished and removed by the Borrower, jurisdiction or other party; and the vacant land (and any remaining outbuilding, if applicable) has been protected from waste, damage and vandalism
- Secured by a Mortgaged Premises that a third party is willing to accept any risk of liability if it becomes the owner of the property. (Note: This may also include a charge-off of a balance left over after a short payoff as the result of a negotiated settlement with the third party.)
- Secured by a Mortgaged Premises that has been identified as posing a Risk of Property Ownership (see Section 9202.5 for more details)

## 9210.2: When a Servicer must recommend a charge-off (08/01/18)

The Servicer must recommend a charge-off to Freddie Mac instead of proceeding with foreclosure when the debt that is secured by the Mortgaged Premises is deemed uncollectible and/or any of the following situations in numbered paragraphs 1 through 9 below exist:

1. A short-payoff has been approved by Freddie Mac and a balance is left over (see Section 9210.1)
2. The Mortgaged Premises is subject to property seizure (see Section 9210.1)
3. For any Mortgage not subject to recourse or repurchase obligations under the Purchase Documents, the Servicer determines that it is not practical or possible to complete foreclosure or other enforcement of Freddie Mac's rights and/or to obtain clear title to the Mortgaged Premises (see Section 9210.1)
4. The Servicer identifies a low balance Mortgage with a UPB that is \$5,000 or less, regardless of the equity in the property, and the criteria of both (a) and (b) below are met:
  - (a) Prior to the Mortgage becoming 120 days delinquent or the Mortgage maturing prior to becoming 120 days delinquent, the Servicer must:
    - Solicit a payoff or other form of workout from the Borrower and respond to all Borrower inquiries and requests about the Mortgage; and

- Ensure that payments have been correctly applied to the Mortgage. (In certain circumstances, Freddie Mac may request that the Servicer provide documentation to substantiate that payments have been applied correctly to the Mortgage. If Freddie Mac determines that the payments were not applied correctly, the Servicer **may** be required to satisfy the **affected** debt.)

(b) The following eligibility requirements must be met:

- The property is owner-occupied
- Property inspections continue to show the property maintenance to be both up to neighborhood standards and compliant with municipal requirements
- The Mortgage is at least 120 days delinquent or has matured prior to becoming 120 days delinquent; and
- The Borrower is not currently performing under a relief or workout arrangement or a bankruptcy plan

Note: In the event the Servicer identifies a Mortgage with a UPB that is greater than \$5,000, but all other above criteria in both (a) and (b) are met, the Servicer may make a recommendation for a charge-off to Freddie Mac.

5. The Mortgaged Premises is a unit of a Condominium Project and: (i) the project is not presently economically viable, (ii) the project has been terminated or (iii) the unit is damaged and its repair is not feasible (see Section 9210.1)
6. The Mortgaged Premises has been impacted by a natural or man-made disaster, or other like circumstance, and rebuilding on the land is determined by the Servicer to be impracticable or impossible (see Section 9210.1)
7. The Mortgage is secured by undeveloped land or any above-grade primary structure has been demolished and removed by the Borrower, jurisdiction or other party; and the vacant land (and any remaining outbuilding, if applicable) has been protected from waste, damage and vandalism (see Section 9210.1)
8. A third party is willing to accept any risk of liability if it becomes the owner of the property (see Section 9210.1)
9. The Mortgaged Premises poses a Risk of Property Ownership to Freddie Mac (see Section 9202.5)

In addition to the above requirements, if the Mortgage is a matured Mortgage, the Servicer must comply with the requirements of Section 8303.3 with respect to the payoff of such matured Mortgage and only submit a charge-off request if the Mortgage is delinquent at time of maturity, or becomes delinquent following maturity, and meets any of the above criteria.

## 9210.3: Submitting a recommendation for a charge-off to Freddie Mac (08/01/18)

The Servicer must take the steps listed below in this section when it recommends a charge-off of a Mortgage to Freddie Mac. Before making the recommendation, the Servicer must have filed and settled any property insurance claim(s) with the applicable property insurer. Additionally, the Servicer must **model the Mortgages in Workout Prospector®** and transmit all recommendations to charge off a Mortgage via Workout Prospector to Freddie Mac.

The Servicer must submit the following documentation to Freddie Mac via the contact information provided in **Directory 5**, unless otherwise instructed by Freddie Mac, on all recommendations to charge-off a Mortgage:

- (a) A detailed explanation of the Servicer's recommendation documented in the comments section of Workout Prospector
- (b) Documentation describing the condition of the property, including **copies of the most recent six consecutive months of property inspection reports with photographs. For charge-off recommendations on low balance Mortgages (see Section 9210.2), the Servicer may submit less than six consecutive months of property inspection reports depending on the level of Delinquency.**

**Note: If the Servicer has previously provided this information in accordance with Section 8403.1, the Servicer does not need to submit this information again as part of the charge-off recommendation.**

- (c) A Hazard Distressed BPO obtained through BPOdirect®, if applicable, **if the recommendation to charge off a Mortgage is due to condemnation, disaster or other Risk of Property Ownership (see Section 9202.5).** The Hazard Distressed BPO must be less than 90 days old on the date the Servicer makes the recommendation to charge off the Mortgage, unless expressly approved by Freddie Mac.
- (d) A payoff statement
- (e) A copy of any property insurance claims filed, including a copy of either:
  - An explanation of benefits and proof of payment received by the Servicer on any paid claim(s); or
  - Any notification documenting reason(s) for non-payment of a claim and if an appeal was filed by the Servicer that was also denied for payment of a claim
- (f) A copy of any estimates that may have been obtained by the Servicer for necessary repairs
- (g) In the case of Delinquency, a copy of the Servicer's collection records for the present period of Delinquency; and

- (h) If the Mortgage is secured by a Manufactured Home, the Servicer must provide the documentation specified in Section 9301.9(a) or 9301.9(b) to evidence that the Manufactured Home and the land are real property under the laws of the State where the property is located. If the Manufactured Home is located in a certificate of title State (see Section 5703.7), then the Servicer must provide the documentation specified in Section 9301.9(c).

Freddie Mac will contact the Servicer should it require additional documentation following the submission of a recommendation to charge off a Mortgage.

## **9210.4: Freddie Mac's decision about a Servicer's charge-off recommendation (08/01/18)**

Freddie Mac will review the documentation the Servicer submits and make a decision to approve or deny the charge-off request.

### **(a) Approval of request**

If Freddie Mac approves the charge-off request, the Servicer may access the approval letter in Workout Prospector<sup>®</sup>. This letter will include instructions on whether to complete a lien release and cancelation of the Note as part of the transaction. Additionally, upon approval of the request, the Servicer must not incur any new expenses for taxes, insurance, property preservation, legal fees, or any other fees or costs if Escrow is insufficient to pay charges when due without Freddie Mac's prior approval (see **Directory 5**).

In most cases, when Freddie Mac approves a charge-off request, Freddie Mac will instruct the Servicer to release its lien on the property and cancel the Note as part of the closing of an approved charge-off request (see Section 9210.5). However, in situations in which future funds are anticipated (e.g., when Freddie Mac or the Servicer is negotiating a settlement with the Borrower or a third party), Freddie Mac will retain its lien on the property and will instruct the Servicer not to release the lien or cancel the Note on the approval letter in Workout Prospector until such time that funds are received by Freddie Mac.

### **(b) Denial of request**

If Freddie Mac denies the charge-off request, Freddie Mac will provide the Servicer the response in Workout Prospector, stating the reason Freddie Mac denied the request together with the course of action the Servicer must take to resolve the Delinquency, including the resumption of normal default servicing activity, including all Escrow advances, property preservation and legal activities, if applicable.



## 9210.5: Closing, reporting and remittance requirements for charge-offs (10/09/19)

Refer to Bulletins 2019-18, 2019-19 and 2019-21, which announced the availability of Freddie Mac Servicing Data Corrections. Servicers may use the application prior to the implementation of the December 9, 2019 version of this section.

### (a) Closing requirements

Within seven Business Days of receiving Freddie Mac's approval letter, the Servicer must:

1. Notify the Borrower in writing that the Servicer will no longer service the Mortgage. The written notice must include:
  - Freddie Mac's nine-digit loan number and the Servicer's loan number
  - Information that either:
    - The lien on the property is being released and the Note is being canceled; or
    - The lien is not being released and the Note is not being canceled, the Mortgage is being assigned to Freddie Mac, and the Borrower remains financially obligated to the Note and Security Instrument
  - Instructions that the Borrower remains responsible for paying real estate taxes and insurance premiums and that such payments should be made directly to the taxing authority or insurer, even if the Mortgage had an Escrow account prior to the charge-off
2. If the Mortgage had an Escrow account prior to the charge-off, the Servicer must notify the local taxing authority in writing to send all tax bills directly to the Borrower

### (b) Lien release requirements

1. If Freddie Mac instructs the Servicer not to complete a lien release as part of the approved charge-off request, upon receiving a request from a Freddie Mac-approved vendor (see Section 9601.1 for details on this process), the Servicer must prepare and submit all of the following documentation to the Freddie Mac-approved vendor:
  - Original Note
  - Original Security Instrument
  - A copy of the assignment of the Security Instrument to "Federal Home Loan Mortgage Corporation" sent to the local recorder's office; and

- A copy of the original loan application

The Servicer must forward the recorded assignment to Freddie Mac (**see Directory 5**) when the Servicer has received it from the recorder's office. When sending the documentation to a Freddie Mac-approved vendor, the Servicer must not send the entire Servicing file, but only those items listed above.

2. In the event Freddie Mac approves a charge-off request and instructs the Servicer to release the lien on the property and cancel the Note, the Servicer must prepare and execute a satisfaction of Note and/or release of lien.

### **(c) Reporting requirements**

Within two Business Days after the Servicer receives Freddie Mac's approval letter, the Servicer must:

1. Reinstate the Mortgage if it was inactivated; and
2. Report the Mortgage as a "Short Sale/Charge-off/Make-whole" and ensure that the:
  - a. Ending gross UPB is zero
  - b. Principal due field is completed with the gross unpaid ending balance of the Mortgage
  - c. Payoff date is the date the Servicer received the approval letter from Freddie Mac; and
  - d. DDLPI reflects the due date of the last fully paid installment

If any of these data elements are incorrect, the Servicer should contact its investor reporting specialist or call Customer Support Contact Center at 800-FREDDIE.

### **(d) Settlement data submissions**

Following completion of the reporting and remittance requirements, complete the "Charge-off Settlement" screen in Workout Prospector® and transmit the data to Freddie Mac **within 30 days of receiving Freddie Mac's approval letter**. When submitting the data entered on the "Charge-off Settlement" screen, the Servicer must comply with the instructions for a charge-off described in the Workout Prospector Users' Guide.

**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](mailto:shortsales@freddiemac.com) and on a monthly basis thereafter until the charge-off has been submitted via Workout Prospector.**

### **(e) Charging-off the Delinquency**

The amount that Freddie Mac has determined to be charged off will be reflected on the Draft Report. The Servicer must review the Draft Report and report any discrepancies between its records and the amount on the Draft Report to Freddie Mac (**see Directory 5**) by submitting Form 1205, Post-Settlement Correction Request, within 30 calendar days following Freddie Mac's posting of the amount to the Draft Report. Servicers may access the Draft Report through the Freddie Mac Service Loans application at <http://www.freddiemac.com/singlefamily/service>.

When reporting a discrepancy, Servicers must submit the calculation used to determine the variance in the comment section of Form 1205 together with any documentation to support the request.

Freddie Mac will process, at its discretion, discrepancies that are submitted more than 60 calendar days after the initial adjustment is posted to the Draft Report. Such discrepancies may be subject to a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the post-settlement correction request is denied, the Servicer may be liable for any additional losses.

**(f) Remittance requirements**

Following completion of the reporting requirements in Section 9210.5(c), but no later than three Business Days after the Servicer's receipt of Freddie Mac's approval letter, the Servicer must submit any proceeds received on a Mortgage that has an approved charge-off request via wire transfer or check to Freddie Mac (**see Directory 5**), regardless of whether the lien is released or not.

**(g) Requesting reimbursement**

The Servicer must request reimbursement for any applicable expenses, in accordance with the requirements in Chapter 9701.

In order for the Servicer to be reimbursed, Freddie Mac must receive, and accept for settlement, the charge-off submitted via Workout Prospector. Additionally, failure to submit the charge-off in the appropriate time frame could forfeit the Servicer's ability to be reimbursed, in part or in whole, for otherwise reimbursable expenses or amounts.

## **9210.5: Closing, reporting and remittance requirements for charge-offs (Future effective date 12/09/19)**

**(a) Closing requirements**

Within seven Business Days of receiving Freddie Mac's approval letter, the Servicer must:

1. Notify the Borrower in writing that the Servicer will no longer service the Mortgage. The written notice must include:
  - Freddie Mac’s nine-digit loan number and the Servicer’s loan number
  - Information that either:
    - The lien on the property is being released and the Note is being canceled; or
    - The lien is not being released and the Note is not being canceled, the Mortgage is being assigned to Freddie Mac, and the Borrower remains financially obligated to the Note and Security Instrument
  - Instructions that the Borrower remains responsible for paying real estate taxes and insurance premiums and that such payments should be made directly to the taxing authority or insurer, even if the Mortgage had an Escrow account prior to the charge-off
2. If the Mortgage had an Escrow account prior to the charge-off, the Servicer must notify the local taxing authority in writing to send all tax bills directly to the Borrower

**(b) Lien release requirements**

1. If Freddie Mac instructs the Servicer not to complete a lien release as part of the approved charge-off request, upon receiving a request from a Freddie Mac-approved vendor (see Section 9601.1 for details on this process), the Servicer must prepare and submit all of the following documentation to the Freddie Mac-approved vendor:
  - Original Note
  - Original Security Instrument
  - A copy of the assignment of the Security Instrument to “Federal Home Loan Mortgage Corporation” sent to the local recorder’s office; and
  - A copy of the original loan application

The Servicer must forward the recorded assignment to Freddie Mac (**see Directory 5**) when the Servicer has received it from the recorder’s office. When sending the documentation to a Freddie Mac-approved vendor, the Servicer must not send the entire Servicing file, but only those items listed above.

2. In the event Freddie Mac approves a charge-off request and instructs the Servicer to release the lien on the property and cancel the Note, the Servicer must prepare and execute a satisfaction of Note and/or release of lien.

**(c) Reporting requirements**

Within two Business Days after the Servicer receives Freddie Mac's approval letter, the Servicer must:

1. Reinstate the Mortgage if it was inactivated; and
2. Report the Mortgage as a "Short Sale/Charge-off/Make-whole" and ensure that the:
  - a. Ending gross UPB is zero
  - b. Principal due field is completed with the gross unpaid ending balance of the Mortgage
  - c. Payoff date is the date the Servicer received the approval letter from Freddie Mac; and
  - d. DDLPI reflects the due date of the last fully paid installment

If any of these data elements are incorrect, the Servicer should contact its investor reporting specialist or call Customer Support Contact Center at 800-FREDDIE.

#### **(d) Settlement data submissions**

Following completion of the reporting and remittance requirements, complete the "Charge-off Settlement" screen in Workout Prospector® and transmit the data to Freddie Mac within 30 days of receiving Freddie Mac's approval letter. When submitting the data entered on the "Charge-off Settlement" screen, the Servicer must comply with the instructions for a charge-off described in the Workout Prospector Users' Guide.

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](mailto:shortsales@freddiemac.com) and on a monthly basis thereafter until the charge-off has been submitted via Workout Prospector.

#### **(e) Charging-off the Delinquency**

The amount that Freddie Mac has determined to be charged off will be reflected on the Draft Report. The Servicer must review the Draft Report and report any discrepancies between its records and the amount on the Draft Report to Freddie Mac [via the Freddie Mac Servicing Data Corrections tool \(see Exhibit 88, Servicing Tools\)](#) within the same Accounting Cycle in which Freddie Mac posts the amount to the Draft Report. Servicers may access the Draft Report through the [Cash Manager tool \(see Exhibit 88, Servicing Tools\)](#).

When reporting a discrepancy, Servicers must [input](#) the calculation used to determine the variance [and upload](#) any documentation to support the request in [the Servicing Data Corrections tool](#).

Discrepancies submitted after [the Accounting Cycle in which](#) the initial adjustment is posted to the Draft Report [closes will be processed at Freddie Mac's discretion](#) and may be subject

to a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the post-settlement correction request is denied, the Servicer may be liable for any additional losses.

**(f) Remittance requirements**

Following completion of the reporting requirements in Section 9210.5(c), but no later than three Business Days after the Servicer's receipt of Freddie Mac's approval letter, the Servicer must submit any proceeds received on a Mortgage that has an approved charge-off request via wire transfer or check to Freddie Mac (**see Directory 5**), regardless of whether the lien is released or not.

**(g) Requesting reimbursement**

The Servicer must request reimbursement for any applicable expenses, in accordance with the requirements in Chapter 9701.

In order for the Servicer to be reimbursed, Freddie Mac must receive, and accept for settlement, the charge-off submitted via Workout Prospector. Additionally, failure to submit the charge-off in the appropriate time frame could forfeit the Servicer's ability to be reimbursed, in part or in whole, for otherwise reimbursable expenses or amounts.

# Chapter 9211: Hardest Hit Fund

## 9211.1: Hardest Hit Fund (04/11/18)

This section provides requirements relating to mortgage assistance programs developed and administered by State Housing Finance Agencies (“HFAs”) and funded by the Innovation Fund for the Hardest Hit Housing Markets or Hardest Hit Fund (HHF) Initiative for which Freddie Mac requires Servicer participation.

Detailed requirements are provided for the following programs:

- Unemployment mortgage assistance
- Mortgage reinstatement assistance
- Modification assistance
- Transition assistance

### (a) General requirements

The following are general Servicing requirements for participating in any of the HFA mortgage assistance programs. In addition to these general requirements, Servicers must comply with the additional Servicing requirements unique to each HFA program, as specified in Section 9211.1(b).

Servicers must have procedures and specific points of contact in place to respond to HFA (or its designated third-party provider) requests and notifications with respect to Borrowers receiving assistance under any HFA program funded by the HHF. Subsequent references to an HFA in this section include its designated third-party provider.

The HFA determines Borrower eligibility criteria and underwrites the Borrower for all HFA mortgage assistance programs. Unless permitted by the HFA, Servicers may not determine Borrower eligibility or communicate a determination of eligibility or qualification for an HFA program to a Borrower.

#### ■ Borrower referral and authorization

Servicers may refer potentially eligible Borrowers to the HFA in accordance with the relevant HFA’s requirements. Servicers may directly solicit Borrowers for participation in HFA mortgage assistance programs if the Servicer receives written consent to perform such solicitation from the HFA.

In connection with a Borrower’s request for mortgage assistance under an HFA program, Servicers must receive written authorization from each Borrower to release his or her

nonpublic personal financial information to the HFA and if authorized, must provide the HFA with relevant Borrower and Mortgage-specific information so that the HFA may complete its evaluation of the Borrower for assistance. The Borrower's written authorization to release his or her nonpublic personal financial information to the HFA and all communications that include a Borrower's nonpublic personal information must comply with Section 1301.2 and all applicable federal, State and local laws relating to data security, privacy and the safeguarding of Borrower personal information.

#### ■ **Mortgages with credit enhancements**

Servicers must comply with the requirements of, and obtain approvals as necessary from, the FHA, VA, RHS and/or MI. Credit enhancement on a Mortgage must stay in place regardless of the Borrower's participation in an HFA mortgage assistance program.

#### ■ **Another relief or workout arrangement**

Servicers must not deny or delay consideration of a Borrower for a relief or workout option pending approval for HFA mortgage assistance. Servicers also must not require a Borrower to first request financial assistance from an HFA as a condition of consideration for a relief or workout option.

If a Borrower is currently performing under a relief or workout arrangement that has not been completed and the Borrower requests financial assistance from an HFA, the Servicer must permit the Borrower to continue with the relief or workout arrangement until he or she enters into either an unemployment mortgage assistance, mortgage reinstatement or modification assistance agreement with the HFA that renders the existing relief or workout arrangement no longer appropriate.

#### ■ **Reporting to Freddie Mac**

Servicers must provide Freddie Mac with a list of all Mortgages for which assistance was provided using the *Spreadsheet for Hardest Hit Fund Mortgages* located at [www.FreddieMac.com/singlefamily/service/hfa\\_relief.html](http://www.FreddieMac.com/singlefamily/service/hfa_relief.html). This spreadsheet must be submitted to [Hardest\\_Hit@freddiemac.com](mailto:Hardest_Hit@freddiemac.com) by the **fifth Business Day** of every month for all Mortgages that received assistance in the prior month.

#### ■ **Credit reporting**

Servicers must continue to report a "full-file" status report to the four major credit repositories in accordance with the Fair Credit Reporting Act (FCRA) and credit bureau standards as provided by the Consumer Data Industry Association (CDIA).

#### ■ **Acceptance and application of funds**

If funds from an HFA are used to assist with payments a Borrower is required to make, such as payments required under a Freddie Mac Standard Short Sale, Servicers must



accept and treat funds submitted by the HFA in the same manner as if the Borrower submitted a payment to be applied towards the Mortgage.

For non-Escrowed Mortgages, the Borrower will continue to be responsible for payment of all Escrow-related expenses. The Servicer must process the Mortgage in accordance with the requirements of the Guide if the Servicer discovers non-payment of any charge otherwise payable by Escrow such as real estate taxes and property insurance.

#### ■ **Servicer notifications to HFA**

For Borrowers evaluated for, or receiving assistance, the Servicer must notify the HFA of any:

- Changes or adjustments to the Borrower's monthly payment amount in accordance with a time frame that is agreed upon in writing between the HFA and the Servicer, as applicable, if the Borrower is receiving assistance under an unemployment mortgage assistance or other mortgage assistance program
- Scheduled foreclosure sale that cannot be halted

#### ■ **Document retention**

Servicers must retain all documents, communications and information pertaining to the Borrower's mortgage assistance under an HFA program in the Mortgage file. In addition, Servicers must comply with the documentation retention requirements set forth in Chapter 3302.

#### ■ **Collection and solicitation activities**

If a Servicer receives notification from an HFA that a Borrower is conditionally approved for a mortgage assistance program, a Servicer is *not* required to continue collection calls and solicitation activity as outlined in Chapter 9102, unless the Servicer receives notice that the Borrower did not qualify for assistance from the HFA.

#### ■ **Foreclosure actions**

Upon notification that a Borrower is conditionally approved under a mortgage assistance program, a Servicer must not refer the Borrower's Mortgage to foreclosure or conduct a scheduled foreclosure sale for 45 days or longer as required by applicable law, unless the HFA notifies the Servicer that the Borrower has been determined to be ineligible for mortgage assistance. In addition, a Servicer must not refer the Mortgage to foreclosure or conduct a scheduled foreclosure sale during the period of mortgage assistance unless the full Mortgage payment, or other payment as required by the applicable program, is not received from the HFA in a timely manner.

Servicers are reminded that to the extent that they suspend foreclosure proceedings, they must ensure that they take all appropriate action necessary to preserve the right to recommence foreclosure proceedings from the point of suspension should the Borrower fail to qualify for HFA mortgage assistance or should the applicable payment(s) not be received from an HFA when it is due (e.g., for unemployment mortgage assistance programs, the payment should be received in the month in which it is due during the term of HFA mortgage assistance). Servicers are further reminded that when communicating a postponement request for a pending foreclosure sale to foreclosure counsel, the Servicer must identify the reason for the postponement (i.e., HFA mortgage assistance).

Servicers are permitted to suspend foreclosure actions (referral and sale) for a period exceeding 45 days, as necessary, to facilitate the processing of mortgage assistance and receipt of funds, provided that the Servicer follows up with the HFA on a regular basis to determine (i) whether the Borrower is still eligible for mortgage assistance and (ii) when such funds will be received. Further, if the initial 45 day postponement must be extended, Servicers must continue to communicate with foreclosure counsel on a regular basis regarding the status of HFA assistance.

Servicers are reminded that in the event a foreclosure sale occurs, the Servicer's performance will be measured against Freddie Mac's State foreclosure time lines without consideration given to the Servicer's postponement of the foreclosure sale (refer to Exhibit 83, Freddie Mac State Foreclosure Time Lines).

Servicers are not required to accept mortgage assistance payments if a notice of trustee/sheriff sale has been recorded, and the trustee/sheriff sale is scheduled less than seven days from the date the Servicer is notified of Borrower approval by the HFA.

Servicers must notify the HFA if a scheduled foreclosure sale cannot be halted because a court with jurisdiction over the foreclosure proceeding (if any) or public official fails or refuses to halt the sale.

## **(b) Specific program requirements**

### **1. Unemployment Mortgage Assistance Program**

HFA unemployment mortgage assistance programs extend Mortgage payment relief to eligible Borrowers by funding all or part of a Borrower's Mortgage payment. The HFA will determine Borrower eligibility criteria for financial assistance, monitor the Borrower for continued eligibility during the period of mortgage assistance, and:

- Establish the amount of Borrower contribution to the Mortgage payment (if any) and the period of assistance
- Document the terms of the agreement for mortgage assistance

- Collect Borrower payments, if required, for subsequent submission to the Servicer
- Remit a full contractual payment to the Servicer on behalf of the Borrower each month during the period of assistance

**(i) Borrowers receiving HFA assistance**

With the exception of a short sale or Freddie Mac Standard Deed-in-Lieu of Foreclosure (“deed-in-lieu of foreclosure”) under Chapter 9209, a Borrower receiving unemployment mortgage assistance from the HFA may not simultaneously receive a relief or workout option. If the Borrower is in a Trial Period Plan under any modification program, when approved for unemployment mortgage assistance, the Servicer must notify the Borrower in writing that participation in the HFA’s unemployment mortgage assistance program will cancel participation in his or her existing Trial Period Plan upon receipt of the first payment from the HFA. Once a Servicer receives funds from the HFA on behalf of the Borrower, the Servicer must cancel any existing relief or workout arrangement with the Borrower, unless the relief or workout arrangement is a short sale or deed-in-lieu of foreclosure or the Borrower has a permanent modification under Chapter 9206 or Chapter 9205.

**(ii) Transition from HFA assistance to other alternatives to foreclosure**

Within 30 days following notification that the Borrower has been re-employed or upon notification of expiration of the period of assistance, whichever is earlier, Servicers must re-evaluate the Borrower for a reinstatement or relief option as provided in Chapter 9203 or a workout option in accordance with the evaluation hierarchy provided in Section 9201.2.

**(iii) Cancellation of agreement**

If the Servicer does not receive a full contractual payment from the HFA in the month that it is due, the Servicer must consider the mortgage assistance with the HFA to be canceled and resume normal Servicing activity (including resumption of collection activities as applicable) in accordance with the requirements of the Guide and other Purchase Documents. The Servicer must use good business judgment to determine whether mitigating circumstances caused the payment to be late (such as a clerical error of the HFA). Exceptions must be documented and retained in the Mortgage file.

**(iv) Reporting requirements**

*Reporting to Freddie Mac*

Servicers must notify Freddie Mac via an EDR transmission within the first three Business Days of the month following the month in which they received notification that the Borrower entered into an agreement with an HFA for mortgage assistance.

Servicers must report default action code 09 (“Forbearance Plan”) and default reason code 016 (“Unemployment”) and provide the date of such notification. Servicers must continue to report each month that the Borrower is receiving mortgage assistance from the HFA until the period of assistance ends.

#### *Reporting the cancellation of a Flex Modification Trial Period Plan*

For Borrowers who are in a Flex Modification Trial Period Plan and who have been approved for unemployment mortgage assistance, the Servicer must:

- Cancel the Flex Modification Trial Period Plan in the month in which the mortgage assistance agreement becomes effective; and
- Save the Mortgage in Workout Prospector<sup>®</sup> to the applicable “Borrower Declined Terms/Ineligible” status

## **2. Mortgage Reinstatement Program**

To assist eligible Borrowers with reinstating their Mortgage, the HFA will deliver a one-time lump sum payment through Automated Clearing House (ACH) credit or other method acceptable to the Servicer. The Servicer may not require reinstatement to occur before any relief or workout option in the Guide, but the HFA may agree to do so if it is deemed appropriate for the Borrower. If a Servicer receives full or partial reinstatement funds under an HFA mortgage reinstatement program and the Borrower is in a modification Trial Period Plan, the Servicer must not cancel the Trial Period Plan unless it has the Borrower’s consent to do so.

### **■ Borrowers receiving full reinstatement assistance**

Once a Mortgage is reinstated, Servicers must evaluate each Borrower’s individual circumstances to determine if additional assistance in the form of a relief or workout option is appropriate.

### **■ Borrowers approved for partial reinstatement assistance**

If the Servicer receives notification from the HFA that the Borrower has been approved for funds that only partially reinstate the Mortgage, the Servicer must accept those funds if an additional relief or workout solution, such as a repayment plan or a mortgage modification, will fully reinstate the Mortgage.

If the Servicer has not yet made contact with the Borrower to discuss the appropriate solutions to resolve the Delinquency, it must attempt to achieve quality right party contact (QRPC) with the Borrower to obtain any necessary information to evaluate the Borrower for a relief or workout solution in accordance with the Guide that will fully reinstate the Mortgage. In addition, if the Borrower is eligible for a modification solution for which no financial documentation is required, the Servicer may send (or resend) the Borrower a Trial Period Plan offer for that modification.

In the following circumstances, the Servicer must notify the HFA that funds cannot be applied to the Mortgage until there is a comprehensive solution for reinstating the Mortgage:

- ❑ The Servicer is unable to achieve QRPC and obtain a commitment from the Borrower to resolve the Delinquency
- ❑ The Borrower does not respond to the Servicer's offer for a retention solution that will fully reinstate the Mortgage (e.g., a mortgage modification)
- ❑ The Borrower declines the Servicer's offer for a retention solution that will fully reinstate the Mortgage

■ **Reporting requirements**

Servicers must report the reinstatement (full or partial) to Freddie Mac in accordance with the requirements of Section 9203.6 and Section 9102.7.

**3. Modification Assistance Program**

To assist eligible Borrowers with qualifying for a modification, certain HFAs provide funds to Servicers through their modification assistance programs. Funds may be applied to assist such Borrowers to meet housing expense-to-income ratio parameters or loan-to-value ratio requirements, or to ensure a more positive net present value result.

For Freddie Mac-owned or guaranteed Mortgages, Servicers must participate in modification assistance programs offered by an HFA, provided that:

- The modification assistance program does not require the Servicer or Freddie Mac to make a financial contribution or match any assistance provided by the HFA
- Program participation and parameters for receiving assistance do not conflict with Freddie Mac's modification requirements under the Guide and the Servicer's other Purchase Documents, as applicable
- Receipt of funds does not impair the First Lien priority of the Mortgage
- Funds are remitted to the Servicer from the HFA in a one-time lump sum payment

**(i) Modification assistance programs limited to re-amortization of the Mortgage balance**

If the HFA approves the Borrower for modification assistance funds to curtail principal and there is a re-amortization of the Mortgage balance, the Servicer must apply funds in accordance with the following requirements.

- If the Mortgage is current at the time HFA funds are received, Servicers must comply with the requirements in Section 8103.7 on applying partial prepayments of principal and recalculating the monthly Mortgage payments.
- If the Mortgage is delinquent at the time HFA funds are received, the Servicer must apply HFA funds first toward outstanding arrearages and any other past due amounts advanced, including expenses, to bring the Mortgage current, and any remaining funds must be applied to curtail principal as set forth in Section 8103.7. The Servicer must recalculate the Borrower's monthly Mortgage payment based on the new Mortgage balance and otherwise comply with all other requirements in Section 8103.7.
- If the Mortgage has partial principal forbearance at the time of receipt of HFA funds, HFA funds must first be applied to outstanding arrearages and any other past due amounts advanced, including expenses, and any remaining funds must be applied in accordance with HFA instructions. If funds will be applied to the interest-bearing balance, Servicers must work with the HFA to ensure that such funds do not pay off the interest-bearing balance, thereby causing the deferred principal balance to become due. The Mortgage payment may be recalculated only to the extent that there are sufficient funds to apply to the interest-bearing balance.

For all partial prepayments of principal where the Mortgage balance is re-amortized, the Servicer must not adjust the interest rate nor extend the maturity date. Further, if there was a prior modification, all other terms and conditions of such prior modification also remain unchanged. In addition, the Servicer must prepare and require execution of a modification agreement reflecting the recalculated monthly Mortgage payment in accordance with Section 8103.7 and in compliance with applicable law.

A partial prepayment of principal where the monthly Mortgage payment is recalculated based on the new Mortgage balance will not be considered as a "previously modified Mortgage" for purposes of qualifying for a Flex Modification in the future.

## **(ii) Modification assistance programs - modification of terms option**

If the HFA approves the Borrower for modification assistance that includes funds to be applied to curtail principal in conjunction with a modification, the Servicer must apply such funds after the Borrower successfully completes the Trial Period and prior to the first payment due date of the modified Mortgage. The Servicer must first apply HFA funds to outstanding arrearages and any other past due amounts advanced, including expenses, and then apply any remaining funds to the principal balance. The Servicer must use the Mortgage balance that remains after application of HFA funds to calculate the final modification terms. If the Borrower does not receive HFA funds

prior to the first modified payment due date, the Servicer must determine whether the modification can still be completed in accordance with the Guide.

#### **4. Transition Assistance Program**

If a Borrower can no longer afford to retain his or her home, certain HFAs provide funds through transition assistance programs to assist Borrowers with expenses related to transition to a new home and/or to facilitate completion of a short sale or deed-in-lieu of foreclosure transaction.

For Freddie Mac-owned or guaranteed Mortgages, Servicers must participate in transition assistance programs offered by HFAs in connection with the HFA provided that HFA program parameters do not conflict with Freddie Mac's short sale and deed-in-lieu of foreclosure requirements or any other requirements under the Guide and the Servicer's other Purchase Documents, as applicable.

If HFA funds would be applied to subordinate lien balances, such funds must be applied prior to application of amounts Freddie Mac would permit to be paid on subordinate lien balances pursuant to the Guide and the Servicer's other Purchase Documents, as applicable. Further, the HFA may provide payments to subordinate lien holders that equal or exceed the maximum amount Freddie Mac will permit to be paid to subordinate lien holders; however, in such cases, the Servicer must not apply any Freddie Mac funds to subordinate lien balances. If total HFA funds to be applied to subordinate lien balances are less than the maximum amount Freddie Mac would permit to be paid to a subordinate lien holder, the Servicer may apply Freddie Mac funds toward the difference up to the maximum amount permitted to be paid to a subordinate lien holder as set forth in the Guide and other Purchase Documents, as applicable.

A Borrower who receives HFA transition funds to assist with relocation expenses (e.g., moving costs, deposits, etc.) may also receive any similar payment permitted by Freddie Mac under the Guide and the Servicer's other Purchase Documents, as applicable.

Refer to Section 9208.4 for specific instructions on applying relocation incentives and transition funds.

# Chapter 9301: Foreclosure

## 9301.1: Foreclosures on Freddie Mac Mortgages (03/02/16)

The Servicer must refer to, manage and complete foreclosure in accordance with this chapter when there is no available alternative to foreclosure. Additionally, Freddie Mac requires the Servicer to manage the foreclosure process to acquire clear and marketable title to the property in a cost-effective, expeditious and efficient manner.

## 9301.2: General Servicer requirements for Freddie Mac Default Legal Matters (03/02/16)

When following the requirements provided in this chapter while processing Freddie Mac Default Legal Matters, the Servicer must comply with:

- The terms and conditions of the Mortgage documents, including the Note
- Applicable federal, State and local laws and customs
- Requirements of the FHA, VA, RHS or MI, if applicable
- The Guide and other Purchase Documents

## 9301.3: Freddie Mac's rights (03/02/16)

Among other rights available under applicable law and the Guide, Freddie Mac reserves the right to:

1. Select the foreclosure counsel
2. Direct and manage the actions taken by the foreclosure counsel, on a case-by-case or jurisdiction-wide basis
3. Assess compensatory fees and/or seek repayment of losses sustained due to errors, omissions or delays by the Servicer or its agent
4. Limit the amount of a reimbursement for attorney fees if those fees exceed the expense limits in Exhibit 57A, Approved Attorney Fees and Title Expenses, or the fees commonly charged for similar services in the area where the services are being performed



If Freddie Mac determines that the Servicer has directly or indirectly passed or charged to Freddie Mac any non-reimbursable expenses itemized in Section 9701.15 or charged Freddie Mac for Servicing Contract obligations covered by the Servicing Spread (as set forth in Section 8105.3) or in violation of Section 9501.8(a) or 9502.6(a), then Freddie Mac may pursue any or all the remedies specified in the Guide and the other Purchase Documents, as applicable.

## **9301.4: Pre-foreclosure referral account review (08/01/18)**

Within 15 days prior to referral to foreclosure, the Servicer must review the Mortgage file to verify that it made every attempt to achieve quality right party contact in accordance with Section 9102.3, and there is no approved payment arrangement or pending alternative to foreclosure offer for which the Borrower response period has not expired.

In the event that the Servicer finds that there is an approved payment arrangement or a pending offer for an alternative to foreclosure for which the Borrower response period has not expired, then the Servicer must not refer the Mortgage to foreclosure.

The Servicer must document the results of its review in the Mortgage file or servicing system.

### **Prior approval required from Freddie Mac**

The Servicer must seek Freddie Mac's approval to refer the Mortgage to foreclosure if the property inspections or any other information provided to the Servicer indicates that proceeding with referral may not be in Freddie Mac's best interest or that the property **is considered a distressed property** (see Section 9301.8 for a list of affected property conditions).

Refer to Chapter 8403 for additional Servicing Contract requirements for Servicing Mortgages **on distressed properties**.

Refer to Chapter 9101 for additional Servicing Contract requirements for Servicing Mortgages that secure Primary Residences.

## **9301.5: Referral to foreclosure (03/02/16)**

Referral to foreclosure is the submission of a Mortgage case and appropriate foreclosure documentation to foreclosure counsel after taking all appropriate actions to accelerate the Mortgage. Refer to Sections 9301.6 and 9301.7 for requirements for when to refer a Mortgage to foreclosure.

## 9301.6: When to refer a Mortgage to foreclosure – Primary Residence (03/02/16)

### (a) General requirements

The Servicer must refer a Mortgage to foreclosure after expiration of the breach letter, but no earlier than 151 days from the DDLPI (121<sup>st</sup> day of Delinquency). However, Servicers may not refer a Mortgage to foreclosure if prohibited by applicable law or one of the following situations applies:

- There is an approved payment arrangement or an alternative to foreclosure; or
- A complete Borrower Response Package is received and the Servicer is still within the 30-day evaluation time period for evaluating the package as prescribed in Section 9102.5(c); or
- The Servicer has extended an offer for an alternative to foreclosure and the period for the Borrower's response has not expired; or
- The Borrower is conditionally approved for mortgage assistance under the Hardest Hit Funds initiative as set forth in Section 9211.1; or
- The Borrower has accepted an offer for an alternative to foreclosure and is performing in accordance with its terms; or
- The time period for the Borrower to exercise a right to appeal a denial of a Trial Period Plan or loan modification (per Section 9101.3) has not expired, the Servicer is reviewing the Borrower's appeal, or the Borrower's time period to respond to the Servicer's decision on the appeal and any acceptance period for an alternative to foreclosure offered as part of that decision has not expired

Refer to Section 9101.4 for additional foreclosure suspension requirements when the First Complete Borrower Response Package is received more than 37 days prior to a scheduled foreclosure sale date.

#### *To accept an offer*

A Borrower's notification to the Servicer that he or she intends to accept an offer of an alternative to foreclosure may be demonstrated as follows:

- Verbal notification
- Written notification

If a payment is required to legally accept an alternative to foreclosure offer, and the Borrower does not communicate a verbal or written rejection of the alternative to foreclosure offer, the

Servicer must postpone referral to foreclosure, where legally permitted, at least through the last day of the month in which the first payment is due under the terms of the alternative to foreclosure offer or until the deadline for Borrower acceptance has passed. If the Servicer receives the first payment timely in accordance with the terms of a Trial Period Plan, repayment plan or forbearance plan, the Servicer must delay the next legal action unless the Borrower breaches the plan.

**(b) Mortgages insured by the FHA or guaranteed by the VA or RHS or covered by mortgage insurance**

The Servicer must comply with the foreclosure referral requirements of the FHA, VA, RHS or MI, if applicable.

**(c) Performance measurement**

Regardless of the reason for the delay in referral to foreclosure beyond 151 days from the DDLPI (121<sup>st</sup> day of Delinquency), the Servicer's performance will be measured against Freddie Mac's State foreclosure timelines (refer to Exhibit 83, Freddie Mac State Foreclosure Timelines).

## **9301.7: When to refer a Mortgage to foreclosure for a non-Primary Residence (03/02/16)**

**(a) General requirements**

The Servicer must refer a Mortgage to foreclosure no later than 150 days from the DDLPI (120<sup>th</sup> day of Delinquency) unless the pre-referral accounts review indicates that:

- There is an approved payment arrangement or an alternative to foreclosure; or
- A complete Borrower Response Package is received and the Servicer is still within the 30-day evaluation time period for evaluating the package as prescribed in Section 9102.5(c); or
- The Servicer has extended an offer for an alternative to foreclosure (except for an offer for a Freddie Mac Standard Short Sale ("short sale") or Freddie Mac Standard Deed-in-Lieu of Foreclosure ("deed-in-lieu of foreclosure")), and the period for the Borrower's response has not expired; or
- The Borrower is conditionally approved for mortgage assistance under the Hardest Hit Funds initiative as set forth in Section 9211.1; or
- The Borrower has accepted an offer for an alternative to foreclosure and is performing in accordance with its terms

Note: The Mortgage must be referred to foreclosure and foreclosure proceedings must continue if the Servicer sends the Borrower an offer to pursue a short sale or deed-in-lieu of foreclosure.

***To accept an offer***

A Borrower's notification to the Servicer that he or she intends to accept an offer to an alternative to foreclosure may be demonstrated as follows:

- Verbal notification
- Written notification

If a payment is required to legally accept an alternative to foreclosure offer, and the Borrower does not communicate a verbal or written rejection of the alternative to foreclosure offer, the Servicer must postpone referral to foreclosure, where legally permitted, at least through the last day of the month in which the first payment is due under the terms of the alternative to foreclosure offer or until the deadline for Borrower acceptance has passed. If the Servicer receives the first payment timely in accordance with the terms of a Trial Period Plan, the Servicer must delay the next legal action unless the Borrower breaches the plan.

Additionally, unless Freddie Mac requires the Servicer to obtain Freddie Mac's approval prior to referral to foreclosure (refer to Section 9301.9 for instances where Freddie Mac must approve the referral of the Mortgage to foreclosure), if the Borrower has abandoned the property, then the Servicer may refer to foreclosure as soon as it is legally possible to do so.

**(b) Mortgages insured by the FHA or guaranteed by the VA or RHS or covered by mortgage insurance**

The Servicer must comply with the foreclosure referral requirements of the FHA, VA, RHS or MI, if applicable.

**(c) Performance measurement**

Regardless of the reason for the delay in referral to foreclosure beyond 150 days from the DDLPI (120<sup>st</sup> day of Delinquency), the Servicer's performance will be measured against Freddie Mac's State foreclosure timelines (refer to Exhibit 83, Freddie Mac State Foreclosure Timelines).

# 9301.8: Approving referral to foreclosure on a First Lien Mortgage (11/13/19)

## (a) Referral to foreclosure on a First Lien Mortgage

The Servicer is responsible for referral to foreclosure on a First Lien Mortgage. The Servicer does not need Freddie Mac’s approval unless one or more of the following conditions exist.

If the Property Has...	Then the Servicer Must...	And...
<b>Hazardous Substances located on or near that could impact the habitability, value or occupancy of the property</b>	Request Freddie Mac’s approval to refer to foreclosure by submitting a detailed description of the issue and the Servicer’s recommendation for a First-Lien Mortgage to Freddie Mac ( <b>see Directory 5</b> ) within five Business Days of discovering the condition	Freddie Mac will approve or deny the referral to foreclosure and provide any necessary instructions to the Servicer
<b>Damage from fire, flood or natural or man-made disaster</b>		
<b>Deteriorated and requires asset preservation or the property is a Manufactured Home that has significantly decreased in value</b>		
<b>A forfeiture action being litigated</b>		

If the 2- to 4-unit property was built before 1978 and located in Massachusetts, refer to Section 9301.8(c) before initiating foreclosure. If the property was built before 1960 and located in New York City (Brooklyn, Bronx, Manhattan, Queens or Staten Island), refer to the requirements in Section 9202.7 before initiating foreclosure.

Refer to Chapter 8403 for additional Servicing Contract requirements for Servicing Mortgages on distressed properties.

Refer to Chapter 8404 for additional Servicing Contract requirements for Mortgages secured by properties affected by a disaster.

## **(b) Referral to foreclosure on Servicemembers or their Dependents**

The Servicemembers Civil Relief Act, State Military Relief Laws and Freddie Mac-specific protections provided in Chapter 8503 limit the ability of a Servicer to refer to or complete foreclosure on Mortgages involving Servicemembers or Dependents, as those terms are defined in Chapter 8503. If the Servicer believes there are circumstances that warrant an exception to these requirements, the Servicer must submit Form 105, Multipurpose Loan Servicing Transmittal for a First-Lien Mortgage, and provide all relevant information supporting the exception request. Refer to Chapter 8503 for further details regarding foreclosure limitations involving Servicemembers and Dependents.

## **(c) Tenant-occupied properties built before 1978**

Before referring a Mortgage to foreclosure on a tenant occupied property built before 1978, **if** the Servicer **is aware of, or becomes aware of**, outstanding lead-based paint or health code citations or violations against the property or property owner, then the Servicer must notify Freddie Mac (**see Directory 5**) and include the following:

1. A copy of the citation
2. Copies of documentation related to a lead-based paint violation

After reviewing the documentation, Freddie Mac will provide the Servicer with instructions on the course of action to take.

## **9301.9: Referral to foreclosure documentation requirements (11/14/18)**

Appropriate foreclosure documentation includes, but is not limited to, all documents required by the foreclosure counsel to complete the first legal action. The Servicer must continue to comply with applicable law, but at a minimum, must supply the foreclosure counsel with the following:

1. Copies of the Note (or the original Note if required by applicable law) evidencing the indebtedness along with any intervening assignments, endorsements, powers of attorney or any applicable modifying instrument, such as a modification, a conversion agreement or an assumption of indebtedness and release of liability agreement
2. Mortgage or deed of trust
3. Copy of the original title insurance policy
4. Copy of the breach, acceleration or demand letter sent to the Borrower
5. Military affidavits

6. Executed Substitution of Trustee, as necessary
7. Payoff statement with per diem interest as of the date of the foreclosure referral
8. Send foreclosure counsel the following information by facsimile transmission or other electronic means:
  - Name, mailing address and telephone number of the Borrower(s)
  - Property address (if different from the Borrower's mailing address)
  - A statement that the Mortgage is a Freddie Mac-owned Mortgage and includes the nine-digit Freddie Mac loan number
  - Name and address of the person to contact in the Servicer's foreclosure department

If Freddie Mac needs to execute a document [that is not authorized for the Servicer to execute under the Limited Power of Attorney \(see Exhibit 53\)](#) for the Servicer to conduct the foreclosure, the Servicer must submit the document with Form 105, Multipurpose Loan Servicing Transmittal, to Freddie Mac ([see Directory 5](#)). Refer to Section 9301.12 for assigning Security Instruments back to the Servicer if an assignment of the Security Instrument to Freddie Mac has been recorded. [Refer to Sections 8101.4 and 8601.6 for requirements on obtaining a Limited Power of Attorney for Freddie Mac to sign documents on behalf of Freddie Mac.](#)

### **Referral to foreclosure documentation requirements on a Mortgage secured by a Manufactured Home**

In addition to the above requirements, if the Mortgage is secured by a Manufactured Home, the Servicer must notify the foreclosure counsel that the property is a Manufactured Home when it submits the case to the foreclosure counsel. The Servicer must also provide the foreclosure counsel with evidence that the property is legally classified as real property under the laws in the State where the property is located.

#### **(a) Evidence that the property is real property in a non-certificate of title State**

The Servicer must provide the foreclosure counsel with copies of the following documentation in non-certificate of title States (see Section 5703.7) evidencing that the Manufactured Home and the land are real property under the laws of the State where the property is located:

- Information stating the legal basis (statutory or common law) for determining that the Manufactured Home is real property that is exempt from certificate of title requirements. This information may be included in the documentation received at origination of the Mortgage from the title insurance company that the Manufactured Home is real property, and

- Evidence that a certificate of title has not been issued, such as the manufacturer's statement of origin, if the manufacturer's statement of origin is not required to be surrendered to a State agency

**(b) Evidence that the property is real property in a certificate of title surrender State**

The Servicer must provide the foreclosure counsel with copies of the following documentation in certificate of title surrender States (see Section 5703.7) evidencing that the Manufactured Home and the land are real property under the laws of the State where the property is located:

- A certificate of cancellation, notification letter or other acknowledgment from the Department of Motor Vehicles (DMV) or the appropriate State agency to which the certificate of title was surrendered, or a copy of the documents submitted in connection with the surrender along with evidence that the documents were delivered and received by the appropriate State agency, and
- Copies of the documents, such as an affidavit of affixture, recorded in the land records as part of the title surrender procedures to show the Manufactured Home has been converted to real property

**(c) Evidence of clear and marketable title to the Manufactured Home and land in certificate of title States**

The Servicer must provide the foreclosure counsel with the following documentation in certificate of title States (see Section 5703.7) evidencing the Borrower's ownership of both the Manufactured Home and the land on which it is permanently affixed and documentation evidencing that the land is legally classified as real property under the laws in the State where the property is located:

- The original or a copy of the certificate of title showing the Borrower as owner of the Manufactured Home. The certificate of title must have a notation of the original Seller/Servicer's security interest in the Manufactured Home in the name of the Seller and its successors in interest and assigns and have a notation of all intervening assignments from the original mortgagee to each successive Servicer, ending with the current Servicer, and
- A copy of the deed evidencing ownership of the land showing the owner of the land on the deed to be identical to the owner of the Manufactured Home on the certificate of title

This and any other relevant information must be provided within five days of the referral to foreclosure so that the foreclosure counsel has the information necessary to simultaneously enforce the liens (whenever possible) and so as not to unnecessarily lengthen the foreclosure process.



## **9301.10: Choosing a judicial or nonjudicial foreclosure process (03/02/16)**

In States where the Servicer has the option of pursuing a judicial or nonjudicial foreclosure process, the Servicer must choose the nonjudicial process. However, if the Servicer determines its filing of a judicial foreclosure will preserve the right to pursue a deficiency judgment, and/or is in Freddie Mac's best interests, the Servicer should refer to Exhibit 57A, Approved Attorney Fees and Title Expenses, to determine if Freddie Mac has approved judicial foreclosure attorney fees in the State.

If Freddie Mac has approved judicial foreclosure attorney fees in the State, the Servicer may pursue a judicial foreclosure process without Freddie Mac's approval.

If Freddie Mac does not have approved judicial foreclosure attorney fees in the State, or the filing of a judicial foreclosure will incur additional attorney fees exceeding the expense limits in Exhibit 57A, the Servicer must obtain Freddie Mac's approval prior to referral to judicial foreclosure by submitting a request for pre-approval via the Freddie Mac Reimbursement System.

Refer to Section 9301.24 regarding when to request Freddie Mac's approval to preserve deficiency rights.

## **9301.11: Obtaining the original Note (02/14/18)**

If physical or constructive possession of the original Note is needed to perform the foreclosure, the Servicer must request the Note from the Document Custodian maintaining the Note by submitting to the Document Custodian a completed Form 1036, Request for Physical or Constructive Possession of Documents, or an electronic or system-generated version of the form (or, in the case of [The Bank of New York Mellon Trust Company, N.A.](#) as the Designated Custodian, a copy of the electronically generated 1036 Release Receipt Report) in accordance with the requirements of Section 8107.1(b).

If there is a full or partial reinstatement of the Mortgage, the Servicer must return the Note to the Document Custodian with either the original Form 1036 or a copy.

## **9301.12: Foreclosing in the Servicer's name (11/14/18)**

### **(a) Conducting the foreclosure**

The Servicer must instruct the foreclosure counsel to process the foreclosure in the Servicer's name and in a manner that would avoid any obligation to pay a transfer tax. However, the

Servicer may instruct foreclosure counsel to conduct the foreclosure in Freddie Mac's name if applicable law:

- Precludes the Servicer from conducting the foreclosure in its name because it owns or services a subordinate Mortgage on the Mortgaged Premises, or
- Requires the foreclosure to be processed in Freddie Mac's name to avoid any obligation to pay a transfer tax and foreclosure counsel could not otherwise process the foreclosure in a manner that would successfully avoid imposition of the transfer tax obligation

For these special circumstances, the Servicer does not need to obtain written approval but must notify Freddie Mac within two Business Days of the Servicer's determination to foreclose in Freddie Mac's name and record the basis of the decision in the Mortgage file. All notifications must be sent via e-mail (**see Directory 5**). For all other circumstances in which the Servicer may need to instruct foreclosure counsel to conduct the foreclosure in Freddie Mac's name, the Servicer must obtain written approval from Freddie Mac (refer to Section 9402.2 regarding initiating legal actions on Freddie Mac's behalf).

When processing the foreclosure in Freddie Mac's name, all pleadings and related documents must comply with Section 9402.2(c). The Servicer remains obligated to notify Freddie Mac pursuant to Section 9501.12 in the event that any foreclosure conducted in Freddie Mac's name evolves into a non-routine litigation matter (see Section 9402.2).

When a Servicer conducts the foreclosure in Freddie Mac's name, the Servicer is not permitted to have the same foreclosure counsel represent the Servicer or another lien holder in the same proceeding. Freddie Mac does not consent to dual representation of Freddie Mac and another lien holder on the same property.

## **(b) Executing documents**

If Freddie Mac needs to execute a document **that is not authorized for the Servicer to execute under the Limited Power of Attorney (see Exhibit 53)** for the Servicer to: (i) process the foreclosure, or (ii) execute a document related to a foreclosure sale, the Servicer must submit Form 105, Multipurpose Loan Servicing Transmittal, to Freddie Mac (**see Directory 5**) with all supporting documentation, which may include, but is not limited to, the last recorded document in the chain of title, and include the document Freddie Mac needs to execute. **Refer to Sections 8101.4 and 8601.6 for requirements on obtaining a Limited Power of Attorney for Freddie Mac to sign documents on behalf of Freddie Mac.**

If an assignment of the Security Instrument to Freddie Mac has been recorded and the Servicer is conducting the foreclosure in its name, then the Security Instrument must be assigned back to the Servicer before the foreclosure counsel files the first legal action. Refer to Section 9301.16 for an explanation of first legal action.

To have the Security Instrument assigned back to the Servicer, the Servicer must submit a completed assignment with a Request for Assistance Form (available at:

<http://www.freddiemac.com/cim/docex.html>), to Freddie Mac (see **Directory 9**). Freddie Mac will endeavor to execute the assignment and return it to the Servicer within 10-12 Business Days of receiving the documents.

If the Servicer is foreclosing on a Mortgage registered with MERS<sup>®</sup>, the Servicer must prepare and execute (using the Servicer's employee who is a MERS authorized "signing officer") an assignment of the Security Instrument from MERS to the Servicer. The Servicer must record the prepared assignment where required by State law. State mandated recordings are non-reimbursable by Freddie Mac, are not considered part of the Freddie Mac allowable foreclosure counsel fees and must not be billed to the Borrower.

If the Mortgage is an FHA, Section 502 GRH or VA Mortgage, then the Servicer must follow FHA, RHS or VA guidelines to determine in whose name the foreclosure action should be brought.

Refer to Section 6301.6 for additional information on Freddie Mac's requirements for assignments of the Security Instrument.

## **9301.13: Solicitation during the foreclosure process (10/19/17)**

If a Servicer previously determined that a Borrower, who was less than 60 days delinquent at the time of evaluation, did not qualify for any alternative to foreclosure and the Borrower subsequently becomes 60 days delinquent, then the Servicer must continue its solicitation and collection efforts with the Borrower in accordance with the requirements of Chapter 9102. Continued solicitation includes sending another Borrower Solicitation Package, as applicable, if documentation needs to be refreshed in order to perform the subsequent evaluation of the Borrower for alternatives to foreclosure.

**Unless required to continue contact attempts by applicable law**, attempts to contact any delinquent Borrower and related loss mitigation solicitations must discontinue 60 days prior to a foreclosure sale date for judicial foreclosures or 30 days prior to a foreclosure sale date for non-judicial foreclosures.

Loss mitigation solicitations while the Mortgage is in foreclosure must be communicated to and coordinated with the foreclosure counsel, as appropriate. A Servicer must keep the foreclosure counsel informed of the status of relevant alternative to foreclosure negotiations and must notify the foreclosure counsel within two Business Days after arrangements for an alternative to foreclosure have been agreed to or within two Business Days after the Mortgage is fully reinstated.

## **9301.14: Servicer's responsibility to work with foreclosure counsel (03/02/16)**

### **(a) After Servicer referral**

Once the Servicer has referred a Mortgage to foreclosure, the Servicer must work with the foreclosure counsel to:

1. Identify any viable alternatives to foreclosure
2. Monitor the progress of the foreclosure
3. Facilitate prompt and efficient completion of the foreclosure proceedings and acquisition of clear and marketable title, including conducting the foreclosure in a way that will expedite an eviction of the tenant or Borrower

### **(b) Communication**

Servicer must maintain communication with the foreclosure counsel so that the Servicer can manage the foreclosure effectively. No less than one time per month, the Servicer must require the foreclosure counsel to report the status of the foreclosure, request any documentation needed from Servicer and report any relevant information to the Servicer. The Servicer must maintain this information in the Mortgage file or on its Mortgage system.

### **(c) Compliance**

A Servicer must ensure foreclosure counsel complies with the Servicemembers Civil Relief Act (SCRA) and all State Military Relief Laws as they apply to any Borrower or Mortgage including verification that the Borrower is not a Servicemember currently serving a Period of Military Service (as those terms are referenced in Section 8503.1), or if the Borrower was a Servicemember, that more than one year has elapsed since their period of Military Service ended. (See Section 9701.11 regarding when verification should be completed by foreclosure counsel).

### **(d) Providing information to the foreclosure counsel**

For any Mortgage that the Servicer refers for foreclosure, the Servicer must provide complete written reinstatement or payoff figures to foreclosure counsel, workout specialist or outsourcing vendor requesting the information. This information must be provided within two Business Days of the date on which a written request is received. The Servicer may provide the written reinstatement or payoff figures via a paper document, facsimile or e-mail.

If the foreclosure counsel requests additional information and/or documentation from the Servicer (such as certificates of judgment), at any time, the Servicer must provide such requested information and/or documents within three Business Days after receipt of the

request, or within such earlier time frame if necessary to comply with timing requirements under applicable law or court orders and procedures.

**(e) Foreclosure counsel fees**

Foreclosure counsel fees and costs must be reasonable and comparable to those customarily charged in the area where the property is located. Exhibit 57A, Approved Attorney Fees and Title Expenses, provides Freddie Mac's expense limits for foreclosure counsel fees. The Servicer must obtain Freddie Mac's written approval prior to incurring foreclosure counsel fees in excess of the expense limits. Refer to Section 9701.3 for details on obtaining Freddie Mac's written pre-approval for exceeding the expense limits in Exhibit 57A.

**(f) Fees and Borrower's defenses**

Freddie Mac will reimburse the Servicer for Freddie Mac's proportionate share of expenses for responding to Borrower defenses. Refer to Section 9402.2 and Chapter 9701 for details regarding expense reimbursements.

## **9301.15: Reporting requirements (03/02/16)**

The Servicer must notify Freddie Mac via an EDR transmission within the first three Business Days of the month following the month that the Servicer referred the Mortgage to foreclosure. Use a default action code of 43 and provide the date the Mortgage was referred to foreclosure. For additional information on EDR requirements, refer to Section 9102.8.

**(a) Monthly foreclosure reporting**

Once the Servicer has reported that a Mortgage has been referred to foreclosure the Servicer must report a default action code 68 (Date of first legal action) with the corresponding date of the first legal action (as defined in Section 9301.16). The Servicer must continue to report that the Mortgage is in foreclosure in its monthly EDR transmission using a default action code of 43 (Referred to foreclosure) until:

- The Servicer reports the results of a foreclosure sale or the execution of a deed-in-lieu of foreclosure, or
- The Servicer reports that the Mortgage is fully reinstated or paid off, or
- A workout is completed

For additional information on EDR requirements, refer to Section 9102.7.

**(b) Responding to and reporting Borrower defenses**

**(i) Responding to Borrower defenses**

The Servicer must respond to legal actions brought by the Borrower during the foreclosure. Refer to Chapter 9401 for specific requirements for handling bankruptcy and routine litigation and Chapter 9402 for non-routine litigation actions.

**(ii) Reporting a bankruptcy filing**

If the Borrower files bankruptcy during the foreclosure process, the Servicer must report the bankruptcy filing to Freddie Mac. The Servicer must submit this notification via an EDR transmission within the first three Business Days of the month following the month that the bankruptcy was filed. The Servicer must include the date of the filing and the applicable default action code to indicate the bankruptcy chapter number, as shown below.

<b>Bankruptcy Chapter</b>	<b>Default Action Code</b>
Chapter 12 bankruptcy petition filed	59
Chapter 7 bankruptcy petition filed	65
Chapter 11 bankruptcy petition filed	66
Chapter 13 bankruptcy petition filed	67

The Servicer must also notify Freddie Mac when the bankruptcy plan is confirmed by reporting a default action code of 69 (Bankruptcy plan confirmed), and providing the date the plan was confirmed, or in the event of a scheduled Bankruptcy Cramdown, by reporting a default action code of 35 (Bankruptcy Cramdown Scheduled). The Servicer must continue to report each month that the Borrower is in bankruptcy until the bankruptcy is cleared or the stay lifted and the Servicer has reported the event to Freddie Mac.

When the bankruptcy is cleared or the stay is lifted, the Servicer must notify Freddie Mac via an EDR transmission within the first three Business days of the month following the month that the action occurred. Use a default action code of 76 (Bankruptcy court clearance obtained/stay lifted) and provide the date that the action occurred.

For additional information on EDR requirements refer to Section 9102.7.

### **(iii) Reporting a contested foreclosure and/or other litigation**

The Servicer must notify Freddie Mac of a contested foreclosure. The Servicer must also notify Freddie Mac of any pending litigation that affects the enforceability of the Mortgage or the marketability of the property securing the Mortgage. (Refer to Section 9402.2.) The Servicer must submit this notification via an EDR transmission within the first three Business Days of the month following the month in which the Servicer became aware of the contested foreclosure or other litigation. Use a default action code of 33 (Contested foreclosure and litigation) and provide the date that the action occurred.

The Servicer must report each month that the foreclosure is being contested or about the other litigation as long as the case is pending.

For additional information on EDR requirements, refer to Section 9102.7.

### **(c) Reporting the scheduled foreclosure sale date**

The Servicer must notify Freddie Mac via an EDR transmission within the first three Business Days of the month following the month that a foreclosure sale has been scheduled, by reporting a default action code of 71 (Foreclosure sale scheduled) along with the scheduled sale date. When the Servicer reports the scheduled foreclosure sale in its EDR transmission, the Servicer must also indicate that the Mortgage is in foreclosure using a default action code of 43 (Referred to foreclosure). Therefore, the Servicer will be reporting multiple default action codes in the same EDR transmission.

For additional information on EDR requirements, refer to Section 9102.7.

## **9301.16: What is the first legal action in the foreclosure process? (03/02/16)**

The first legal action is the first public action required in the jurisdiction where the property is located to commence the foreclosure process. The first legal action may include:

- For judicial foreclosures, a complaint, petition, order to docket or notice of hearing
- For non-judicial foreclosures, recording a notice of default or publication of a notice of sale
- For foreclosures other than judicial and non-judicial foreclosures, if any, the earliest document that establishes, sets or schedules a date for a foreclosure sale

This first legal action must take place after the referral to foreclosure. (Refer to Sections 9301.5, 9301.6, 9301.7 and 9301.9.)

## **9301.17: Expedited foreclosure if property is vacant or abandoned (03/02/16)**

Some jurisdictions permit an expedited or alternative foreclosure process if the Mortgaged Premises is vacant or abandoned. If the Servicer decides it is in Freddie Mac's best interest to pursue an expedited foreclosure as a result of the occupancy status of the Mortgaged Premises, then the Servicer may proceed with an expedited foreclosure.

### **Requesting additional attorney fees**

If the Servicer believes that pursuing an expedited foreclosure is in Freddie Mac's best interest and knows that additional attorney fees will be incurred when processing this expedited foreclosure, the Servicer must submit a request for pre-approval to Freddie Mac via the Freddie Mac Reimbursement System to recommend incurring additional attorney fees to complete the expedited foreclosure. The Servicer must send the recommendation to Freddie Mac before the Servicer incurs additional fees; otherwise, Freddie Mac will not reimburse for those fees. Under no circumstances should the Servicer delay initiating foreclosure to obtain Freddie Mac's approval to pursue an expedited foreclosure.

## **9301.18: Obtaining judgment for less than total indebtedness (03/02/16)**

While Servicers are required to obtain judgment against the Borrower for the total indebtedness due under the Note and Mortgage in accordance with applicable law and the Guide, there may be cases where the foreclosure proceeding will be significantly shortened if the Servicer only seeks judgment for any amount less than the total indebtedness (e.g., for only principal and interest owed by the Borrower). If the Servicer determines that obtaining judgment for any amount less than the total indebtedness is in Freddie Mac's best interest, it may do so. The Servicer must record the decision to obtain judgment for a lesser amount and the grounds for its decision in the Mortgage file.

Prior to obtaining final judgment of foreclosure on any amount less than the total indebtedness, the Servicer must ensure that:

- All requirements of the Guide have been met
- The ratio of the sum of principal and interest to the market value of the Mortgaged Premises is 100% or more. The Servicer must obtain the value of the Mortgaged Premises in accordance with Section 9202.16, as if the Servicer were obtaining an "estimated market value" of the Mortgaged Premises for a short sale (see Section 9208.5(b) for instructions on obtaining a short sale property value).



- In the event the Borrower reinstates or satisfies the Mortgage after judgment is obtained, the Servicer must instruct foreclosure counsel to vacate the judgment. If this is not possible and the Servicer has unreimbursed expenses or advances that are not collectable because it obtained judgment for an amount less than the total indebtedness, the Servicer may not seek reimbursement from Freddie Mac for those expenses or advances.

## **9301.19: Expedited foreclosures (03/02/16)**

Servicers must always consider how to resolve a Freddie Mac Default Legal Matter in a way that obtains the best result for Freddie Mac and in a legally-compliant manner. While Servicers are not required to use expedited methods identified in this chapter, if a Servicer does proceed with an expedited method, it must adhere to the requirements set forth in this chapter.

This chapter provides requirements for expediting Freddie Mac Default Legal Matters, such as:

- Waiving Freddie Mac's right to pursue deficiency actions against a Borrower
- Expediting the foreclosure if the property is identified as vacant/abandoned
- Obtaining default judgment for an amount less than total amount owed by the Borrower
- State-specific methods for expediting Freddie Mac Default Legal Matters

## **9301.20: Expedited foreclosures – Florida (03/02/16)**

### **(a) Determining the judgment method**

In the State of Florida, Servicers may obtain judgment in connection with a foreclosure in several ways, including the following:

- Motion for summary judgment
- Bulk trial foreclosures
- Order to show cause
- Obtaining judgment for less than the total indebtedness as described in Section 9301.18

Foreclosure timeline requirements set forth in Section 9301.45 will not be waived regardless of the procedure the Servicer follows when foreclosing the Mortgage.

## **(b) Motion for summary judgment**

Servicers may move for summary judgment against the Borrower using the expense limits set forth in Exhibit 57A, Approved Attorney Fees and Title Expenses.

## **(c) Bulk trial foreclosures**

Servicers may utilize bulk trial foreclosures to accelerate foreclosures. This option can be used for Freddie Mac Default Legal Matters that were:

- Referred to law firms on or after June 1, 2013 or
- Referred to law firms before June 1, 2013 and for which the foreclosure complaint has been filed, but final judgment of foreclosure has not yet been entered

Servicers and their counsel must use their discretion to determine whether the bulk trial foreclosure process is appropriate for the jurisdiction, the Mortgage and the Mortgaged Premises that is the subject of the foreclosure.

### **Reimbursement of expenses**

Pursuant to Section 9701.11, Freddie Mac will reimburse Servicers for approved attorney fees as set forth in Exhibit 57A. Servicers will be reimbursed for 104SF claims submitted through the Freddie Mac Reimbursement System for additional attorney fees associated with the use of the bulk trial foreclosure process up to a maximum of \$1,750. This is the maximum legal fee for all work necessary to complete bulk trial foreclosures, including, but not limited to:

- Identification of bulk trial foreclosure candidates
- Pre-trial preparation and correspondence
- Preparation of trial orders
- Witness preparation
- All necessary court appearances

This fee is in addition to the foreclosure attorney fee. Servicers must use expense code 010009 (Bulk Trial Foreclosure/Inquest Process) when submitting a claim request in the Reimbursement System for the additional trial fees associated with the bulk trial foreclosure process. Legal expenses paid by the Servicer must match or exceed the reimbursement request.

**(d) Order to show cause**

Servicers may foreclose using motions for order to show cause against the Borrower subject to the expense limits set forth in Exhibit 57A.

**(e) Default judgment**

Servicers may move for default judgment against the Borrower in accordance with Sections 9301.18 and 9301.23.

## **9301.21: Expedited foreclosures – Illinois (03/02/16)**

In Illinois, Servicers may obtain a consent judgment from a Borrower and take title to the Mortgaged Premises on behalf of Freddie Mac instead of selling the Mortgaged Premises at foreclosure sale.

Servicers must comply with the requirements in Section 9301.2 and applicable law prior to obtaining a consent judgment pursuant to this section. Servicers may also offer a relocation incentive to a qualified Borrower as described in this section.

**(a) General requirements**

- The Mortgaged Premises must be located in Illinois
- Servicers may seek reimbursement from Freddie Mac, subject to the expense limits set forth in Exhibit 57A, Approved Attorney Fees and Title Expenses
- Payments from Freddie Mac or the Borrower to subordinate lienholders, if any, are not permitted. Most subordinate liens will be extinguished by operation of law once the consent judgment is final.

**(b) Relocation incentive requirements**

The Servicer may pay a relocation incentive of up to \$3,000 to the Borrower in a manner similar to the relocation assistance for completion of a Freddie Mac Deed-in-Lieu of Foreclosure (“deed-in-lieu of foreclosure”) if the Borrower occupies the Mortgaged Premises as his or her Primary Residence at the time the Borrower consents to judgment provided that:

1. If the Borrower receives relocation assistance from a source other than Freddie Mac or the Servicer, such as an employer, the Servicer must reduce the amount of Freddie Mac's relocation assistance by the amount received from the other source. If the Borrower will receive relocation assistance from a source other than Freddie Mac or the Servicer and the amount is equal to or greater than \$3,000, Freddie Mac will not provide any relocation assistance to the extent that the Servicer is aware of such payment.

2. Borrowers subject to Permanent Change of Station (PCS) orders will not be eligible for Freddie Mac relocation assistance as the government assists in defraying the costs of the service member's relocation
3. The Servicer must conduct an interior inspection of the Mortgaged Premises to ensure that it is vacant, undamaged and in broom-swept condition in the same manner and under the same requirements as stated in Section 9209.5 for a deed-in-lieu of foreclosure, unless the property is a 2- to 4-unit property and Freddie Mac allows tenants to remain in one or more unit(s); in which case, the Servicer must ensure the remaining units are vacant, undamaged and in broom-swept condition. The Servicer must take all necessary actions to protect the Mortgaged Premises from waste, damage and vandalism.
  - If the property inspection reveals any environmental hazards or legal concerns as described in Section 9209.2(c), the Servicer must contact Freddie Mac for approval prior to obtaining the consent judgment
  - If the property inspection indicates that the Mortgaged Premises was not left in broom-swept condition or there is damage to the Mortgaged Premises, the Servicer must proceed to judgment and do all of the following:
    - Estimate the costs for remediating the issues
    - Reduce the Borrower relocation assistance by the estimated amount
    - Secure the property following the requirements in Section 9603.1
  - Freddie Mac will reimburse the Servicer for the actual cost of a final property inspection conducted by an outside service up to the expense limits stated in Exhibit 57, 1- to 4-Unit Property Approved Expense Amounts. Refer to Section 9701.9 for details regarding reimbursement of property inspection costs.
4. Once the final amount of relocation assistance has been determined, the consent judgment has been obtained and the Mortgaged Premises have been inspected and found to be in acceptable condition, the Servicer must disburse to the Borrower the relocation assistance payment. The Servicer must distribute the relocation assistance funds no more than 30 days after entry of judgment. The Servicer may request reimbursement for the relocation assistance from Freddie Mac via the Freddie Mac Reimbursement System.
5. In addition to the relocation assistance offered by Freddie Mac, the Servicer may in its discretion offer the Borrower an additional financial incentive to obtain the consent of the Borrower to entry of judgment. Any relocation assistance provided by the Servicer will be in addition to the relocation assistance amount provided by Freddie Mac and the Servicer's assistance amount does not have to be subtracted from the assistance amount Freddie Mac will pay. If the Servicer does offer its own relocation assistance, it must provide the assistance from its own funds, as a payment made directly to the Borrower.

6. The relocation assistance payment may not be applied to other debts secured by the Mortgaged Premises or retained by the Servicer for any reason

### **(c) Foreclosure sale reporting**

The Servicer must report the Mortgage as reverting to REO through a foreclosure sale, and not a deed-in-lieu of foreclosure. The Servicer must report the “sale results” as the amount of the judgment (as there is no foreclosure sale) and the Servicer must report the “sale date” as the date the judgment is entered.

If the Servicer also waives the deficiency in connection with obtaining the consent judgment, then the Servicer must notify Freddie Mac that the deficiency rights have not been preserved at the time the foreclosure sales results are being reported as provided in Section 9301.38.

## **9301.22: Expedited foreclosures – New York (04/20/17)**

In New York, certain counties or courts have established guidelines for an alternative course of legal action, the New York Foreclosure Inquest Program **and/or bulk trials**, as a method to expedite foreclosure actions.

Servicers may utilize the New York Foreclosure Inquest Program **and/or bulk trials** as an alternative foreclosure process to accelerate Freddie Mac Default Legal Matters in New York. Servicers and their counsel must use their discretion to determine if the use of the New York Foreclosure Inquest Program **and/or bulk trials** is in Freddie Mac’s best interest based on the local jurisdiction, the Mortgage and the Mortgaged Premises that is the subject of the foreclosure, and if the foreclosure action meets the eligibility criteria for inclusion in the New York Foreclosure Inquest Program as determined by the participating county or judge.

Foreclosure timeline requirements set forth in Section 9301.45 will not be waived as a result of using the New York Foreclosure Inquest Program **and/or bulk trials**, and will remain in effect.

### **Reimbursement of expenses**

Servicers will be reimbursed for additional attorney fees associated with the New York Foreclosure Inquest Program **and/or bulk trials** up to a maximum of \$1,750 for claims submitted through the Freddie Mac Reimbursement System. This is the maximum legal fee for all work necessary to complete an inquest, including, but not limited to:

- Identification of Foreclosure Inquest Program candidates
- Pre-trial preparation and correspondence
- Preparation of trial orders
- Witness preparation

- All necessary court appearances

This fee is in addition to the approved foreclosure attorney fee. Servicers must use expense code 010009 (Bulk Trial Foreclosure/Inquest Process) when submitting a claim request in the Reimbursement System for the additional trial fees associated with a Mortgage proceeding in the New York Foreclosure Inquest Program. Legal expenses paid by the Servicer must match or exceed the reimbursement request.

## 9301.23: When to preserve/waive deficiency rights (03/09/16)

### (a) When to preserve deficiency rights

In all instances, **except as set forth in this section**, where the foreclosure timeline will not be extended or additional fees/costs will not be incurred above the approved expense limits set forth in Exhibit 57A, Approved Attorney Fees and Title Expenses, Servicers must work with their foreclosure attorney to preserve Freddie Mac's right to pursue a deficiency action. Freddie Mac reserves the right to pursue deficiencies after the foreclosure sale on a case-by-case basis.

If the Mortgage has mortgage insurance, the Servicer must follow the MI's instructions for pursuing deficiency judgments or waiving deficiency judgments.

### (b) When to waive deficiency rights

The Servicer must adhere to the requirements provided in this section **in order to waive Freddie Mac's right to pursue a deficiency judgment against a Borrower**.

In many jurisdictions, applicable law provides Freddie Mac the right to pursue a deficiency balance after a foreclosure sale. In some instances, it may be in Freddie Mac's best interest to waive the right to collect the deficiency including, but not limited to, cases where a waiver will do one of the following:

- Expedite the foreclosure
- Expeditiously resolve litigation and/or bankruptcy in Freddie Mac's favor
- Result in a consent judgment conveying the Mortgaged Premises to Freddie Mac in Illinois
- Obtain a Borrower's consent to the final judgment of foreclosure on an expedited basis
- **Expedite or result in the entry of an order confirming or ratifying the foreclosure sale by the court**

- **Minimize or avoid the imposition of additional redemption, confirmation or ratification periods, if State law would impose such additional periods**

If the Servicer determines that waiving Freddie Mac's right to pursue a deficiency is in Freddie Mac's best interest, then the Servicer may use its discretion without obtaining Freddie Mac's prior approval to waive Freddie Mac's right to pursue a deficiency.

If the Servicer waives Freddie Mac's right to pursue a deficiency, then at the time it reports the foreclosure sale results as required by Section 9301.38, the Servicer must notify Freddie Mac that the deficiency rights have not been preserved.

The Servicer must record **that it waived Freddie Mac's** deficiency rights, **as well as** the grounds for its decision, in the Mortgage file.

Servicers must meet the requirements of Section 9301.38 before waiving deficiency rights.

## **9301.24: Circumstances where preserving deficiency rights requires additional expense (03/02/16)**

If the Servicer knows that additional attorney fees will be incurred when preserving Freddie Mac's right to pursue a deficiency action, and the Servicer believes it is in Freddie Mac's best interest to preserve Freddie Mac's right to pursue a deficiency action against the Borrower, the Servicer must submit a request for pre-approval (RPA) to Freddie Mac via the Freddie Mac Reimbursement System to recommend incurring additional attorney fees to perfect Freddie Mac's rights to pursue a deficiency action. If possible, the Servicer should send the recommendation to Freddie Mac before the Servicer refers a Mortgage to foreclosure. However, under no circumstances should the Servicer delay referring a Mortgage to foreclosure to obtain Freddie Mac's approval to preserve Freddie Mac's deficiency rights. When submitting a recommendation to Freddie Mac, the Servicer must follow the instructions provided below.

Servicers must only send a recommendation to Freddie Mac if the Servicer or its attorney is able to provide justification that would outweigh both the delays in the foreclosure process, and the increased fees and costs. Servicers should include an explanation for the request in the RPA comment field along with the electronic attachment of any supporting documentation.

Servicers will not receive foreclosure timeline compensatory fee consideration for delaying the foreclosure process unless explicitly stated by Freddie Mac in its response to the Servicer's recommendation.

For all other issues related to preserving deficiency rights where additional expenses are required, Servicers should direct their questions to Freddie Mac (**see Directory 5**).

## 9301.25: Abandonment (03/02/16)

Preservation of deficiency rights should be sought against a Borrower who has abandoned the property. When these cases fall outside of the requirements set forth in Section 9301.23, it is the Servicer's responsibility to send a recommendation to Freddie Mac by submitting a request for pre-approval to Freddie Mac within five Business Days of discovering the property is abandoned.

For all other issues related to abandonment as it relates to the preservation of deficiency rights, Servicers should direct their questions to Freddie Mac (see **Directory 5**).

## 9301.26: Preserving the property during the foreclosure process (11/13/19)

The Servicer must take the following actions to preserve and maintain the property during the foreclosure process:

1. Ensure the property is covered by property insurance throughout the foreclosure process, in accordance with the requirements of Section 9603.11. This includes taking all actions required in the mortgage clause of all applicable property insurance policies, including, but not limited to, providing all notices to the insurer required under such clause, in order to preserve the coverage and its maximum benefits for the Servicer and/or Freddie Mac, as mortgagee.
2. Take all necessary steps to protect the property from waste, damage and vandalism
3. Obtain approval from Freddie Mac for any property preservation expenses that either exceed Freddie Mac's approval limits or will be incurred after the date of a foreclosure sale, including where the property is sold to a third party by submitting a request for pre-approval of expenses (RPA) to Freddie Mac via the Freddie Mac Reimbursement System. (Refer to Section 9701.9 regarding reimbursement for property preservation expenses.)
4. Comply with any property preservation requirements of the FHA, RHS, VA or MI, if applicable
5. For leasehold Mortgages, ensure that payments required under the terms of the lease (i.e., ground rents) are made to prevent termination of the lease, if termination of the lease will impair Freddie Mac's lien position or interest in the property

### Reporting lead-based paint violations

If during the foreclosure process the Servicer **becomes aware of** lead-based paint violations on the property, then the Servicer must report such violations to Freddie Mac (see **Directory 5**) within five Business Days of learning of the violation. The Servicer must include:



- A copy of the citation
- Copies of documentation related to a lead-based paint violation

## **9301.27: Expenses that may become First Liens on the property (03/02/16)**

The Servicer must obtain bills and make payment for all expenses requiring payment under the Security Instrument. Such expenses may include, but are not limited to, real estate or personal property taxes, special assessments, water bills, ground rents and other charges including condominium, homeowners association (HOA) and Planned Unit Development (PUD) regular assessments, that are, or may become, a First Lien priority on the property or that if not paid would result in the subordination of Freddie Mac's interest in the property. If the Borrower's Escrow Funds are insufficient to pay these items as they become due during foreclosure, or if there is no Escrow account or if the Escrow account does not hold funds for these expenses, the Servicer must advance funds to pay these expenses, when and to the extent necessary, to protect Freddie Mac's interest in the property.

Additionally, the Servicer must contact Freddie Mac (see **Directory 5**) and obtain Freddie Mac's written approval before making payments to taxing authorities when federal, State or local income tax liens would take priority over Freddie Mac's First Lien position.

## **9301.28: Complete Borrower Response Packages received after referral to foreclosure (07/13/16)**

- (a) First Complete Borrower Response Package received after referral to foreclosure and greater than 37 days prior to the foreclosure sale date**

Refer to Section 9101.4.

- (b) All other Borrower Response Packages received after referral to foreclosure and greater than 37 days prior to the foreclosure sale date**

If the Servicer receives a complete Borrower Response Package **after** referral to foreclosure, the Servicer **is not required to suspend foreclosure proceedings** to review the complete Borrower Response Package and notify the Borrower of the decision.

### ***To accept an offer***

A Borrower's notification to the Servicer that he or she intends to accept an offer may be demonstrated as follows:

- Verbal notification
- Written notification

If a payment is required to legally accept an alternative to foreclosure offer, and the Borrower does not communicate a verbal or written rejection of the alternative to foreclosure offer, the Servicer must postpone foreclosure actions where legally permitted at least through the last day of the month that the first payment is due under the terms of the alternative to foreclosure offer or until the deadline for Borrower acceptance has passed. If the Servicer receives the first payment timely in accordance with the terms of a Trial Period Plan, repayment plan or forbearance plan, the Servicer must delay the next legal action unless the Borrower breaches the plan.

In the event a foreclosure sale occurs, the Servicer's performance will be measured against Freddie Mac's State foreclosure timelines without consideration given to the Servicer's postponement of the foreclosure sale (refer to Exhibit 83, Freddie Mac State Foreclosure Timelines).

#### **Borrower Response Package received without a short sale purchase offer and foreclosure sale date is scheduled**

If the foreclosure sale has been scheduled and the Servicer sends the Borrower a Borrower Evaluation Notice that is an intent to pursue a short sale based on receipt of a complete Borrower Response Package but a purchase offer was not received, then the Borrower Evaluation Notice must be amended to indicate the following:

- *Contact a real estate broker to list your property for sale if it is not currently listed*
- *Once you receive a potential buyer's offer, contact us immediately and we will review the offer to determine whether to accept it in full or partial satisfaction of your obligation*

#### ***Short sale evaluations***

Once the Mortgage has been referred to foreclosure, the Servicer must continue with foreclosure proceedings during the short sale process, except where delay for motion of judgment is provided for Mortgages subject to judicial proceedings. However, the Servicer must not complete a foreclosure sale if the short sale has been approved based on a review of a purchase offer and a complete Borrower Response Package (or other streamlined documentation permitted in Section 9208.3). The Servicer must suspend the foreclosure sale where permitted under State or local law.

#### ***Deed-in-lieu of foreclosure evaluations***

Once the Mortgage has been referred to foreclosure, the Servicer must continue with foreclosure proceedings during the deed-in-lieu of foreclosure process, except where delay for motion of judgment is provided for Mortgages subject to judicial proceedings. The Servicer may only suspend a foreclosure sale after the executed deed and all required deed-

in-lieu of foreclosure documents have been received by the Servicer. Additionally, the Servicer must receive an executed deed from the Borrower no later than 30 days prior to the scheduled foreclosure sale date.

When considering a Borrower for a deed-in-lieu of foreclosure, the Servicer must ensure that there is sufficient time to complete processing of the deed-in-lieu of foreclosure (inclusive of sending the deed-in-lieu of foreclosure offer to the Borrower) so that the Servicer receives the executed deed no later than 30 days prior to the foreclosure sale date.

**(c) Borrower Response Package received 37-15 days prior to the scheduled foreclosure sale date**

If a complete Borrower Response Package (including a short sale purchase offer, as applicable) is submitted between 37 and 15 days before a scheduled foreclosure sale date, the Servicer must expedite its review and make a determination regarding the Borrower's request for assistance at least seven days before the scheduled foreclosure sale date. This will ensure that the Servicer will be able to determine whether it must send a foreclosure certification to the foreclosure counsel at least seven, but no more than 15 days prior to a scheduled foreclosure sale date, if appropriate or offer the Borrower an alternative to foreclosure.

For a short sale transaction, if the Servicer has approved the short sale based on a review of a purchase offer and a complete Borrower Response Package (or other streamlined documentation as permitted), the Servicer must suspend the foreclosure sale where permitted under State or local law.

If the Servicer sends the Borrower a Borrower Evaluation Notice that is an intent to pursue a Freddie Mac Standard Short Sale based on receipt of a complete Borrower Response Package but a purchase offer was not received, then the Borrower Evaluation Notice must be amended to indicate the following:

- *Contact a real estate broker to list your property for sale if it is not currently listed. If your property is not currently listed, there may not be adequate time to market the property or to review a potential buyer's offer prior to the foreclosure sale date.*
- *Once you receive a potential buyer's offer, contact us immediately and we will review the offer to determine whether to accept it in full or partial satisfaction of your obligation*

The "Standard Short Sale – All Other Scenarios" model clause included in Exhibit 93, Evaluation Model Clauses, is representative of this Borrower Evaluation Notice.

**(d) Borrower Response Package received less than 15 days prior to the scheduled foreclosure sale date**

If a complete Borrower Response Package is received less than 15 days prior to a scheduled foreclosure sale date, the Servicer must first determine whether it can conduct an expedited review of the Borrower Response Package and render a decision by the latest foreclosure

certification date (i.e., seven days prior to the scheduled foreclosure sale date) and if so, the Servicer must complete the review.

If the Servicer offers the Borrower a home retention alternative to foreclosure, and the expiration of the 14-day Borrower response period will occur on or after a scheduled foreclosure sale date, it must not provide the certification to the foreclosure counsel and must make every effort to suspend the foreclosure sale for up to 14 days where legally permitted under State or local law (see Section 9301.28 for foreclosure suspension requirements related to short sales). The Servicer is not in violation of this requirement if:

- A court with jurisdiction over the foreclosure proceeding (if any), or the bankruptcy court in a bankruptcy case, or the public official charged with carrying out the activity or event, fails or refuses to halt some or all activities or events in the matter after the Servicer has made reasonable efforts to move the court or request the public official for a cessation of the activity or event
- The Servicer has taken action to protect the interests of Freddie Mac in response to action taken by the Borrower or other parties in the foreclosure process (e.g., bankruptcy filed by the Borrower, situations where the Borrower files a motion that requires a response, or similar situations)

The Servicer must document in the Mortgage file if any of the foregoing exceptions to the requirement to halt an existing foreclosure action are applicable. In the event a foreclosure sale occurs, the Servicer's performance will be measured against Freddie Mac's State foreclosure timelines without consideration given to the Servicer's postponement of the foreclosure sale (refer to Exhibit 83).

Solely for the purpose of suspending foreclosure sale, a Borrower's notification to the Servicer that he or she intends to accept an offer may be demonstrated as follows:

- Written notification
- Remittance of a payment due under an alternative to foreclosure offer that requires payment (i.e., forbearance, repayment or Trial Period Plan)

If the Borrower communicates an intent to accept the alternative to foreclosure within 14 days from the date of the Borrower Evaluation Notice offer as described above, the Servicer must suspend the foreclosure sale where legally permitted under State or local law. Additionally, in cases where a payment is required under the terms of an alternative to foreclosure offer, and the Borrower communicates a written intent to accept an alternative to foreclosure offer, the Servicer must suspend the foreclosure sale until the last day of the month that the first payment is due under the terms of the alternative to foreclosure offer. If the Servicer receives the first payment timely in accordance with the terms of a Trial Period Plan, the Servicer must delay the next legal action in the foreclosure process until the first month following the end of the Trial Period Plan. If the Servicer receives the first payment timely in accordance with the terms of a repayment plan or forbearance plan, the Servicer must delay the next legal action unless the Borrower breaches the plan.

If the Borrower complies with the terms of the Trial Period or other plan and the Mortgage is modified with a fully executed modification agreement or the Delinquency is cured, the Servicer must then cancel the foreclosure action as permitted by State or local law.

#### **(e) Foreclosure sale postponements**

Servicers are delegated the authority to approve foreclosure sale postponements. When determining whether to postpone a foreclosure sale, the Servicer must comply with the requirements in Sections 9301.28(a), (b), (c) and (d).

Regardless of the reason for the foreclosure sale postponement, in the event a foreclosure sale occurs, the Servicer's performance will be measured against Freddie Mac's State foreclosure timelines (refer to Exhibit 83).

Foreclosure attorney fees for actions required to postpone the foreclosure sale are included in the attorney's fees listed in Exhibit 57A when complying with the requirements in Sections 9301.28(a), (b), (c) and (d). Additionally, with prior written approval from Freddie Mac, the Servicer may be reimbursed for foreclosure attorney fees that exceed the expense limits in Exhibit 57A. To obtain written approval from Freddie Mac, the Servicer must submit a request for pre-approval (RPA) using the RPA functionality in the Freddie Mac Reimbursement System.

If a foreclosure sale is postponed due to Servicer non-compliance with the Guide including, but not limited to, the Servicer failing to provide the foreclosure certification, the Servicer will not receive any credit or consideration of State foreclosure timeline compensatory fees and will also be subject to any loss, expenses or other damages.

## **9301.29: Reviews and certifications prior to foreclosure sale (03/02/16)**

#### **(a) Pre-sale account review by the Servicer**

The Servicer must have written policies and procedures requiring a review of the Mortgage at least 30 days prior to the scheduled foreclosure sale date.

The Servicer must review the account history to verify compliance with all required Borrower outreach, solicitation and evaluation requirements specified in Chapters 9101 and 9102 and that there is no approved payment arrangement, pending alternative to foreclosure offer or appeal for which the Borrower response period has not expired. The Servicer must document the results of their review in its Mortgage file or servicing system.

#### **(b) Certification to foreclosure counsel**

At least seven, but no more than 15 days prior to foreclosure sale, the Servicer must review the account and send written certification to the foreclosure counsel indicating that the foreclosure sale must continue unless:

- The account review reveals that all Borrower outreach, solicitation and evaluation requirements have not been achieved, or
- There is an approved payment arrangement, pending alternative to foreclosure offer or appeal for which the Borrower response period has not expired

If any of the above exceptions apply, then the Servicer must not provide the certification and must make every effort to stop a scheduled foreclosure sale.

The Servicer must document the results of its review in its Mortgage file or servicing system.

The Servicer must work with the foreclosure counsel to develop a process for receipt of the foreclosure certification to prevent unnecessary delays. If the foreclosure counsel cancels the foreclosure sale due to the Servicer's failure to provide the foreclosure certification timely, the Servicer will be subject to compensatory fees for delays resulting from such a cancellation.

## **9301.30: Foreclosure sale date extensions (03/02/16)**

In some instances, it may be in Freddie Mac's best interest to extend the foreclosure sale date including, but not limited to, cases when an extension of the sale will do one of the following:

- Expedite the foreclosure
- Expeditiously resolve litigation and/or bankruptcy in Freddie Mac's favor
- Obtain a Borrower's consent to the final judgment of foreclosure on an expedited basis

If the Servicer determines that extending the foreclosure sale date is in Freddie Mac's best interest, then the Servicer may use its discretion without obtaining Freddie Mac's prior approval to extend the sale. The Servicer must record the decision to extend the foreclosure sale date and the basis for its decision in the Mortgage file.

Foreclosure timeline requirements set forth in Section 9301.45 will not be waived in consideration of extending the foreclosure sale date. Servicers and their counsel must use their discretion to determine whether extending the foreclosure sale date is in Freddie Mac's best interest based on the jurisdiction, the Mortgage and the Mortgaged Premises that is the subject of the foreclosure.

## 9301.31: Delegated bidding (11/05/18)

The Servicer must offer a bid on all foreclosures. Freddie Mac delegates to the Servicer responsibility to establish the bid according to the guidelines in Sections 9301.34 through 9301.36. However, if any of the following conditions exist, the Servicer must contact Freddie Mac at least ten Business Days prior to the foreclosure sale date:

<p>1. It is not in Freddie Mac’s best interest for the Servicer to enter a bid in accordance with the guidelines</p>	<p>The Servicer must e-mail Form 105, Multipurpose Loan Servicing Transmittal, for a First-Lien Mortgage to Freddie Mac at <b>shortsales@freddiemac.com</b></p>
<p>2. A hazard insurance claim is pending and the bid will jeopardize the approval or payout of the claim</p>	<p>The Servicer must e-mail Form 105 for a First-Lien Mortgage to Freddie Mac at <b>distressed_property@freddiemac.com</b></p>
<p>3. The Servicer is unable to obtain a credit bid (see Section 9301.32 on obtaining a credit bid for foreclosure sale bidding) and bid in accordance with Section 9301.34, or the Servicer disputes the credit bid obtained in connection with a scheduled foreclosure sale</p>	<p>The Servicer must e-mail Form 105 for a First-Lien Mortgage to Freddie Mac at <b>shortsales@freddiemac.com</b>.</p> <p>If the Servicer disputes the credit bid obtained in connection with a scheduled foreclosure sale, and Freddie Mac decides to update or change the credit bid obtained by the Servicer via the Freddie Mac Service Loans application, Freddie Mac will notify the Servicer that the credit bid has been updated prior to the foreclosure sale date. (See Section 9301.32 on updated credit bids.)</p>
<p>4. The Servicer is unable to obtain a credit bid <b>via the Freddie Mac Service Loans application (and bid in accordance with Section 9301.34)</b> because the foreclosure sale is of a Mortgaged Premises with resale restrictions (in accordance with <b>Chapter 4502 or 4406, as applicable</b>), <b>but the resale restrictions terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure</b></p>	<p>The Servicer must e-mail Form 105 for a First-Lien Mortgage to Freddie Mac at <b>shortsales@freddiemac.com</b></p>

If Freddie Mac provides bidding instructions and/or offers a bid for a foreclosure sale in response to the contact requirements above, the Servicer must cooperate with Freddie Mac and make every effort to ensure that foreclosure counsel receives the updated bidding instructions in a timely manner so as not to delay, cancel or stop a scheduled foreclosure sale.

## 9301.31: Delegated bidding (Future effective date 12/09/19)

The Servicer must offer a bid on all foreclosures. Freddie Mac delegates to the Servicer responsibility to establish the bid according to the guidelines in Sections 9301.34 through 9301.36. However, if any of the following conditions exist, the Servicer must contact Freddie Mac at least ten Business Days prior to the foreclosure sale date:

<p>1. It is not in Freddie Mac’s best interest for the Servicer to enter a bid in accordance with the guidelines</p>	<p>The Servicer must e-mail Form 105, Multipurpose Loan Servicing Transmittal, for a First-Lien Mortgage to Freddie Mac at <b>shortsales@freddiemac.com</b></p>
<p>2. A hazard insurance claim is pending and the bid will jeopardize the approval or payout of the claim</p>	<p>The Servicer must e-mail Form 105 for a First-Lien Mortgage to Freddie Mac at <b>distressed_property@freddiemac.com</b></p>
<p>3. The Servicer is unable to obtain a credit bid (see Section 9301.32 on obtaining a credit bid for foreclosure sale bidding) and bid in accordance with Section 9301.34, or the Servicer disputes the credit bid obtained in connection with a scheduled foreclosure sale</p>	<p>The Servicer must e-mail Form 105 for a First-Lien Mortgage to Freddie Mac at <b>shortsales@freddiemac.com</b>.</p> <p>If the Servicer disputes the credit bid obtained in connection with a scheduled foreclosure sale, and Freddie Mac decides to update or change the credit bid obtained by the Servicer via the Freddie Mac <b>Real Estate Valuation and Pricing tool</b> (see <b>Exhibit 88, Servicing Tools</b>), Freddie Mac will notify the Servicer that the credit bid has been updated prior to the foreclosure sale date. (See Section 9301.32 on updated credit bids.)</p>
<p>4. The Servicer is unable to obtain a credit bid via the Freddie Mac <b>Real Estate Valuation and Pricing tool</b> (and bid in accordance with Section 9301.34) because the foreclosure sale is of a Mortgaged Premises with resale</p>	<p>The Servicer must e-mail Form 105 for a First-Lien Mortgage to Freddie Mac at <b>shortsales@freddiemac.com</b></p>



restrictions (in accordance with Chapter 4502 or 4406, as applicable), but the resale restrictions terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure	
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If Freddie Mac provides bidding instructions and/or offers a bid for a foreclosure sale in response to the contact requirements above, the Servicer must cooperate with Freddie Mac and make every effort to ensure that foreclosure counsel receives the updated bidding instructions in a timely manner so as not to delay, cancel or stop a scheduled foreclosure sale.

### **9301.31: Delegated bidding (Future effective date 03/01/20)**

The Servicer must offer a bid on all foreclosures. Freddie Mac delegates to the Servicer responsibility to establish the bid according to the guidelines in Sections 9301.34 through 9301.36. However, if any of the following conditions exist, the Servicer must contact Freddie Mac at least ten Business Days prior to the foreclosure sale date:

1. It is not in Freddie Mac’s best interest for the Servicer to enter a bid in accordance with the guidelines	The Servicer must e-mail Form 105, Multipurpose Loan Servicing Transmittal, for a First-Lien Mortgage to Freddie Mac at <b>shortsales@freddiemac.com</b>
2. A hazard insurance claim is pending and the bid will jeopardize the approval or payout of the claim	The Servicer must e-mail Form 105 for a First-Lien Mortgage to Freddie Mac at <b>distressed_property@freddiemac.com</b>
3. The Servicer is unable to obtain a credit bid (see Section 9301.32 on obtaining a credit bid for foreclosure sale bidding) and bid in accordance with Section 9301.34, or the Servicer disputes the credit bid obtained in connection with a scheduled foreclosure sale	The Servicer must e-mail Form 105 for a First-Lien Mortgage to Freddie Mac at <b>shortsales@freddiemac.com</b> .  If the Servicer disputes the credit bid obtained in connection with a scheduled foreclosure sale, and Freddie Mac decides to update or change the credit bid obtained by the Servicer via the Freddie Mac Real Estate Valuation and Pricing tool (see <a href="#">Exhibit 88, Servicing Tools</a> ), Freddie Mac will notify the Servicer that the credit bid has been updated prior to the foreclosure

	sale date. (See Section 9301.32 on updated credit bids.)
4. The Servicer is unable to obtain a credit bid via the Freddie Mac Real Estate Valuation and Pricing tool (and bid in accordance with Section 9301.34) because the foreclosure sale is of a <b>property subject to</b> resale restrictions (in accordance with Chapter 4502 or 4406, as applicable), but the resale restrictions terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure	The Servicer must e-mail Form 105 for a First-Lien Mortgage to Freddie Mac at <b>shortsales@freddiemac.com</b>

If Freddie Mac provides bidding instructions and/or offers a bid for a foreclosure sale in response to the contact requirements above, the Servicer must cooperate with Freddie Mac and make every effort to ensure that foreclosure counsel receives the updated bidding instructions in a timely manner so as not to delay, cancel or stop a scheduled foreclosure sale.

## 9301.32: When to obtain a credit bid for foreclosure sale bidding (11/05/18)

The Servicer must obtain a credit bid when preparing bids on First Lien Mortgages not covered by mortgage insurance, or when State law does not require that an appraisal report be used to set the bid (see Section 9202.16 on obtaining an appraisal report to prepare foreclosure sale bidding instructions). Servicers are not required to obtain credit bids when preparing bids on Mortgaged Premises with resale restrictions that survive foreclosure **or recordation of a deed-in-lieu of foreclosure** (in accordance with Chapter 4406). The Servicer must refer to the applicable resale restrictions for details on the property valuation and/or the restricted resale price, as well as any other terms and conditions that must be met.

To ensure the Servicer has a credit bid in time for the foreclosure sale, Freddie Mac recommends that the Servicer obtain the credit bid via the Freddie Mac Service Loans application no less than 30 and no more than 90 days before the scheduled foreclosure sale date (see Chapter 2404 for information about access to the Service Loans application). If the “good through date” returned with the credit bid is set to expire prior to the scheduled foreclosure sale date, then the Servicer needs to proactively request an updated credit bid in time for the scheduled foreclosure sale.

Freddie Mac may decide, in its sole discretion or in response to a Servicer’s dispute of the credit bid (see Section 9301.31 regarding a Servicer’s dispute of the credit bid obtained in connection with a scheduled foreclosure sale), to update or change the credit bid obtained by the Servicer via

the Service Loans application. In such cases, Freddie Mac will notify the Servicer that the credit bid has been updated prior to the foreclosure sale date, and the Servicer must cooperate with Freddie Mac and make every effort to ensure that foreclosure counsel receives the updated bidding instructions in a timely manner so as not to delay, cancel or stop a scheduled foreclosure sale.

If the Servicer is unable to provide the updated bidding instructions to foreclosure counsel in a timely manner, or foreclosure counsel could not use the updated bidding instructions, then the Servicer must document it in the Mortgage file. Under no circumstance should the foreclosure sale be delayed because of the Servicer's receipt of an updated credit bid.

## **9301.32: When to obtain a credit bid for foreclosure sale bidding (Future effective date 12/09/19)**

The Servicer must obtain a credit bid when preparing bids on First Lien Mortgages not covered by mortgage insurance, or when State law does not require that an appraisal report be used to set the bid (see Section 9202.16 on obtaining an appraisal report to prepare foreclosure sale bidding instructions). Servicers are not required to obtain credit bids when preparing bids on Mortgaged Premises with resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure (in accordance with Chapter 4406). The Servicer must refer to the applicable resale restrictions for details on the property valuation and/or the restricted resale price, as well as any other terms and conditions that must be met.

To ensure the Servicer has a credit bid in time for the foreclosure sale, Freddie Mac recommends that the Servicer obtain the credit bid via the Freddie Mac [Real Estate Valuation and Pricing tool](#) (see [Exhibit 88, Servicing Tools](#)) no less than 30 and no more than 90 days before the scheduled foreclosure sale date (see Chapter 2404 for information about access to the [Real Estate Valuation and Pricing tool](#)). If the "good through date" returned with the credit bid is set to expire prior to the scheduled foreclosure sale date, then the Servicer needs to proactively request an updated credit bid in time for the scheduled foreclosure sale.

Freddie Mac may decide, in its sole discretion or in response to a Servicer's dispute of the credit bid (see Section 9301.31 regarding a Servicer's dispute of the credit bid obtained in connection with a scheduled foreclosure sale), to update or change the credit bid obtained by the Servicer via the [Real Estate Valuation and Pricing tool](#). In such cases, Freddie Mac will notify the Servicer that the credit bid has been updated prior to the foreclosure sale date, and the Servicer must cooperate with Freddie Mac and make every effort to ensure that foreclosure counsel receives the updated bidding instructions in a timely manner so as not to delay, cancel or stop a scheduled foreclosure sale.

If the Servicer is unable to provide the updated bidding instructions to foreclosure counsel in a timely manner, or foreclosure counsel could not use the updated bidding instructions, then the

Servicer must document it in the Mortgage file. Under no circumstance should the foreclosure sale be delayed because of the Servicer's receipt of an updated credit bid.

## **9301.32: When to obtain a credit bid for foreclosure sale bidding (Future effective date 03/01/20)**

The Servicer must obtain a credit bid when preparing bids on First Lien Mortgages not covered by mortgage insurance, or when State law does not require that an appraisal report be used to set the bid (see Section 9202.16 on obtaining an appraisal report to prepare foreclosure sale bidding instructions). Servicers are not required to obtain credit bids when preparing bids on **properties subject to** resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure (in accordance with Chapter 4406). The Servicer must refer to the applicable resale restrictions for details on the property valuation and/or the restricted resale price, as well as any other terms and conditions that must be met.

To ensure the Servicer has a credit bid in time for the foreclosure sale, Freddie Mac recommends that the Servicer obtain the credit bid via the Freddie Mac Real Estate Valuation and Pricing tool (see Exhibit 88, Servicing Tools) no less than 30 and no more than 90 days before the scheduled foreclosure sale date (see Chapter 2404 for information about access to the Real Estate Valuation and Pricing tool). If the "good through date" returned with the credit bid is set to expire prior to the scheduled foreclosure sale date, then the Servicer needs to proactively request an updated credit bid in time for the scheduled foreclosure sale.

Freddie Mac may decide, in its sole discretion or in response to a Servicer's dispute of the credit bid (see Section 9301.31 regarding a Servicer's dispute of the credit bid obtained in connection with a scheduled foreclosure sale), to update or change the credit bid obtained by the Servicer via the Real Estate Valuation and Pricing tool. In such cases, Freddie Mac will notify the Servicer that the credit bid has been updated prior to the foreclosure sale date, and the Servicer must cooperate with Freddie Mac and make every effort to ensure that foreclosure counsel receives the updated bidding instructions in a timely manner so as not to delay, cancel or stop a scheduled foreclosure sale.

If the Servicer is unable to provide the updated bidding instructions to foreclosure counsel in a timely manner, or foreclosure counsel could not use the updated bidding instructions, then the Servicer must document it in the Mortgage file. Under no circumstance should the foreclosure sale be delayed because of the Servicer's receipt of an updated credit bid.

## **9301.33: Requirements for and reimbursement of appraisal reports (03/02/16)**

### **(a) Requirements for appraisals**

If State or local law requires an appraisal report to establish the bid amount, and Freddie Mac has given the Servicer approval to obtain an appraisal report pursuant to the provisions of Section 9202.16(a), then the appraisal report must:

1. Be completed in accordance with the requirements in Chapter 5601
2. Be dated no more than 120 days before the foreclosure sale date
3. Be completed by an appraiser who meets the requirements of Chapter 5601 and who is free from any conflict of interest or financial interest in the transaction other than the appraiser's reasonable fee for such an opinion
4. Be based on an exterior inspection, if an interior inspection cannot be obtained
5. Document any conditions that relate to the existence of Hazardous Substances or conditions that would affect the habitability, safety, value or occupancy of the property

When the appraisal report has become greater than 120 days old, the Servicer must have the appraiser recertify the appraisal report. The Servicer must not order a new appraisal report.

#### **(b) Reimbursement of appraisal reports**

Freddie Mac will reimburse the Servicer for the cost of an appraisal report ordered in compliance with Section 9202.16(a) and this section. If the Servicer needs to reaffirm the value of the property after 120 days, Freddie Mac will reimburse for a recertification of the appraisal report.

## **9301.34: Bidding instructions for First Lien Mortgages not covered by mortgage insurance or subject to credit enhancements (11/05/18)**

For a First-Lien Mortgage not covered by mortgage insurance or subject to a credit enhancement, the Servicer must bid in accordance with the requirements provided below:

1. Unless State law requires that an appraisal report be used to set the bid or the foreclosure sale is of a Mortgaged Premises with resale restrictions that survive foreclosure **or recordation of a deed-in-lieu of foreclosure** (in accordance with Chapter 4406), Freddie Mac recommends that the Servicer obtain the credit bid via the Freddie Mac Service Loans application no less than 30 days, but no greater than 90 days prior to the scheduled foreclosure sale date. (See Section 9301.32 on obtaining a credit bid for foreclosure sale bidding and Section 9202.16 on obtaining an appraisal report to prepare foreclosure sale bidding instructions.)

2. The Servicer must then start its bid at the minimum required by State law. If State law would impose a redemption, confirmation or ratification period because the foreclosure sale price was below a certain amount, the Servicer must bid a sufficient amount that would minimize or avoid any such additional periods from being imposed. Also, if applicable State law gives the Borrower a post-foreclosure sale right of redemption, and the Borrower can redeem the property for the successful foreclosure sale price, the Servicer must start its bid, as applicable, at an amount equal to the lesser of:
  - i) 100% of the credit bid obtained from the Service Loans application
  - ii) Total indebtedness, which includes the UPB, accrued interest, Escrow advances and expenses (see Exhibit 57A, Approved Attorney Fees and Title Expenses, for the applicable expense limits)
  - iii) Such other amount as may be required by applicable State law (e.g., amount of the judgment); or
  - iv) For the foreclosure sale of a Mortgaged Premises with resale restrictions that survive foreclosure **or recordation of a deed-in-lieu of foreclosure**, the property valuation and/or the restricted resale price
3. In the event the Servicer worked with its foreclosure attorney to preserve either Freddie Mac's or the MI's right to pursue a deficiency action pursuant to Sections 9301.23 and 9301.35, respectively, or filed a judicial foreclosure to preserve the right to pursue a deficiency judgment pursuant to Section 9301.10, the Servicer should bid an amount at foreclosure sale that reserves the right to pursue deficiencies after the foreclosure sale on a case-by-case basis
4. If a third party enters a bid, the Servicer must bid, as applicable, an amount up to, but not exceeding, an amount equal to the lesser of:
  - i) 100% of the credit bid obtained from the Service Loans application
  - ii) Total indebtedness, which includes the UPB, accrued interest, Escrow advances and expenses (see Exhibit 57A for the applicable expense limits)
  - iii) Such other amount as may be required by applicable State law (e.g., amount of the judgment); or
  - iv) For the foreclosure sale of a Mortgaged Premises with resale restrictions that survive foreclosure **or recordation of a deed-in-lieu of foreclosure**, the property valuation and/or the restricted resale price

**As applicable**, in the event that the minimum bid required by State law exceeds the credit bid, but is less than total indebtedness or such other amount as may be required by State law, then the Servicer does not need to bid an amount more than the minimum bid required by State

law. However, if the minimum bid required by State law exceeds the credit bid, total indebtedness, and such other amount as may be required by State law, **or, for the foreclosure sale of a Mortgaged Premises with resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure, exceeds the property valuation and/or restricted resale price,** then the Servicer must follow the instructions in Section 9301.31.

5. Notwithstanding the requirements above, for the foreclosure sale of a Mortgaged Premises with resale restrictions that survive foreclosure **or recordation of a deed-in-lieu of foreclosure,** the Servicer must refer to the applicable resale restrictions for details on the property valuation and/or the restricted resale price, as well as any other terms and conditions that must be met.

## **9301.34: Bidding instructions for First Lien Mortgages not covered by mortgage insurance or subject to credit enhancements (Future effective date 12/09/19)**

For a First-Lien Mortgage not covered by mortgage insurance or subject to a credit enhancement, the Servicer must bid in accordance with the requirements provided below:

1. Unless State law requires that an appraisal report be used to set the bid or the foreclosure sale is of a Mortgaged Premises with resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure (in accordance with Chapter 4406), Freddie Mac recommends that the Servicer obtain the credit bid via the Freddie Mac **Real Estate Valuation and Pricing tool** (see Exhibit 88, Servicing Tools) no less than 30 days, but no greater than 90 days prior to the scheduled foreclosure sale date. (See Section 9301.32 on obtaining a credit bid for foreclosure sale bidding and Section 9202.16 on obtaining an appraisal report to prepare foreclosure sale bidding instructions.)
2. The Servicer must then start its bid at the minimum required by State law. If State law would impose a redemption, confirmation or ratification period because the foreclosure sale price was below a certain amount, the Servicer must bid a sufficient amount that would minimize or avoid any such additional periods from being imposed. Also, if applicable State law gives the Borrower a post-foreclosure sale right of redemption, and the Borrower can redeem the property for the successful foreclosure sale price, the Servicer must start its bid, as applicable, at an amount equal to the lesser of:
  - i) 100% of the credit bid obtained from the **Real Estate Valuation and Pricing tool**
  - ii) Total indebtedness, which includes the UPB, accrued interest, Escrow advances and expenses (see Exhibit 57A, Approved Attorney Fees and Title Expenses, for the applicable expense limits)



- iii) Such other amount as may be required by applicable State law (e.g., amount of the judgment); or
  - iv) For the foreclosure sale of a Mortgaged Premises with resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure, the property valuation and/or the restricted resale price
3. In the event the Servicer worked with its foreclosure attorney to preserve either Freddie Mac's or the MI's right to pursue a deficiency action pursuant to Sections 9301.23 and 9301.35, respectively, or filed a judicial foreclosure to preserve the right to pursue a deficiency judgment pursuant to Section 9301.10, the Servicer should bid an amount at foreclosure sale that reserves the right to pursue deficiencies after the foreclosure sale on a case-by-case basis
4. If a third party enters a bid, the Servicer must bid, as applicable, an amount up to, but not exceeding, an amount equal to the lesser of:
- i) 100% of the credit bid obtained from the [Real Estate Valuation and Pricing tool](#)
  - ii) Total indebtedness, which includes the UPB, accrued interest, Escrow advances and expenses (see Exhibit 57A for the applicable expense limits)
  - iii) Such other amount as may be required by applicable State law (e.g., amount of the judgment); or
  - iv) For the foreclosure sale of a Mortgaged Premises with resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure, the property valuation and/or the restricted resale price

As applicable, in the event that the minimum bid required by State law exceeds the credit bid, but is less than total indebtedness or such other amount as may be required by State law, then the Servicer does not need to bid an amount more than the minimum bid required by State law. However, if the minimum bid required by State law exceeds the credit bid, total indebtedness, and such other amount as may be required by State law, or, for the foreclosure sale of a Mortgaged Premises with resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure, exceeds the property valuation and/or restricted resale price, then the Servicer must follow the instructions in Section 9301.31.

5. Notwithstanding the requirements above, for the foreclosure sale of a Mortgaged Premises with resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure, the Servicer must refer to the applicable resale restrictions for details on the property valuation and/or the restricted resale price, as well as any other terms and conditions that must be met.



## 9301.34: Bidding instructions for First Lien Mortgages not covered by mortgage insurance or subject to credit enhancements (Future effective date 03/01/20)

For a First-Lien Mortgage not covered by mortgage insurance or subject to a credit enhancement, the Servicer must bid in accordance with the requirements provided below:

1. Unless State law requires that an appraisal report be used to set the bid or the foreclosure sale is of a **property subject to** resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure (in accordance with Chapter 4406), Freddie Mac recommends that the Servicer obtain the credit bid via the Freddie Mac Real Estate Valuation and Pricing tool (see Exhibit 88, Servicing Tools) no less than 30 days, but no greater than 90 days prior to the scheduled foreclosure sale date. (See Section 9301.32 on obtaining a credit bid for foreclosure sale bidding and Section 9202.16 on obtaining an appraisal report to prepare foreclosure sale bidding instructions.)
2. The Servicer must then start its bid at the minimum required by State law. If State law would impose a redemption, confirmation or ratification period because the foreclosure sale price was below a certain amount, the Servicer must bid a sufficient amount that would minimize or avoid any such additional periods from being imposed. Also, if applicable State law gives the Borrower a post-foreclosure sale right of redemption, and the Borrower can redeem the property for the successful foreclosure sale price, the Servicer must start its bid, as applicable, at an amount equal to the lesser of:
  - i) 100% of the credit bid obtained from the Real Estate Valuation and Pricing tool
  - ii) Total indebtedness, which includes the UPB, accrued interest, Escrow advances and expenses (see Exhibit 57A, Approved Attorney Fees and Title Expenses, for the applicable expense limits)
  - iii) Such other amount as may be required by applicable State law (e.g., amount of the judgment); or
  - iv) For the foreclosure sale of a **property subject to** resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure, the property valuation and/or the restricted resale price
3. In the event the Servicer worked with its foreclosure attorney to preserve either Freddie Mac's or the MI's right to pursue a deficiency action pursuant to Sections 9301.23 and 9301.35, respectively, or filed a judicial foreclosure to preserve the right to pursue a deficiency judgment pursuant to Section 9301.10, the Servicer should bid an amount at foreclosure sale that reserves the right to pursue deficiencies after the foreclosure sale on a case-by-case basis

4. If a third party enters a bid, the Servicer must bid, as applicable, an amount up to, but not exceeding, an amount equal to the lesser of:
  - i) 100% of the credit bid obtained from the Real Estate Valuation and Pricing tool
  - ii) Total indebtedness, which includes the UPB, accrued interest, Escrow advances and expenses (see Exhibit 57A for the applicable expense limits)
  - iii) Such other amount as may be required by applicable State law (e.g., amount of the judgment); or
  - iv) For the foreclosure sale of a **property subject to** resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure, the property valuation and/or the restricted resale price

As applicable, in the event that the minimum bid required by State law exceeds the credit bid, but is less than total indebtedness or such other amount as may be required by State law, then the Servicer does not need to bid an amount more than the minimum bid required by State law. However, if the minimum bid required by State law exceeds the credit bid, total indebtedness, and such other amount as may be required by State law, or, for the foreclosure sale of a **property subject to** resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure, exceeds the property valuation and/or restricted resale price, then the Servicer must follow the instructions in Section 9301.31.

5. Notwithstanding the requirements above, for the foreclosure sale of a **property subject to** with resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure, the Servicer must refer to the applicable resale restrictions for details on the property valuation and/or the restricted resale price, as well as any other terms and conditions that must be met.

## **9301.35: Bidding instructions for Mortgages covered by mortgage insurance or subject to credit enhancements (03/02/16)**

For a First Lien Mortgage covered by mortgage insurance, the Servicer must bid an amount approved by the MI. If the MI elects not to issue bidding instructions, or Freddie Mac has a delegation of authority from the MI for foreclosure sale bidding, the Servicer must follow the instructions in Section 9301.34.

Notwithstanding the above, in the event the Mortgage has mortgage insurance and the MI's bidding instructions or requirements include preserving deficiency rights, where permitted by applicable law, regardless if the MI has delegated authority to Freddie Mac for foreclosure sale bidding, the Servicer must preserve the MI's right to pursue a deficiency action and should bid an amount at foreclosure sale that reserves the right to pursue deficiencies after the foreclosure sale on a case-by-case basis.

For a Mortgage subject to a credit enhancement, the Servicer must bid an amount approved by the responsible party.

## **9301.36: Bidding instructions for Mortgages insured by the FHA or guaranteed by the VA or RHS (03/02/16)**

If the Mortgage is insured by the FHA or guaranteed by the VA or RHS, then the Servicer must follow FHA, VA or RHS guidelines for bidding instructions. If the Mortgage is a VA Mortgage, then the Servicer may not enter a bid on Freddie Mac's behalf in excess of the upset price established by the VA. If the Servicer does not receive the VA upset price, the Servicer must contact Freddie Mac for instructions by submitting Form 105, Multipurpose Loan Servicing Transmittal, to Freddie Mac (see **Directory 5**).

## **9301.37: Bidding appropriately and pursuit of surplus proceeds or overbid funds (03/02/16)**

The Servicer must bid at the foreclosure sale:

- In accordance with the requirements in Sections 9301.31 through 9301.36, and
- To preserve Freddie Mac's rights to a deficiency according to the requirements in Sections 9301.23 through 9301.25

If the property is purchased by a third party at the foreclosure sale and there are any surplus proceeds or overbid funds, the Servicer must pursue and claim to retain the funds, so long as it is determined to be in Freddie Mac's best interest, to the extent:

- The funds will satisfy or reduce the total indebtedness under the terms of the Mortgage or such other amount as may be allowed by State law (e.g., amount and terms of the judgment) and the costs and expenses of the sale, if possible; and
- It is permitted under applicable State law

If the Servicer knows that additional attorney fees will be incurred when pursuing any surplus proceeds or overbid funds, and the Servicer believes it is in Freddie Mac's best interest to pursue and claim to retain any surplus proceeds or overbid funds, the Servicer must submit a request for pre-approval (RPA) to Freddie Mac via the Freddie Mac Reimbursement System to recommend incurring additional attorney fees.

## 9301.38: Reporting foreclosure sale results (03/09/16)

### (a) Reporting requirements

The Servicer must notify Freddie Mac of the results of all foreclosure sales, including successful third-party bids. The Servicer must notify Freddie Mac of the foreclosure sale results via the Freddie Mac Service Loans application (i.e., foreclosure sale/deed-in-lieu of foreclosure (“DIL”) submission) and complete the applicable data fields, including whether deficiency rights were preserved, no later than the Business Day immediately following the date of the foreclosure sale.

- If the property was purchased by a third party at the foreclosure sale and either the sale price is less than the total indebtedness or the Servicer is owed reimbursable expenses or amounts, then the Servicer must use Workout Prospector<sup>®</sup> to settle the third-party foreclosure sale transaction once the foreclosure sale is confirmed or ratified and the Servicer has received the sale proceeds. (Refer to Section 9301.43 regarding reporting and remittance requirements for third-party sales.)

If the result of a foreclosure sale reported to Freddie Mac needs to be corrected or removed for reasons noted in Section 9301.39(a), the Servicer must notify Freddie Mac by requesting a “rollback” pursuant to Section 9301.39.

Once a foreclosure sale is held, a Servicer does not need to continue to report applicable information through EDR for the Mortgage. (See Section 9102.7 regarding monthly EDR transmissions.)

### (b) Compensatory fee for failing to comply with reporting requirements

Failure to comply with the requirements of Section 9301.38 will result in the assessment of a compensatory fee to the Servicer of \$100 per day for every day that the foreclosure sale is not reported correctly. If the results of the foreclosure sale are not reported correctly, Freddie Mac may exercise its remedies provided by the Guide and the other Purchase Documents. Refer to Chapter 3602 regarding repurchases, repurchase alternatives and other remedies.

Freddie Mac will bill the Servicer for such compensatory fees on the Servicer Non-Performing Loans Invoice. Refer to Section 9102.1 for information on the payment of Servicing Non-Performing Loans Invoices via an Automated Clearing House draft.

Servicers are not required to, but may appeal a compensatory fee for late foreclosure sale reporting. Appeals must be submitted to Freddie Mac via the Freddie Mac Default Fee Appeal System.

Freddie Mac considers the notification to be correctly reported when Freddie Mac has received and successfully processed the foreclosure sale/DIL submission without errors.

## 9301.38: Reporting foreclosure sale results (Future effective date 12/09/19)

### (a) Reporting requirements

The Servicer must notify Freddie Mac of the results of all foreclosure sales, including successful third-party bids. The Servicer must notify Freddie Mac of the foreclosure sale results via the Freddie Mac [Foreclosure Sale Reporting tool](#) (see Exhibit 88, [Servicing Tools](#)) (i.e., foreclosure sale/deed-in-lieu of foreclosure (“DIL”) submission) and complete the applicable data fields, including whether deficiency rights were preserved, no later than the Business Day immediately following the date of the foreclosure sale.

- If the property was purchased by a third party at the foreclosure sale and either the sale price is less than the total indebtedness or the Servicer is owed reimbursable expenses or amounts, then the Servicer must use Workout Prospector<sup>®</sup> to settle the third-party foreclosure sale transaction once the foreclosure sale is confirmed or ratified and the Servicer has received the sale proceeds. (Refer to Section 9301.43 regarding reporting and remittance requirements for third-party sales.)

If the result of a foreclosure sale reported to Freddie Mac needs to be corrected or removed for reasons noted in Section 9301.39(a), the Servicer must notify Freddie Mac by requesting a “rollback” pursuant to Section 9301.39.

Once a foreclosure sale is held, a Servicer does not need to continue to report applicable information through EDR for the Mortgage. (See Section 9102.7 regarding monthly EDR transmissions.)

### (b) Compensatory fee for failing to comply with reporting requirements

Failure to comply with the requirements of Section 9301.38 will result in the assessment of a compensatory fee to the Servicer of \$100 per day for every day that the foreclosure sale is not reported correctly. If the results of the foreclosure sale are not reported correctly, Freddie Mac may exercise its remedies provided by the Guide and the other Purchase Documents. Refer to Chapter 3602 regarding repurchases, repurchase alternatives and other remedies.

Freddie Mac will bill the Servicer for such compensatory fees on the Servicer Non-Performing Loans Invoice. Refer to Section 9102.1 for information on the payment of Servicing Non-Performing Loans Invoices via an Automated Clearing House draft.

Servicers are not required to but may appeal a compensatory fee for late foreclosure sale reporting. Appeals must be submitted to Freddie Mac via the Freddie Mac Default Fee Appeal System.

Freddie Mac considers the notification to be correctly reported when Freddie Mac has received and successfully processed the foreclosure sale/DIL submission without errors.

## 9301.39: Rollbacks (10/09/19)

Refer to Bulletins 2019-18, 2019-19 and 2019-21, which announced the availability of Freddie Mac Servicing Data Corrections. Servicers may use the application prior to the implementation of the December 9, 2019 version of this section.

If the result of a foreclosure sale reported to Freddie Mac needs to be corrected or removed for various reasons including, but not limited to, the reasons noted in subsection (a), the Servicer must notify Freddie Mac by requesting a “rollback.”

### (a) Reporting requirements

1. The Servicer must notify Freddie Mac within one Business Day of the Servicer’s determination, in coordination with foreclosure counsel, that the foreclosure sale is legally invalid or void (e.g., a prior bankruptcy filing renders the sale void). The Servicer must notify Freddie Mac of the rollback by submitting Form 106, Rollback Request Form, to Freddie Mac (see **Directory 5**).
  - Following the Servicer’s determination that the foreclosure sale is legally invalid or void, if appropriate, the Servicer must take legal action to obtain relief and seek validation of the foreclosure sale. The Servicer must process the foreclosure according to all applicable Guide requirements and continue to monitor the status of all pending legal action(s). For example, if a bankruptcy petition has been filed and the Servicer files a motion to obtain relief or annul the automatic stay and obtain validation of the foreclosure sale, the Servicer must monitor the status of the motion.
  - Subsequent to Freddie Mac’s receipt and processing of the rollback, and prior to any validation of the foreclosure sale, if any, the Servicer must continue to report all applicable information through EDR for the Mortgage. (See Section 9102.7 regarding monthly EDR transmissions.) If the court grants a motion for relief and/or enters an order validating the foreclosure sale, the Servicer must re-report the foreclosure sale results (pursuant to the reporting requirements in Section 9301.38) within one Business Day of entry of the order by the court.
  - In circumstances where a Chapter 11, 12 or 13 bankruptcy filing would not legally invalidate or void the foreclosure sale but the Servicer is applying payments under any bankruptcy repayment plan, the Servicer must notify Freddie Mac by submitting Form 106 (see **Directory 5**). In these cases, it may be in Freddie Mac’s best interest to process a rollback to allow the Servicer to report applicable information relating to the bankruptcy repayment plan. Subsequent to Freddie Mac’s receipt and processing of the rollback, if the court dismisses the bankruptcy case or grants a motion for relief from the automatic stay, the Servicer must re-report the foreclosure sale results within one Business Day of entry of the order by the court, and use the date of entry of the order as the foreclosure sale date.

2. If a third party enters an upset bid per applicable State law on a property that Freddie Mac acquired at the foreclosure sale (i.e., REO property), the Servicer must notify Freddie Mac by submitting Form 106 (**see Directory 5**) within one Business Day of the upset bid
  - The Servicer must report the foreclosure sale results based on the final upset bid within one Business Day of receiving notification from Freddie Mac that the rollback has been processed, and the upset bid period has expired
3. If the property is sold to a third party, but the sale falls through and the Servicer must foreclose the Mortgaged Premises again, the Servicer must notify Freddie Mac by submitting Form 106 (**see Directory 5**). The Servicer must notify Freddie Mac within one Business Day of the Servicer's determination that the Mortgaged Premises needs to be re-foreclosed and must indicate such determination on Form 106.

In the event the Mortgaged Premises needs to be re-foreclosed, the Servicer must process the foreclosure according to all applicable Guide requirements once the foreclosure action is validated. Additionally, subsequent to Freddie Mac's receipt and processing of the rollback, the Servicer must continue to report all applicable information through EDR for the Mortgage.

4. If the Servicer incorrectly reported that Freddie Mac acquired the property at the foreclosure sale and needs to re-report the correct foreclosure sale results, the Servicer must notify Freddie Mac by submitting Form 106 (**see Directory 5**)
  - The Servicer must report the correct foreclosure sale results within one Business Day of receiving notification from Freddie Mac that the rollback has been processed
5. If the Servicer approved the Borrower for an alternative to foreclosure prior to the foreclosure sale, but did not cancel the foreclosure sale, the Servicer must notify Freddie Mac by submitting Form 106 (**see Directory 5**) within one Business Day of the Servicer's determination that the foreclosure sale can be rescinded
  - The Servicer must contact the foreclosure counsel to confirm the foreclosure sale can be rescinded and indicate such determination on Form 106 when notifying Freddie Mac of the rollback
  - The Servicer must comply with the requirements set forth in the Guide and other Purchase Documents for the applicable alternative to foreclosure. To the extent permitted by applicable law, the Servicer must not rescind the foreclosure sale until the Borrower executes the applicable agreement, makes the appropriate payment (if required) and otherwise complies with the terms of the alternative to foreclosure.
  - Subsequent to Freddie Mac's receipt and processing of the rollback, if the Borrower does not comply with the requirements of the applicable alternative to foreclosure, the Servicer must cancel the agreement and notify Freddie Mac by resubmitting Form

106 (see **Directory 5**) within one Business Day of the cancellation. Additionally, the Servicer must comply with all other reporting requirements applicable to the specific alternative to foreclosure, and re-report the foreclosure sale results immediately following all other reporting requirements being completed.

- Post-sale alternative to foreclosure reviews and/or approvals are generally prohibited. A rollback request due to the approval of an alternative to foreclosure after the foreclosure sale will not be processed by Freddie Mac except for reasons noted in this Section 9301.39(a) or any other applicable Guide sections. However, if payments are made and applied by the Servicer after the foreclosure sale, in absence of a pre-sale agreement, it may be in Freddie Mac’s best interest to process a rollback.

For all rollback requests, the Servicer must ensure that title vests to the appropriate party in the event the rollback has been processed, and/or the foreclosure sale has been rescinded.

The Servicer does not need to request a rollback if the Servicer reported that a third party purchased the property at the foreclosure sale, erroneously or otherwise, and needs to report that Freddie Mac acquired the property at the foreclosure sale. Instead, the Servicer must re-report the foreclosure sale results within one Business Day of the Servicer’s determination that Freddie Mac acquired the property at the foreclosure sale.

#### **(b) Compensatory fee for failing to comply with reporting requirements**

The Servicer will be assessed a compensatory fee in an amount equal to \$1,000 per occurrence for administrative costs plus any third-party costs when Freddie Mac must process a rollback in accordance with Section 9301.39(a). Freddie Mac will not reimburse foreclosure fees and costs for the improper foreclosure that resulted in a rollback.

Freddie Mac will bill the Servicer for such compensatory fees on the Servicer Non-Performing Loans Invoice. Refer to Section 9102.1 for information on the payment of Servicer Non-Performing Loans Invoices via an Automated Clearing House draft.

Freddie Mac considers the notification to be correctly reported when Freddie Mac has received and successfully processed the foreclosure sale/deed-in-lieu of foreclosure submission without errors.

## **9301.39: Rollbacks (Future effective date 12/09/19)**

If the result of a foreclosure sale reported to Freddie Mac needs to be corrected or removed for various reasons including, but not limited to, the reasons noted in subsection (a), the Servicer must notify Freddie Mac by requesting a “rollback.”

#### **(a) Reporting requirements**



1. The Servicer must notify Freddie Mac, [via Freddie Mac Servicing Data Corrections \(see Exhibit 88, Servicing Tools\)](#), within one Business Day of the Servicer's determination, in coordination with foreclosure counsel, that the foreclosure sale is legally invalid or void (e.g., a prior bankruptcy filing renders the sale void).
  - Following the Servicer's determination that the foreclosure sale is legally invalid or void, if appropriate, the Servicer must take legal action to obtain relief and seek validation of the foreclosure sale. The Servicer must process the foreclosure according to all applicable Guide requirements and continue to monitor the status of all pending legal action(s). For example, if a bankruptcy petition has been filed and the Servicer files a motion to obtain relief or annul the automatic stay and obtain validation of the foreclosure sale, the Servicer must monitor the status of the motion.
  - Subsequent to Freddie Mac's receipt and processing of the rollback, and prior to any validation of the foreclosure sale, if any, the Servicer must continue to report all applicable information through EDR for the Mortgage. (See Section 9102.7 regarding monthly EDR transmissions.) If the court grants a motion for relief and/or enters an order validating the foreclosure sale, the Servicer must re-report the foreclosure sale results (pursuant to the reporting requirements in Section 9301.38) within one Business Day of entry of the order by the court.
  - In circumstances where a Chapter 11, 12 or 13 bankruptcy filing would not legally invalidate or void the foreclosure sale but the Servicer is applying payments under any bankruptcy repayment plan, the Servicer must notify Freddie Mac, [via the Servicing Data Corrections tool](#). In these cases, it may be in Freddie Mac's best interest to process a rollback to allow the Servicer to report applicable information relating to the bankruptcy repayment plan. Subsequent to Freddie Mac's receipt and processing of the rollback, if the court dismisses the bankruptcy case or grants a motion for relief from the automatic stay, the Servicer must re-report the foreclosure sale results within one Business Day of entry of the order by the court and use the date of entry of the order as the foreclosure sale date.
2. If a third party enters an upset bid per applicable State law on a property that Freddie Mac acquired at the foreclosure sale (i.e., REO property), the Servicer must notify Freddie Mac, [via the Servicing Data Corrections tool](#), within one Business Day of the upset bid
  - The Servicer must report the foreclosure sale results based on the final upset bid within one Business Day of receiving notification from Freddie Mac that the rollback has been processed, and the upset bid period has expired
3. If the property is sold to a third party, but the sale falls through and the Servicer [determines it](#) must foreclose the Mortgaged Premises again, the Servicer must notify Freddie Mac [of its determination within one Business Day via the Servicing Data Corrections tool](#).

In the event the Mortgaged Premises needs to be re-foreclosed, the Servicer must process the foreclosure according to all applicable Guide requirements once the foreclosure action is validated. Additionally, subsequent to Freddie Mac's receipt and processing of the rollback, the Servicer must continue to report all applicable information through EDR for the Mortgage.

4. If the Servicer incorrectly reported that Freddie Mac acquired the property at the foreclosure sale and needs to re-report the correct foreclosure sale results, the Servicer must notify Freddie Mac via [the Servicing Data Corrections tool](#)
  - The Servicer must report the correct foreclosure sale results within one Business Day of receiving notification from Freddie Mac that the rollback has been processed
5. If the Servicer approved the Borrower for an alternative to foreclosure prior to the foreclosure sale, but did not cancel the foreclosure sale, the Servicer must notify Freddie Mac [within one Business Day, via the Servicing Data Corrections tool](#), its determination that the foreclosure sale can be rescinded
  - The Servicer must contact the foreclosure counsel to confirm the foreclosure sale can be rescinded and indicate such determination in [the Servicing Data Corrections tool](#) when notifying Freddie Mac of the rollback
  - The Servicer must comply with the requirements set forth in the Guide and other Purchase Documents for the applicable alternative to foreclosure. To the extent permitted by applicable law, the Servicer must not rescind the foreclosure sale until the Borrower executes the applicable agreement, makes the appropriate payment (if required) and otherwise complies with the terms of the alternative to foreclosure.
  - Subsequent to Freddie Mac's receipt and processing of the rollback, if the Borrower does not comply with the requirements of the applicable alternative to foreclosure, the Servicer must cancel the agreement and notify Freddie Mac via [the Servicing Data Corrections tool](#) within one Business Day of the cancellation. Additionally, the Servicer must comply with all other reporting requirements applicable to the specific alternative to foreclosure, and re-report the foreclosure sale results immediately following all other reporting requirements being completed.
  - Post-sale alternative to foreclosure reviews and/or approvals are generally prohibited. A rollback request due to the approval of an alternative to foreclosure after the foreclosure sale will not be processed by Freddie Mac except for reasons noted in this Section 9301.39(a) or any other applicable Guide sections. However, if payments are made and applied by the Servicer after the foreclosure sale, in absence of a pre-sale agreement, it may be in Freddie Mac's best interest to process a rollback.

For all rollback requests, the Servicer must ensure that title vests to the appropriate party in the event the rollback has been processed, and/or the foreclosure sale has been rescinded.

The Servicer does not need to request a rollback if the Servicer reported that a third party purchased the property at the foreclosure sale, erroneously or otherwise, and needs to report that Freddie Mac acquired the property at the foreclosure sale. Instead, the Servicer must re-report the foreclosure sale results within one Business Day of the Servicer's determination that Freddie Mac acquired the property at the foreclosure sale.

**(b) Compensatory fee for failing to comply with reporting requirements**

The Servicer will be assessed a compensatory fee in an amount equal to \$1,000 per occurrence for administrative costs plus any third-party costs when Freddie Mac must process a rollback in accordance with Section 9301.39(a). Freddie Mac will not reimburse foreclosure fees and costs for the improper foreclosure that resulted in a rollback.

Freddie Mac will bill the Servicer for such compensatory fees on the Servicer Non-Performing Loans Invoice. Refer to Section 9102.1 for information on the payment of Servicer Non-Performing Loans Invoices via an Automated Clearing House draft.

Freddie Mac considers the notification to be correctly reported when Freddie Mac has received and successfully processed the foreclosure sale/deed-in-lieu of foreclosure submission without errors.

## **9301.40: Delivery of clear and marketable title (08/17/16)**

**(a) Property located in a State without a redemption or confirmation period**

When the Servicer is the purchaser of the property at a foreclosure sale, it must ensure that the foreclosure counsel provides Freddie Mac with clear and marketable title to the property after the foreclosure sale. The title must be free of any liens, claims, defects and encumbrances. The title must be marketable so Freddie Mac can sell the property freely to others. **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.**

The Servicer must instruct the foreclosure counsel to:

1. Submit the foreclosure deed for recordation within one Business Day after receipt of the deed
2. Obtain the recorder's receipt as evidence that the deed was presented for recordation
3. Send the Servicer the recorder's receipt within three Business Days after receiving it from the recorder

4. Provide the recorded deed to the Servicer within three Business Days after receiving the deed from the recorder's office. The Servicer must retain the deed in the Mortgage file.

**(b) Property located in a State with a redemption or confirmation period**

After the redemption period has expired or the foreclosure sale has been confirmed, the Servicer must ensure that clear and marketable title is obtained as stated in Section 9301.40(a).

**Executing documents**

If Freddie Mac needs to execute a document for the Servicer to process the foreclosure, or execute a document related to a foreclosure sale, the Servicer must submit Form 105, Multipurpose Loan Servicing Transmittal, to Freddie Mac (**see Directory 5**) with all supporting documentation, which may include, but is not limited to, the last recorded document in the chain of title, and include the document Freddie Mac needs to execute.

## **9301.41: Vesting the title and avoiding transfer taxes (03/02/16)**

After the foreclosure sale, or when closing a deed-in-lieu of foreclosure transaction, the Servicer must ensure that title to the property is vested to the appropriate party. (See Section 9209.8 regarding closing, reporting and remittance requirements for a deed-in-lieu of foreclosure transaction.)

**(a) Conventional Mortgages**

After the foreclosure sale (if the property is not purchased by a third party) or when closing a deed-in-lieu of foreclosure transaction, the Servicer must ensure that title to the property is vested in Freddie Mac's name; that is, unless it is in Freddie Mac's best interest to have the title to the property vested in the Servicer's name after the foreclosure sale. In such cases, the Servicer must then have the title to the property transferred to Freddie Mac via special warranty deed or quitclaim deed, and must ensure that the transfer of title will not impair Freddie Mac's sale of the REO. In Florida, a special warranty deed is required to transfer the title to the property to Freddie Mac. The transfer to Freddie Mac's name should generally be completed within 30 days of vesting the title in the Servicer's name. For example, if having the title to the property vested in the Servicer's name after the foreclosure sale limits the liability for Freddie Mac to reimburse condominium, homeowners association (HOA) and Planned Unit Development (PUD) regular assessments, then the Servicer should proceed in such a manner. If the Servicer determines it is in Freddie Mac's best interest, the Servicer must record in the Mortgage file the decision to vest the title in the Servicer's name and the basis for its decision.

After the foreclosure sale, or when closing a deed-in-lieu of foreclosure transaction, title to the property should be vested in a manner that does not result in an obligation to pay transfer taxes. Freddie Mac will not reimburse the Servicer for any transfer taxes, unless:

- Local authorities require the Servicer to pay the transfer tax in order to record a deed and ensure that title vests appropriately
- The transfer tax is paid under protest
- The Servicer submits the request for written pre-approval (RPA) for reimbursement of the transfer tax via the Freddie Mac Reimbursement System (see Section 9701.15), and
- Counsel could not process the foreclosure and/or the deed-in-lieu of foreclosure transaction in a manner that would successfully avoid the imposition of the transfer tax obligation

Servicers will not be reimbursed for transfer taxes if any of the above conditions and requirements do not exist or are not met.

If the foreclosure involves a Manufactured Home in a certificate of title State, the Servicer must conduct the replevin or other legal action necessary to repossess the home in the Servicer's name and have the new certificate of title issued in Freddie Mac's name.

#### **(b) Mortgages insured by the FHA or guaranteed by the VA or RHS**

The Servicer must follow FHA, VA or RHS guidelines for conveying title to the foreclosed property to the applicable agency.

## **9301.42: Reporting and remittance requirements for redemptions and confirmation date changes (12/01/18)**

The Servicer must notify Freddie Mac if either the projected expiration of the redemption period changes, or the scheduled confirmation date changes from the date the Servicer notified Freddie Mac of the foreclosure sale/deed-in-lieu of foreclosure via the Freddie Mac Service Loans application.

The Servicer must report the change by submitting Form 105, Multipurpose Loan Servicing Transmittal, to Freddie Mac (**see Directory 6**) no later than one Business Day after the Servicer receives notification of the change.

#### **(a) Redemptions of REO properties**

##### **(i) Reporting requirements for REO redemptions**

The Servicer must notify Freddie Mac that the REO property is redeemed no later than one Business Day after redemption by completing and submitting Form 105 to Freddie Mac (**see Directory 6**) for a 1-unit property or 2- to 4-unit properties. If Freddie Mac must execute any documents related to the redemption, the Servicer must send the documents with Form 105 to the appropriate address.

**(ii) Remitting REO redemption proceeds – 1-unit and 2- to 4-unit properties**

If the property is redeemed, the Servicer must forward to Freddie Mac the principal and interest amount due (through the redemption date), as well as all amounts that are reimbursable by Freddie Mac pursuant to Chapter 9701 within five Business Days of receiving the redemption proceeds.

If included in the redemption proceeds, the Servicer may net out any amounts that are due to the Servicer from the Borrower but are not reimbursable by Freddie Mac (e.g., late fees, NSF fees, property inspections and other items permitted by applicable law); that is, so long as the redemption proceeds after any netting are sufficient to cover the amounts required to be forwarded to Freddie Mac.

If the redemption proceeds are not sufficient to cover the amounts required to be forwarded to Freddie Mac, then the Servicer must remit the entire redemption proceeds to Freddie Mac.

Checks should be made payable to the Federal Home Loan Mortgage Corporation and must reference the property address and the nine-digit Freddie Mac loan number on the check. Remittances should be forwarded to the appropriate business address below.

Overnight mail or courier deliveries:

JP Morgan Chase  
National Wholesale LockBox TX 1-0029  
14800 Frye Road  
Fort Worth, TX 76155  
Attn: Freddie Mac #730453

Wire proceeds:

JP Morgan Chase Bank  
Benefit FHLMC  
55 Water Street  
New York, NY 10041  
ABA #021000021  
FAO: Freddie Mac #9102418887

Submit the claim for the related expenses to Freddie Mac via the Freddie Mac Reimbursement System available at <http://www.freddiemac.com/singlefamily/service/>.

**(b) Reporting and remittance requirements for redemptions following third-party foreclosure sales**

The remittance requirements for redemptions following third-party foreclosure sales are the same as the remittance requirements for third-party foreclosure sales. If a Servicer receives redemption proceeds, the Servicer must remit the required principal and interest owed to Freddie Mac (as required in Section 8303.10) no later than five Business Days after the Servicer receives the proceeds.

Servicers must comply with the investor reporting and remitting requirements in Chapter 8303.

If, after remitting the required amount to Freddie Mac, the Servicer is owed reimbursable expenses or reimbursable principal and interest, then the Servicer must request reimbursement of expenses following the redemption in the same manner it requests reimbursement following a third-party foreclosure sale, as described in Section 9301.43.

## **9301.42: Reporting and remittance requirements for redemptions and confirmation date changes (Future effective date 12/09/19)**

The Servicer must notify Freddie Mac if either the projected expiration of the redemption period changes, or the scheduled confirmation date changes from the date the Servicer notified Freddie Mac of the foreclosure sale/deed-in-lieu of foreclosure via the Freddie Mac [Foreclosure Sale Reporting tool](#) (see Exhibit 88, [Servicing Tools](#)).

The Servicer must report the change by submitting Form 105, Multipurpose Loan Servicing Transmittal, to Freddie Mac (see [Directory 6](#)) no later than one Business Day after the Servicer receives notification of the change.

**(a) Redemptions of REO properties**

**(i) Reporting requirements for REO redemptions**

The Servicer must notify Freddie Mac that the REO property is redeemed no later than one Business Day after redemption by completing and submitting Form 105 to Freddie Mac (see [Directory 6](#)) for a 1-unit property or 2- to 4-unit properties. If Freddie Mac must execute any documents related to the redemption, the Servicer must send the documents with Form 105 to the appropriate address.

**(ii) Remitting REO redemption proceeds – 1-unit and 2- to 4-unit properties**

If the property is redeemed, the Servicer must forward to Freddie Mac the principal and interest amount due (through the redemption date), as well as all amounts that are reimbursable by Freddie Mac pursuant to Chapter 9701 within five Business Days of receiving the redemption proceeds.

If included in the redemption proceeds, the Servicer may net out any amounts that are due to the Servicer from the Borrower but are not reimbursable by Freddie Mac (e.g., late fees, NSF fees, property inspections and other items permitted by applicable law); that is, so long as the redemption proceeds after any netting are sufficient to cover the amounts required to be forwarded to Freddie Mac.

If the redemption proceeds are not sufficient to cover the amounts required to be forwarded to Freddie Mac, then the Servicer must remit the entire redemption proceeds to Freddie Mac.

Checks should be made payable to the Federal Home Loan Mortgage Corporation and must reference the property address and the nine-digit Freddie Mac loan number on the check. Remittances should be forwarded to the appropriate business address below.

Overnight mail or courier deliveries:

JP Morgan Chase  
National Wholesale LockBox TX 1-0029  
14800 Frye Road  
Fort Worth, TX 76155  
Attn: Freddie Mac #730453

Wire proceeds:

JP Morgan Chase Bank  
Benefit FHLMC  
55 Water Street  
New York, NY 10041  
ABA #021000021  
FAO: Freddie Mac #9102418887

Submit the claim for the related expenses to Freddie Mac via the Freddie Mac Reimbursement System available at <http://www.freddiemac.com/singlefamily/service/>.

**(b) Reporting and remittance requirements for redemptions following third-party foreclosure sales**

The remittance requirements for redemptions following third-party foreclosure sales are the same as the remittance requirements for third-party foreclosure sales. If a Servicer receives redemption proceeds, the Servicer must remit the required principal and interest owed to



Freddie Mac (as required in Section 8303.10) no later than five Business Days after the Servicer receives the proceeds.

Servicers must comply with the investor reporting and remitting requirements in Chapter 8303.

If, after remitting the required amount to Freddie Mac, the Servicer is owed reimbursable expenses or reimbursable principal and interest, then the Servicer must request reimbursement of expenses following the redemption in the same manner it requests reimbursement following a third-party foreclosure sale, as described in Section 9301.43.

## **9301.43: Third-party sale proceeds, reimbursement of expenses and reporting and remittance requirements (11/30/16)**

### **(a) Remitting the sale proceeds**

If a third party purchases the property at the foreclosure sale the Servicer must instruct the foreclosure counsel conducting the sale to remit the sale proceeds (i.e., sale proceeds without any netting by foreclosure counsel of their fees and/or costs from the sale proceeds check) to the Servicer via overnight mail or wire transfer no later than three Business Days after the foreclosure counsel receives the proceeds.

If the Servicer has not received the sale proceeds from the foreclosure counsel who conducted the sale within 60 days from the foreclosure sale, then the Servicer should provide a status update to Freddie Mac at [shortsales@freddiemac.com](mailto:shortsales@freddiemac.com), and on a monthly basis thereafter until the Servicer receives the proceeds.

### **(b) Obtaining reimbursement for foreclosure counsel fees and costs**

The foreclosure counsel must obtain reimbursement of all fees and costs from the Servicer. The foreclosure counsel should not net their fees and/or costs from the sale proceeds check. If applicable law mandates that certain expenses (e.g., sheriff or auctioneer fees) be deducted from the sale proceeds before remitting them to the foreclosure counsel, the Servicer must instruct the foreclosure counsel to send the Servicer an itemization of the distribution of the proceeds with the sale proceeds. This itemization of the distribution of the proceeds may be needed as supporting documentation if the Servicer intends to be reimbursed for any shortage in the sale proceeds.

Note: Freddie Mac will not reimburse the Servicer for foreclosure fees and costs incurred on a Mortgage that was sold to Freddie Mac with recourse.

### **(c) Reporting and remittance requirements for third-party sales**

To complete the third-party foreclosure sale, the Servicer must complete the following steps:

1. The Servicer must notify Freddie Mac of the third-party sale no later than the Business Day immediately following the date of the foreclosure sale pursuant to Section 9301.38
2. Following the Servicer's receipt of the proceeds from a third-party sale, the Servicer must complete all reporting and remittance requirements pursuant to Section 8303.10
3. The Servicer must use Workout Prospector<sup>®</sup> to settle the third-party foreclosure sale transaction (see Section 9301.43(d) for details on using Workout Prospector for third-party foreclosure sales) if, after remitting the required amount to Freddie Mac, the Servicer is owed:
  - Reimbursable principal and interest (pursuant to Section 8303.32)
  - Any shortage in the sale proceeds (e.g., sheriff or auctioneer fees), and/or
  - Reimbursable expenses or amounts (pursuant to Chapter 9701), including amounts not legally collectable from the third-party purchaser

The Servicer must submit all required data for settling the third-party foreclosure sale transaction via Workout Prospector no later than the 15<sup>th</sup> Business Day following the Servicer's receipt of the sale proceeds.

4. If the Servicer is owed reimbursement of any shortage in the sale proceeds, and/or reimbursable expenses or amounts, including amounts not legally collectable from the third-party purchaser, then the Servicer may submit its request for reimbursement via the Freddie Mac Reimbursement System. (Refer to Section 9701.5 regarding claim submission types and time frames.) When submitting reimbursement requests, Servicers must offset these expenses or amounts by income as set forth in Section 9701.19. Additionally, for claim submissions on Mortgages insured by the FHA or guaranteed by the VA or RHS not subject to recourse or indemnification, expense reimbursement will occur after Freddie Mac receives the claim payment from the applicable entity and determines that all other requirements for reimbursement have been satisfied. (Refer to Section 9603.2 on FHA/VA/RHS claim filing and Section 9603.5 on receipt of claim payment.)

In order for the Servicer to be reimbursed, Freddie Mac must receive, and accept for settlement, the third-party foreclosure sale transaction submitted via Workout Prospector. Additionally, failure to submit the third-party foreclosure sale transaction in the appropriate time frame could forfeit the Servicer's ability to be reimbursed, in part or in whole, for otherwise reimbursable expenses or amounts.

For a third-party sale where the net sale proceeds meet or exceed the total indebtedness (e.g., the UPB, accrued interest, Escrow advances and expenses), the Servicer should not settle the third-party foreclosure sale transaction via Workout Prospector or submit a request for reimbursement via the Reimbursement System.

#### **(d) Workout Prospector**

If the property was purchased by a third party at the foreclosure sale, the Servicer must use Workout Prospector to settle the third-party foreclosure sale transaction following the foreclosure sale being confirmed or ratified and the Servicer having received the sale proceeds, in the following circumstances:

- The sale price is less than the total indebtedness; and/or
- The Servicer is owed reimbursable expenses or amounts, including expenses that were deducted from the sale proceeds before being remitted to foreclosure counsel pursuant to applicable law

Servicers represent and warrant that they will only use Workout Prospector on Freddie Mac Mortgages and not Mortgages owned by other investors. Both the input and output of Workout Prospector is confidential information that the Servicer must not disclose to third parties, except as authorized by Freddie Mac. Servicers using Workout Prospector are bound by all of the provisions of the Workout Prospector User Agreement, included in this Guide as Exhibit 86, to the same degree as if they had signed such Agreement as a “User.” Refer to the Workout Prospector Users’ Guide for information on processing third-party foreclosure sale transactions through Workout Prospector. In addition, Servicers must ensure that all data input into Workout Prospector is true, complete and accurate and that all data is entered correctly. (Refer to Section 9204.4 for additional requirements when submitting a workout or transaction via Workout Prospector for approval and closing in Freddie Mac’s systems.)

#### **(e) Supporting documentation**

Freddie Mac generally will not require the Servicer to send supporting documentation with the submission of a third-party foreclosure sale transaction via Workout Prospector. However, there are situations where Freddie Mac may instruct the Servicer to provide standard supporting documentation.

Standard supporting documentation includes, but is not limited to, the following:

- Form 1160, Third-Party Sale Transmittal Worksheet, with Section D Indebtedness completed, itemizing the complete total debt figure including the UPB, accrued interest, Escrow advances less any positive Escrow balances, as well as expenses after being offset by any income (pursuant to Section 9701.19)
- Itemization of the distribution of the sale proceeds, if the sale proceeds are less than the sale price (e.g., if the foreclosure court order required the payment of sheriff expenses from the sale price). If the sale proceeds equal 100% of the sale price, then this itemization is not needed.
- Copy of the BPO or appraisal report, if used for the foreclosure bid

- Copy of the sale proceeds check, or other documentation (e.g., proof of wire transfer) verifying the amount of sale proceeds received
- Copy of the sheriff's appraisal, or other documentation used to establish the opening bid, if required by applicable State law
- If there are amounts not legally collectable from the third-party purchaser that need to be reimbursed to the Servicer, supporting documentation, including but not limited to, the applicable State statute

Freddie Mac will contact the Servicer should it require supporting documentation following submission of a third-party foreclosure sale transaction via Workout Prospector.

## **9301.44: File retention for foreclosure proceedings (03/02/16)**

The Servicer must maintain accurate and complete records of the foreclosure proceedings for Mortgages in the Mortgage file. The Servicer must maintain the Mortgage file for at least seven years from the date of the foreclosure sale.

## **9301.45: State foreclosure timelines (12/13/17)**

A foreclosure timeline is the time it takes to process a foreclosure. The timeline is measured in days from the DDLPI to the date of the foreclosure sale.

Therefore, the timeline consists of the time it should take from the DDLPI to the date the Mortgage is referred to foreclosure counsel (see Sections 9301.4 and 9301.5 through 9301.7), plus the time it takes from the referral date of foreclosure to the foreclosure sale date.

The timeline does not include any post-sale redemption or confirmation periods. Freddie Mac has a timeline for each State which is the number of days it should take to process a foreclosure in the State under most circumstances.

For conventional Mortgages, the Servicer must complete the foreclosure sale within the foreclosure timeline (from DDLPI to foreclosure sale) for the State in which the property is located, as listed in Exhibit 83, Freddie Mac State Foreclosure Timelines. The Servicer must comply with FHA, VA and RHS timelines for all Mortgages insured by the FHA or guaranteed by the VA or RHS.

If the foreclosure sale was delayed due to one of the allowable State foreclosure timeline delays listed in Section 9301.46, the timeline from DDLPI to the foreclosure sale date will be increased to account for the allowable delay based on the information the Servicer reports to Freddie Mac

via EDR. Refer to Exhibit 83A, Determining State Foreclosure Timeline Compensatory Fees, for details on how Freddie Mac determines the additional time to be granted for allowable delays.

The Servicer must have procedures and processes in place to manage its State foreclosure timeline performance. To assist with monitoring performance, the Servicer may access reports, accessible via the “Foreclosures” tile of the Servicer’s Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools), on foreclosure sales completed. The reports in the SPP will be based on information and data the Servicer reported to Freddie Mac. Servicers should review the reports regularly to ensure the information and data they reported was complete and accurate.

### **Reduction in timelines**

At any time and in its sole discretion, Freddie Mac may reduce a State’s foreclosure timeline set forth in Exhibit 83 and further, may subject loans to revised timelines and associated compensatory fee calculations that were referred to foreclosure as of the effective date of the reduced timeline.

## **9301.46: Allowable delays in completing a foreclosure (10/01/17)**

Exhibit 83, Freddie Mac State Foreclosure Timelines, sets forth Freddie Mac’s foreclosure timeline for each State. Freddie Mac’s State foreclosure timeline (DDLPI to foreclosure sale) will be extended for a Mortgage under the following circumstances, provided the Servicer complies with the applicable EDR requirements (refer to Section 9102.7 for information on EDR reporting requirements):

- When a Borrower files for bankruptcy protection
- Delays due to probate, military indulgence and contested foreclosures
- Delays incurred during the period the Borrower is evaluated for Home Affordable Modification Program (HAMP®) eligibility but is determined to be ineligible for HAMP. Note: Mortgages that become delinquent after June 30, 2012 will no longer have an allowable delay.
- Delays caused by the Borrower being offered or entering into a HAMP or Freddie Mac Flex Modification Trial Period plan but failing to comply with the terms of the plan
- Delays caused by the Borrower entering into an unemployment forbearance plan
- Delays caused by the Borrower exercising his or her right to appeal a modification denial, pursuant to Section 9101.3

Refer to Exhibit 83A, Determining State Foreclosure Timeline Performance Compensatory Fees, for information on how Freddie Mac calculates the additional time granted for each of the allowable delays listed above.

Moreover, a Servicer may delay completing the foreclosure, if necessary, when the delay is required due to:

- Applicable federal, State or local law, but only if the delay was necessary or inevitable despite the Servicer's best efforts to incorporate such laws into its foreclosure procedures and timelines
- Emergency, exigent or unusual circumstances that do not occur in the regular course of business and that are both unforeseeable and outside the control of the Servicer (this includes delays resulting from Eligible Disasters, pursuant to Section 8404.4)
- The Servicer waiting for instructions from Freddie Mac on how to proceed with a distressed property (see Section 8403.1 for an explanation of a distressed property)
- The Servicer being unable to complete the foreclosure sale due to the Borrower being approved for, or performing under, the terms of an alternative to foreclosure
- The Borrower's approval for a Freddie Mac Standard Short Sale or Freddie Mac Standard Deed-in-Lieu of Foreclosure being based on a review of a First Complete Borrower Response Package, pursuant to Section 9101.4
- The Borrower being conditionally approved for mortgage assistance under the State Housing Finance Agency program in accordance with Section 9211.1

Regardless of a delay for any of the above reasons, the Servicer's State foreclosure timeline performance will be measured against Freddie Mac's State foreclosure timeline and compensatory fees. The Servicer may appeal the decision and must provide to Freddie Mac at the time of appeal any and all information and documentation supporting the claim that the delay was necessary and required.

## **9301.47: State foreclosure timeline performance assessment (03/13/19)**

**For Mortgages that resulted in a foreclosure sale on or after January 1, 2019:**

### **(a) Determination of State foreclosure timeline performance**

Freddie Mac will evaluate the Servicer's State foreclosure timeline performance on a calendar year basis. Based on all foreclosures the Servicer completes in the year being evaluated, Freddie Mac will determine a Servicer's State foreclosure timeline performance

for each Mortgage that went to foreclosure sale in the year being evaluated on a national basis.

Freddie Mac will determine how long it took the Servicer to complete each foreclosure sale based on the information that the Servicer reports to Freddie Mac via the monthly EDR submissions and the foreclosure sale transmission after the completion of the foreclosure sale. Freddie Mac will calculate the amount of compensatory fees, if any, in addition to any actual losses, costs or damages caused by Servicer non-compliance with the Guide, including State foreclosure timeline requirements.

To determine the Servicer's overall State foreclosure timeline performance, Freddie Mac will complete the following steps:

**Step 1 – Calculating actual foreclosure timeline performance for each Mortgage:**

Freddie Mac will determine how many days it took the Servicer to complete each foreclosure sale during the calendar year and whether the number of days exceeded or were managed under the applicable State foreclosure timeline standard as listed in Exhibit 83, Freddie Mac State Foreclosure Timelines. Freddie Mac will then calculate the compensatory fee amount for each individual foreclosure sale to determine whether each Mortgage will result in a compensatory fee or credit. The amounts calculated in this step on an individual foreclosure sale basis will be negative (a credit) for those foreclosure sales that were managed under that State's foreclosure timeline and will be positive (a compensatory fee) for those foreclosure sales that exceeded that State's foreclosure timeline.

**Step 2 – Calculating the aggregate compensatory fee on a national basis:** Freddie Mac will calculate the Servicer's aggregate State foreclosure timeline compensatory fee amount by netting the compensatory fees and credits determined in Step 1 for all foreclosure sales that were completed in the calendar year.

**Step 3 – Determining whether to assess a compensatory fee:** If the Servicer's aggregate compensatory fee calculated in Step 2 is \$300,000 or less, then no compensatory fee will be assessed. However, if the Servicer's aggregate compensatory fee calculated in Step 2 is greater than \$300,000, and the Servicer is not otherwise exempt under Section 9301.47(b), a compensatory fee will be assessed.

Refer to Exhibit 83A, Determining State Foreclosure Timeline Performance Compensatory Fees, for additional details regarding how Freddie Mac calculates compensatory fees.

The State foreclosure timelines used in determining the Servicer's performance will be adjusted for the period of time for which the foreclosures were delayed due to any of the allowable delays in Section 9301.46(a), provided the Servicer complied with the applicable EDR requirement and/or the appeals process in Section 9301.47(c).

**(b) Compensatory fee process**

If the Servicer's performance exceeded Freddie Mac's State foreclosure timeline requirements as outlined in Section 9301.47(a), then the compensatory fee process is as follows:

- **Step 1:** Freddie Mac will automatically waive a Servicer's potential State foreclosure timeline compensatory fees if its exposure amount is \$300,000 or less for that calendar year. This is considered the *de minimis* billing exception. (Note: \$300,000 = previous monthly *de minimis* threshold of \$25,000 x 12 months).
- **Step 2:** For those Servicers that did not receive a waiver under Step 1, Freddie Mac will calculate the Servicer's overall Servicer Success Scorecard ranking for that calendar year against the respective rank group the Servicer belongs to on December 31 of that calendar year (see Section 3501.2(b) regarding Servicer performance results). If a Servicer's overall ranking for that year is in the top 75% of its rank group on December 31 (i.e., not in the bottom 25% of that rank group), its State foreclosure timeline compensatory fees will automatically be waived.

Note: This step does not apply to a Servicer where an overall ranking is not provided, whether because no Servicers in that Servicer's rank group are provided an overall ranking or the individual Servicer did not receive an overall ranking within its rank group. Additional information on rankings and the Servicer Success Scorecard is available at

[http://www.freddiemac.com/singlefamily/service/servicer\\_success\\_scorecard.html](http://www.freddiemac.com/singlefamily/service/servicer_success_scorecard.html).

- **Step 3:** If a Servicer remains subject to the assessment of State foreclosure timeline compensatory fees after steps 1 and 2, the Servicer may be placed into an action plan. If the Servicer is placed into an action plan, the assessment of its compensatory fee exposure balance will be suspended until Freddie Mac determines whether the Servicer met the terms of the plan. If Freddie Mac determines that a Servicer complied with the required terms of the plan, its State foreclosure timeline compensatory fee assessment will be waived automatically. If the Servicer is not eligible for an action plan, the Servicer will be assessed its compensatory fee exposure balance.
- **Step 4:** If a Servicer still remains subject to the assessment of State foreclosure timeline compensatory fees after steps 1 through 3, the Servicer will be assessed its compensatory fee exposure balance if not previously assessed. The Servicer will have 90 days to submit any loan-level appeals in accordance with Section 9301.47(c). If after the appeals process is completed a Servicer continues to have a compensatory fee exposure balance of greater than \$300,000, then the Servicer will be billed for such fees in accordance with Section 9301.47(d).

### **(c) Servicer appeal process for State foreclosure timeline compensatory fees**

The Servicer may appeal a pending compensatory fee prior to Freddie Mac billing the compensatory fee.



The calendar year's estimated State foreclosure timeline compensatory fees will be available in the *Foreclosure Timeline Compensatory Fees Overview* report, accessible via the "Foreclosures" tile of the Servicer's Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools). This report will be updated monthly, on the fifth Business Day of each month to reflect the year-to-date State foreclosure timeline performance through the end of the prior month.

Servicers are not required to submit appeals and it is recommended that Servicers do not submit any appeals until all steps outlined in Section 9301.47(b) have been completed and the Servicer has been notified that the compensatory fees are now assessed and subject to billing.

Servicers must submit, in their original appeal, a description of all delays along with all related documentation. Any information that is received after the original appeal is submitted will not be considered.

The Servicer has 90 days to submit an appeal to Freddie Mac using the Freddie Mac Default Fee Appeal System (which can be accessed at <http://www.freddiemac.com/singlefamily/service/>) as described in Section 2406.5.

**(d) Billing process for compensatory fees**

Compensatory fees to be billed will appear on the Servicer's Monthly Non-Performing Loans Billing Statement in the first monthly cycle after the date in which all appeals have been submitted to, and decisioned by, Freddie Mac. Refer to Section 9102.1 for information on the payment of Servicing Non-Performing Loans Invoices via an Automated Clearing House draft.

# Chapter 9401: Bankruptcy

## 9401.1: Bankruptcy (10/12/16)

This chapter provides Servicers with Freddie Mac's requirements for Servicing Mortgages subject to bankruptcy proceedings or litigation. The Servicer must take appropriate action to protect Freddie Mac's interest during bankruptcy proceedings in which the Borrower is the debtor.

(Refer to Chapter 9402 for requirements [for Servicing Mortgages subject to other litigation](#)).

## 9401.2: Freddie Mac's rights (08/01/18)

In addition to any other remedies it may have at law or in equity, Freddie Mac reserves the right, at its sole discretion, to:

1. Require the Servicer to submit copies of any and all records related to Freddie Mac's Mortgages
2. Require the Servicer to compensate Freddie Mac and hold Freddie Mac harmless for any loss, damage or expense, including without limitation, previously paid incentives, expense reimbursements, court costs and attorney fees, that Freddie Mac sustains as a result of the Servicer's failure to comply with the provisions in this chapter, [Chapter 8402](#), [Chapter 8403](#), [Section 9402.1](#) and [Section 8601.26](#), or that result from errors, omissions or delays by the Servicer or the Servicer's agent
3. Use or require the Servicer to use Freddie Mac's counsel or trustee for any [Freddie Mac Default Legal Matter](#)
4. Limit the amount of a reimbursement for attorney fees if those fees exceed the limits in Exhibit 57A, Approved Attorney Fees and Title Expenses, or the fees commonly charged for similar services in the area where the affected property is located
5. [Limit the amount of a reimbursement for preservation and maintenance expenses if those expenses exceed the limits in Exhibit 57, 1- to 4-Unit Property Approved Expense Amounts](#)
6. [If the Servicer does not obtain Freddie Mac's prior written approval as required](#), deny the Servicer's request for reimbursement of expenses incurred as a result of Servicing Freddie Mac's Mortgages under the requirements of this chapter [and Chapter 8402](#)
7. Assess compensatory and other fees and exercise any remedies provided by the Guide and the other Purchase Documents if the Servicer fails to comply with the requirements contained

in this chapter, Chapter 8402, Chapter 8403, Section 9402.1 and Section 8601.26. Refer to Chapter 3602 regarding repurchases, repurchase alternatives and other remedies.

### **9401.3: Bankruptcy general requirements (10/09/19)**

When the Servicer receives notice, or confirms information that a Borrower has filed a bankruptcy petition, at a minimum, the Servicer must:

1. Comply with all applicable laws and regulations, including working with the debtor's pre-bankruptcy credit counseling agency on a debt management plan, if applicable
2. Obtain a copy of the Borrower's (debtor's) bankruptcy petition or other bankruptcy notice
3. Accurately complete and file a proof of claim, including all required proof of claim forms, within the time limitations set by the bankruptcy court. This may include, but is not limited to, providing timely information, documentation (e.g., Borrower payment history) and payoff and reinstatement figures necessary for bankruptcy counsel to meet the time limits set by the bankruptcy court if counsel is representing the Servicer in the case. If additional costs are incurred after confirmation of the bankruptcy plan, work with the trustee to ensure all steps are taken to recover those costs allowable by law from the debtor through the plan, if applicable. The Servicer must, prior to filing any proof of claim or motion for relief from the stay with respect to a Mortgage registered on the MERS<sup>®</sup> System, prepare and execute (using the Servicer's employee who is a MERS authorized "signing officer") an assignment of the Security Instrument from MERS to the Servicer. The Servicer must record the prepared assignment where required by State law. State mandated recordings are non-reimbursable by Freddie Mac, are not considered part of the Freddie Mac allowable foreclosure counsel fees and must not be billed to the Borrower.
4. Monitor the bankruptcy filing and obtain status of the proceedings from the trustee in a timely manner. This includes, at a minimum, assisting with any motions for relief of stay and monitoring the first meeting of creditors, proof of claim and/or confirmation of the bankruptcy plan, pre- and post-petition payments, pleadings and notices. If counsel requests additional documentation and/or information from the Servicer, at any time, the Servicer must provide such requested information and/or documents within three Business Days after receipt of the request, or within such earlier time frame if necessary, to comply with timing requirements under applicable law or court orders and procedures.
5. Maintain copies of all relevant documents related to the bankruptcy including the notice of first meeting of creditors, proof of claim, pleadings, notices, etc.
6. Determine whether the Borrower wishes to keep the property
7. Not require the Borrower to sign a reaffirmation of debt agreement. If the Servicer chooses to have the Borrower reaffirm the debt, the Servicer must comply with all applicable laws, including obtaining the court's approval of the reaffirmation agreement, if necessary. Freddie

Mac will not reimburse the Servicer for any legal costs incurred in obtaining a reaffirmation agreement.

8. Review any bankruptcy reorganization plan proposed under Chapters 11 or 13 of the U.S. Bankruptcy Code (refer to Section 9401.8 regarding the Servicer's Servicing responsibilities should a bankruptcy judge order a bankruptcy cramdown) and respond in a manner that protects Freddie Mac's interests. Likewise, review any bankruptcy plan proposed under Chapter 12 of the U.S. Bankruptcy Code and respond in a manner that protects Freddie Mac's interests. Such review includes verifying that the bankruptcy repayment plan does not extend past the maturity date of the Mortgage, and the bankruptcy repayment plan sets forth the proper monthly payment to include the outstanding debt and sufficient funds to pay taxes, all property insurance and mortgage insurance premiums when they become due. If the bankruptcy repayment plan will extend past the maturity date of the Mortgage, the Servicer must object.
9. If appropriate, file an action with the bankruptcy court to secure a determination that the property is abandoned. In the event the court considers the property abandoned, file an order lifting the automatic stay.
10. Monitor and properly apply payments received under any bankruptcy repayment plan. If the Borrower becomes delinquent in his or her payments under a bankruptcy repayment plan, pursuant to Sections 9401.6 and 9401.7, as applicable, the Servicer must instruct counsel to take immediate action to modify the stay order and initiate, or resume, foreclosure proceedings.
11. Conduct a monthly inspection of the property for any delinquent Mortgage unless a bankruptcy repayment plan is in place and being adhered to
12. Verify that the Borrower is current on his or her tax and insurance payments or, if there is an Escrow account for taxes and insurance, perform an Escrow analysis to determine if a bankruptcy repayment plan must include additional Escrow Funds to maintain the Escrow account. In addition, perform a periodic Escrow analysis and notify the trustee of any change to the payment amount resulting from the analysis.
13. Immediately notify the trustee of any Transfer of Servicing (both the transferor and transferee must notify the trustee). See Chapter 7101 for specific requirements for Transfer of Servicing, including Concurrent Transfers of Servicing and Subsequent Transfers of Servicing.
14. For leasehold Mortgages:
  - If termination of the lease will impair Freddie Mac's lien position or interest in the property, take appropriate action to assume the lease payments to the lessor if the lease is rejected by the Chapter 7 trustee in bankruptcy and the Borrower ceases making payments required under the terms of the lease (i.e., ground rents)
  - Object to any Chapter 13 plan that does not provide for payment of the ground rent in addition to the Mortgage payments and real estate taxes

15. In cases when the trustee will pay post-petition payments, it is the Servicer's responsibility to notify the trustee of all changes, including any missed post-petition payment, and to send copies of breach/acceleration letters to the trustee
16. Immediately upon release of bankruptcy, if the Mortgage is delinquent, the Servicer must either:
  - Resume foreclosure activities, if the Mortgage was in foreclosure previous to the bankruptcy filing, in accordance with Chapter 9301, or
  - Initiate or resume collection activity in accordance with Chapter 9102

Servicers must inform the Borrower, Borrower's counsel or bankruptcy trustee, that an approved modification is conditioned on obtaining the bankruptcy court's approval, if necessary, to modify the Mortgage prior to the due date of the first modified payment.

## **9401.4: Multiple bankruptcy filings (03/02/16)**

A Borrower may file for bankruptcy protection more than once or under different chapters of the bankruptcy laws. When the Servicer receives notice of a Borrower filing a petition for protection under the bankruptcy laws, the Servicer must check its Mortgage records to determine if the Borrower has previously filed for bankruptcy protection. If the Servicer's records disclose a previous bankruptcy filing for that Borrower and the Mortgage is delinquent, the Servicer must refer the bankruptcy case to counsel.

The Servicer must direct counsel to take appropriate action including:

- If the Borrower has filed multiple times, but the bankruptcies are more than 12 months apart:
  1. Motion to annul the automatic stay to confirm foreclosure sale if the Servicer was unaware that the Borrower had filed for bankruptcy and the Servicer had conducted a foreclosure sale
  2. Motion to dismiss the bankruptcy case if it can be shown that there has been no substantial change in the Borrower's financial circumstances since the last bankruptcy filing, or it can be shown the Borrower has no prospect of repayment under a reorganization plan
  3. Object to the confirmation of a Chapter 13 Plan and a motion to dismiss in connection with a Chapter 13 bankruptcy in which the reorganization plan appears to be infeasible, offered in bad faith or it can be shown that there has been no substantial change in the Borrower's financial circumstances since the last bankruptcy filing
  4. Motion for "in rem" relief or 180 day bar to prevent the Borrower from filing another bankruptcy case in the future affecting the property securing Freddie Mac's Mortgage when there are successive filings with a scheme of fraudulent property transfers

5. Any other actions as deemed appropriate and permitted under the *Bankruptcy Abuse Prevention and Consumer Protection Act of 2005*

■ If the multiple filing is within 12 months of the previous filing:

1. Object in the event that the Borrower petitions to extend the automatic stay when (i) the Borrower's bankruptcy is presumptively filed not in good faith under the Bankruptcy Code, (ii) the Servicer believes that the filing was offered in bad faith or (iii) if there has been no substantial change in the Borrower's financial circumstances since the last bankruptcy filing. (See Exhibit 57A, Approved Attorney Fees and Title Expenses, for the related allowable fee for filing an objection to an extension of the automatic stay and attending the related court hearings.)

2. Any other actions as deemed appropriate and permitted under the *Bankruptcy Abuse Prevention and Consumer Protection Act of 2005*

## **9401.5: Notifying Freddie Mac of bankruptcy proceedings (03/02/16)**

The Servicer must report a bankruptcy filing to Freddie Mac, regardless of whether the Borrower is current or delinquent in his or her Mortgage payments. The Servicer must submit this notification via an EDR transmission within the first three Business Days of the month following the month in which the Servicer received notice of the filing. The Servicer must also include the filing date and the applicable default action code (as listed below) to indicate the bankruptcy chapter number.

Refer to Section 9301.46 and Exhibit 83A, Determining State Foreclosure Timeline Performance Compensatory Fees, for allowable State foreclosure timeline delays related to the Borrower filing for bankruptcy protection.

The bankruptcy petition chapters and applicable default action codes are:

<b>Bankruptcy chapter</b>	<b>Default action code</b>
Chapter 7	65
Chapter 11	66
Chapter 12	59
Chapter 13	67

The Servicer must also notify Freddie Mac when the court confirms the bankruptcy plan by reporting default action code 69 (Bankruptcy plan confirmed) or in the event of a scheduled Bankruptcy Cramdown by reporting a default action code of 35 (Bankruptcy Cramdown Scheduled) within the first three Business Days of the month following the month in which the confirmation occurred.

The Servicer must continue to report via an EDR transmission each month that the Borrower is in bankruptcy until the court clears the bankruptcy or lifts the stay. The Servicer must notify Freddie Mac within the first three Business Days of the month following the month in which either of these actions occur via an EDR transmission using default action code 76 (Bankruptcy court clearance obtained/Stay lifted). Include the date the action occurred.

If a bankruptcy converts from one Chapter to another, the Servicer must report a default action code 76 (Bankruptcy court clearance) to close the prior bankruptcy Chapter. The conversion date is the bankruptcy release date for the prior bankruptcy Chapter and the filing date for the new Chapter.

For example, if a Chapter 13 converted to a Chapter 7 on 01/30/xx, the Servicer would report default action code 76 using 01/30/xx to close the Chapter 13 status and a default action code 65 using 01/30/xx to open the Chapter 7 bankruptcy.

For additional information on EDR reporting requirements, refer to Section 9102.7.

## **9401.6: Managing new bankruptcy filings (08/14/19)**

### **(a) For Mortgages current at the time of filing**

If a Borrower is current in his or her Mortgage payments at the time the Borrower files a Chapter 7, 12 or 13 bankruptcy petition, the Servicer is not required to refer the matter to counsel and Freddie Mac will not reimburse the Servicer if the Servicer does so.

If the Servicer determines that special circumstances exist that require case management by counsel on a current Mortgage (for example, if the Servicer receives a proposed reorganization plan that includes a bankruptcy cramdown), then the Servicer must obtain Freddie Mac's prior written approval via e-mail (**see Directory 5**) to obtain counsel and to incur the legal expense by submitting a request for pre-approval via the Freddie Mac Reimbursement System.

All Chapter 11 bankruptcy cases must be referred to counsel as soon as the Servicer receives notice that the Borrower has filed for bankruptcy protection, regardless of whether the Mortgage payments are current.

If applicable, refer to Section 9401.7 for requirements related to managing Mortgages that become delinquent subsequent to bankruptcy filing.

**(b) For Mortgages delinquent at the time of filing, or for bankruptcy filings after a foreclosure sale**

The Servicer must refer the bankruptcy to counsel, whether a Chapter 7, 11, 12 or 13 bankruptcy petition, within three Business Days of the Servicer's receipt of notice that a petition has been filed if:

1. The Borrower is at least 30 days delinquent in his or her Mortgage payments at the time bankruptcy is filed
2. The Borrower files a bankruptcy petition after the foreclosure sale and the bankruptcy filing invalidates the foreclosure sale. (See Section 9301.39 for requirements on requesting a rollback if the Servicer determines that the foreclosure sale is legally invalid or void.)
3. The Borrower files a bankruptcy petition after the foreclosure sale but prior to the expiration of a redemption, confirmation or ratification period. (See Section 9301.39 regarding circumstances where it may be in Freddie Mac's best interest to process a rollback to allow the Servicer to report applicable information relating to a bankruptcy repayment plan, if applicable.)

Freddie Mac will reimburse the Servicer for expenses the Servicer incurs in accordance with Section 9401.11 and Chapter 9701.

The Servicer must instruct counsel to file a motion for relief from the automatic stay:

1. In a Chapter 7 case:
  - If the Borrower is at least 60 days delinquent in his or her Mortgage payments at the time of filing, at the same time the Servicer refers the case to counsel
  - If the Borrower is less than 60 days delinquent in his or her Mortgage payments at the time of filing, no later than the 60<sup>th</sup> day of Delinquency



2. In a Chapter 11, 12, or 13 case, **upon determining** the Borrower **became 60 days delinquent in** his or her post-petition and/or plan payments to either the Servicer or the trustee **but no later than the 75<sup>th</sup> day of Delinquency**

## **9401.7: Managing Mortgages that become delinquent subsequent to bankruptcy filing (08/14/19)**

If the Borrower was current at the time of filing bankruptcy and subsequently becomes at least 30 days delinquent in payments to either the Servicer or the trustee, then the Servicer must refer the case to counsel. Freddie Mac will reimburse the Servicer for expenses the Servicer incurs in accordance with Section 9401.11 and Chapter 9701.

The Servicer must instruct counsel to file for relief from the automatic stay:

1. In a Chapter 7 bankruptcy case, no later than the 60<sup>th</sup> day of Delinquency
2. In a Chapter 12 or 13 bankruptcy case, **upon determining** the Borrower **became 60 days delinquent in** his or her post-petition and/or plan payments to either the Servicer or the trustee **but no later than the 75<sup>th</sup> day of Delinquency**

For Chapter 11 bankruptcy cases already referred to counsel pursuant to Section 9401.6(a), the Servicer must instruct counsel to file for relief from the automatic stay **upon determining** the Borrower **became 60 days delinquent in** his or her post-petition and/or plan payments to either the Servicer or the trustee **but no later than the 75<sup>th</sup> day of Delinquency**.

## **9401.8: Bankruptcy cramdowns (08/14/19)**

When a Borrower files bankruptcy and the value of the property has declined to a value less than the amount owed on the Mortgage, a federal bankruptcy judge may, in some instances, order a division of the bankruptcy claim.

Under this process, the court divides the Mortgage debt into two claims: a secured claim in the amount of the current appraised value of the property and an unsecured claim for the remaining balance of the debt.

All of, or a portion of, the remaining unsecured claim balance is forgiven upon completion of the court-ordered repayment plan. This is known as a **bankruptcy** cramdown. **Bankruptcy** cramdowns are not permitted on Mortgages secured by the Primary Residence of a Borrower who has filed a Chapter 13 bankruptcy.

### (a) Notifying Freddie Mac of a proposed bankruptcy cramdown

If the Servicer receives a proposed reorganization plan that includes a bankruptcy cramdown, the Servicer must advise its counsel to file an objection to the reorganization plan. In doing so, the Servicer must direct its counsel to assert that the **proposed** plan may not modify the original Security Instrument and Note by means of a bankruptcy cramdown.

Additionally, the Servicer must complete and send a copy of Form 1155, Bankruptcy Cramdown Pre-Confirmation Proposal of Settlement Terms, to notify Freddie Mac (see **Directory 5**) of the proposed plan within one Business Day of receiving the plan. Freddie Mac will review Form 1155 that the Servicer submits and make a decision to approve or make a counter-offer to the terms of the proposed plan. In some instances, Freddie Mac may request additional information in its review.

The Servicer must ensure that all terms of the **proposed** plan are updated and correctly stated on each amendment, if applicable.

If a **proposed** reorganization plan includes a bankruptcy cramdown that is not in compliance with Chapter 9204, the Servicer must object and Freddie Mac will not agree to the terms of the reorganization plan. If the Servicer agrees to a reorganization plan without Freddie Mac's written approval, Freddie Mac reserves the right to exercise any remedies provided by the Guide and the other Purchase Documents. Refer to Chapter 3602 regarding repurchases, repurchase alternatives and other remedies.

### (b) Notifying Freddie Mac of a confirmed bankruptcy cramdown

If a reorganization plan **that includes a bankruptcy cramdown** has been confirmed, the Servicer must notify Freddie Mac of the confirmed plan within one Business Day of receiving the plan. In doing so, the Servicer must transmit the final terms of the confirmed bankruptcy cramdown (a **"bankruptcy cramdown modification"**) to Freddie Mac via the "Court Mandated Modification" screen in Workout Prospector®.

By completing the "Court Mandated Modification" screen in Workout Prospector and submitting the bankruptcy cramdown modification **for settlement**, the Servicer represents and warrants to Freddie Mac that it has completed the data entry in accordance with the instructions set forth in the Workout Prospector Users' Guide and that all information set forth on the "Court Mandated Modification" screen is accurate and in accordance with the terms of the confirmed plan. In submitting the **bankruptcy cramdown modification** via the "Court Mandated Modification" screen, the Servicer represents and warrants, among other things that:

- The "Current UPB (pre-modification)" and the DDLPI entered on the "Court Mandated Modification" screen matches the UPB and DDLPI reported to Freddie Mac at the time of confirmation of the reorganization plan
- The data entered on the "Court Mandated Modification" screen matches the final terms of the confirmed bankruptcy cramdown

- The property value is either the BPO or appraisal, depending on what was required by the court

Once the data entered onto the “Court Mandated Modification” screen has been submitted to Freddie Mac, Servicers should monitor the *Modification Pending Update* report, accessible via the “Modifications” tile of the Servicer’s Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools). All Mortgages that are scheduled to be processed in Freddie Mac’s systems will appear on this report in the SPP.

In addition, Freddie Mac will notify Servicers that the **bankruptcy cramdown** modification has been processed in Freddie Mac’s systems via the *Modification Status Overview* report in the SPP. If a Servicer attempts to report a monthly loan-level transaction on a Mortgage based on the modified terms prior to the **bankruptcy cramdown** modification being processed in Freddie Mac’s systems, the Servicer will not be able to successfully complete the transaction.

### (c) **Other requirements**

The Servicer must ensure that proper EDR requirements are followed **in accordance with** Section 9401.5.

**Upon determining the Borrower became 60 days delinquent in his or her payments under a confirmed reorganization plan that includes a bankruptcy cramdown but no later than the 75th day of Delinquency, the Servicer must instruct counsel to file for relief from the automatic stay (see Sections 9401.6 and 9401.7, as applicable, regarding filing for relief from the automatic stay). For any other default under the terms of a confirmed reorganization plan that includes a bankruptcy cramdown, the Servicer must notify Freddie Mac (see **Directory 5**) within one Business Day of such default and indicate the type of default and include the Servicer’s recommendation as to how to proceed.**

## **9401.9: Servicing bankruptcies on Mortgages secured by income properties (03/02/16)**

If a Borrower on a Mortgage secured by income producing property files a bankruptcy petition and Freddie Mac has an assignment of rents, the Servicer must take action to prohibit the Borrower from using any income from the property for any purpose other than making payments on the Mortgage by instructing counsel to:

1. File a motion for sequestration of rental income, or
2. Obtain an adequate protection order

## **9401.10: Selecting bankruptcy counsel, bankruptcy referrals and the Servicer's responsibility to work with bankruptcy counsel (03/02/16)**

### **(a) Selecting bankruptcy counsel**

For requirements applicable to Freddie Mac Default Legal Matters, which include bankruptcy matters, refer to Chapter 9501.

### **(b) Bankruptcy referrals**

1. If the Borrower is referred to foreclosure after the bankruptcy referral, the Servicer is not required to refer the foreclosure to the same law firm that handled the bankruptcy matter. However, the Servicer should give preference to the law firm that handled the bankruptcy matter if the Servicer determines it is in Freddie Mac's best interest.
2. If the Borrower is in foreclosure at the time of the bankruptcy referral, or the Borrower files a bankruptcy petition after the foreclosure sale (see Section 9401.6 regarding managing bankruptcy filings after a foreclosure sale), the Servicer is not required to refer the bankruptcy case to the same law firm handling the foreclosure. However, the Servicer should give preference to the law firm handling the foreclosure if the Servicer determines it is in Freddie Mac's best interest.

If the Servicer does not refer the bankruptcy case to the law firm handling the foreclosure, then the Servicer must ensure that it periodically updates the foreclosure counsel regarding the status of the bankruptcy matter. Once the bankruptcy matter is resolved, the Servicer is responsible for transitioning the foreclosure back to the law firm handling the foreclosure for any further required proceedings immediately upon release of bankruptcy, but no later than one Business Day after the resolution of the bankruptcy matter.

3. When referring a bankruptcy case to counsel, the Servicer must provide all documentation and/or information required to handle the bankruptcy matter and work with the bankruptcy attorney to facilitate either timely reinstatement or relief from the automatic stay.

### **(c) Servicer's responsibility to work with bankruptcy counsel**

When the Servicer refers a bankruptcy case to counsel, the Servicer must provide complete written reinstatement or payoff figures to the attorney, trustee, workout specialist or outsourcing vendor, as applicable, at the time of referral unless the Borrower is in foreclosure at the time of the bankruptcy referral and the Servicer refers the bankruptcy case to the law firm handling the foreclosure. Also, the Servicer must respond to any additional requests for reinstatement and/or payoff figures after referral within two Business Days of the date on

which the Servicer receives a written request. The Servicer may provide the written reinstatement or payoff figures via a paper document, facsimile or e-mail.

If the bankruptcy counsel requests any additional information and/or documentation at any time, the Servicer must provide such requested information and/or documents within three Business Days after receipt of the request, or such earlier time frame, if necessary to comply with timing requirements under applicable law or court orders and procedures.

A Servicer must maintain communication with the bankruptcy attorney so that the Servicer can manage the bankruptcy case effectively. No less than one time per month, the Servicer must require the bankruptcy attorney to report the status of the case, request any documentation needed from the Servicer and report any relevant information to the Servicer. The Servicer must maintain this information in the Mortgage file or on its Mortgage system.

## **9401.11: Reimbursement of expenses related to a bankruptcy (03/02/16)**

When legally permissible, the Servicer must attempt to obtain payment of the attorney fees and costs resulting from the bankruptcy proceedings directly from the Borrower and/or the bankruptcy court.

Freddie Mac will reimburse the Servicer for expenses the Servicer incurs in accordance with the limits listed in Exhibit 57A, Approved Attorney Fees and Title Expenses, and according to the requirements contained in Chapter 9701. The Servicer must obtain Freddie Mac's written pre-approval for any fees in excess of the fees listed in Exhibit 57A by submitting a request for pre-approval via the Freddie Mac Reimbursement System.

Freddie Mac will not reimburse Servicers for attorney fees or legal costs on any bankruptcy case if:

1. The Borrower was current on the Mortgage at the time the Borrower filed for bankruptcy protection, has remained current, and Freddie Mac did not approve a referral to bankruptcy counsel for special circumstances
2. The Servicer incurred costs for reaffirmation agreements
3. The Servicer incorrectly reported or failed to report the bankruptcy through EDR. See Section 9401.5 for more details on how to report bankruptcies through EDR.
4. The firm was not eligible to receive referrals of Freddie Mac Default Legal Matters, as specified in Chapter 9501

# Chapter 9402: Other Litigation Involving Freddie Mac-Owned or Guaranteed Mortgages

## 9402.1: Freddie Mac rights (07/13/16)

Freddie Mac reserves the right to direct and control all litigation involving a Freddie Mac-owned or guaranteed Mortgage, regardless of whether Freddie Mac is a named party. The Servicer and all law firms handling the litigation, whether selected and engaged pursuant to Chapter 9501, Section 8601.25 or Section 9402.4, must cooperate fully with Freddie Mac in the prosecution, defense and handling of the matter.

Refer to Section 9401.2 for Freddie Mac rights when the requirements of this section regarding Servicer and law firm cooperation with Freddie Mac in the prosecution, defense and handling of litigation involving Freddie Mac-owned or guaranteed Mortgages are not met.

## 9402.2: Routine and non-routine litigation (06/12/19)

### (a) Definition of routine and non-routine litigation

- **Routine litigation** generally is a contested action in which the Borrower alleges case-specific defenses or issues which, if successful, would not create negative legal precedent beyond the immediate case
- **Non-routine litigation** generally is a contested action in which the Borrower alleges case-specific defenses or issues, which, if successful, would create negative legal precedent beyond the immediate case

Examples of non-routine litigation that must be reported to Freddie Mac as non-routine litigation include, but are not limited to, the following:

- Actions that name Freddie Mac as a party
- Action that seeks monetary relief against Freddie Mac, including any claim (including counterclaims, cross-claims, or third-party claims in foreclosure or bankruptcy actions) for damages against Freddie Mac or its officers, directors, or employees
- Actions that challenge the validity, priority, or enforceability of a Freddie Mac-owned or guaranteed Mortgage or seek to impair Freddie Mac's interest in an REO including, by way of example:
  1. An action seeking to demolish a structure on the property or the property as a result of a code violation

2. An action seeking to avoid a lien based on a failure to comply with a law or regulation
  3. An attempt by a junior lienholder to assert priority over a Freddie Mac-owned or guaranteed Mortgage or extinguish Freddie Mac's interests
  4. A quiet title action seeking to declare Freddie Mac's lien void; and
  5. An attempt by a Borrower to effect a cramdown of a Mortgage in bankruptcy as to which Freddie Mac has not delegated authority to the Servicer or law firm to address
- Actions that present an issue that may pose significant legal or reputational risk to Freddie Mac include, by way of example:
    1. Any issue involving Freddie Mac's conservatorship, its conservator, FHFA, Freddie Mac's status as a federal instrumentality, or an interpretation of Freddie Mac's charter
    2. Any assertion that Freddie Mac is a federal agency or otherwise part of the United States Government
    3. Any "due process" or other constitutional challenge
    4. Any challenge to the methods by which Freddie Mac does business
    5. Any putative class actions involving a Freddie Mac-owned or guaranteed Mortgage
    6. Challenges to the standing of the Servicer to conduct foreclosures or bankruptcies which, if successful, could create negative legal precedent with an impact beyond the immediate case
    7. Challenges to the methods by which MERS<sup>®</sup> does business or its ability to act as nominee under a Mortgage
    8. Any "show cause orders" or motions for sanctions relating to a Freddie Mac-owned or guaranteed Mortgage, whether against Freddie Mac, the Servicer, a law firm, or a vendor of the Servicer or law firm
    9. Any appellate or other action for post-judgment relief in any foreclosure, bankruptcy or legal action in which Freddie Mac is a named party
    10. Foreclosures on HUD-Guaranteed Section 184 Native American Mortgages
    11. Any environmental litigation relating to a Freddie Mac-owned or guaranteed Mortgage

12. A need to foreclose judicially in a State where non-judicial foreclosures predominate
  13. Any claim invoking Home Affordable Modification Program (HAMP<sup>®</sup>) as a basis to challenge a foreclosure
  14. Any claim brought by a governmental body
  15. Cross-border insolvency proceedings under Chapter 15 of the Bankruptcy Code
  16. Any claim of predatory lending or discrimination in Mortgage origination or Servicing; and
  17. Any claim implicating the interpretation of the terms of the Fannie Mae/Freddie Mac Uniform Mortgage Instruments
- Actions involving an eNote or eMortgage (as those terms are defined in Section 1402.2)

Given the evolving nature of default-related litigation, it is not possible to provide an exhaustive list of non-routine litigation. Each contested action presents unique circumstances, and the Servicer should evaluate each action on a case-by-case basis to determine whether a contested action is routine or non-routine.

#### **(b) Legal actions and strategies initiated by the Servicer**

A Servicer must obtain written approval (**see Directory 5**) from the Freddie Mac Legal Division prior to initiating the following legal actions and strategies:

- Filing a new legal action, other than a Freddie Mac Default Legal Matter, on behalf of Freddie Mac
- Filing a motion to intervene in a pending legal action on behalf of Freddie Mac
- Appealing or otherwise challenging a judgment in any foreclosure or bankruptcy proceeding, or any legal action in which Freddie Mac is a named party
- Filing a notice of removal to federal district court for any legal action in which Freddie Mac is a named party
- Asserting any position in a legal action that relates to Freddie Mac's status as a Government Sponsored Enterprise (GSE), its conservatorship, or its conservator, FHFA
- Propounding discovery requests or otherwise serving or providing any discovery responses on behalf of Freddie Mac

#### **(c) Referring to Freddie Mac in litigation**



Freddie Mac must be described in legal proceedings as “Federal Home Loan Mortgage Corporation (“Freddie Mac”), a corporation organized and existing under the laws of the United States of America.” Freddie Mac may not be referred to as a “government agency.”

**(d) MERS-registered Mortgages**

See Section 8101.12(b) for additional requirements relating to notices from MERS and MERS-registered Mortgages.

**(e) eMortgages**

Per Section 1402.11(d), the Servicer must consult the Freddie Mac Legal Division ([Legal\\_eMortgage@freddiemac.com](mailto:Legal_eMortgage@freddiemac.com)) and cooperate with Freddie Mac to determine appropriate legal actions and strategies to undertake before pursuing foreclosure or other Freddie Mac Default Legal Matters with respect to an eMortgage.

## **9402.3: Reporting and notification requirements for litigation (10/01/17)**

The Servicer must monitor all Freddie Mac Default Legal Matters.

**(a) EDR requirements**

The Servicer must act without delay and in accordance with applicable law when responding to any litigation matter.

If litigation involves a Mortgage that is 30 or more days delinquent, the Servicer must report the litigation matter to Freddie Mac via EDR within the first three Business Days of the month following the month in which the Servicer became aware of the litigation, using default action code 33 (Contested Foreclosure and Litigation).

**(b) Legal reporting requirements for non-routine litigation**

**(i) Notifying Freddie Mac of non-routine litigation**

The Servicer must act without delay and notify Freddie Mac within two Business Days of determining that the Freddie Mac Default Legal Matter involves or evolves into non-routine litigation. All notifications must be sent via e-mail (see **Directory 5**).

If the Servicer retains counsel not selected and engaged pursuant to Chapter 9501 to handle the non-routine litigation matter (see Section 8601.25 and Section 9402.4), the notification to Freddie Mac must include the name, address, phone number, and e-mail address of the Servicer’s counsel and a brief summary including but not limited to: the issues presented, the Freddie Mac loan number, docket number, case caption and court and any relevant pleadings.

Once Freddie Mac has been notified accordingly, the Servicer and the law firm(s) handling the non-routine litigation matter must periodically update Freddie Mac on the progress of the litigation. Freddie Mac must be provided sufficient opportunity, but no less than five Business Days before the filing deadline, to review and comment upon any substantive pleadings including, but not limited to: motions, replies, briefs and proposed orders.

**(ii) Notifying Freddie Mac of a modification of a Mortgage subject to active non-routine litigation**

If the Mortgage is subject to active non-routine litigation and the Servicer determines the Borrower is eligible for a Freddie Mac Flex<sup>®</sup> Modification or a Capitalization and Extension Modification for Disaster Relief, the Servicer must notify Freddie Mac (**see Directory 5**) and the counsel retained by the Servicer to handle the non-routine litigation matter of its proposal prior to sending a Trial Period Plan Notice to the Borrower. The Servicer must allow Freddie Mac and counsel retained by the Servicer to handle the non-routine litigation matter sufficient opportunity, but no less than five Business Days, to review and provide comments.

**(c) Legal expenses for non-routine litigation**

The Servicer must obtain Freddie Mac's prior written approval before incurring any expenses in the Servicing of a non-routine litigation matter. To obtain Freddie Mac's approval, the Servicer must first contact Freddie Mac with details of the non-routine litigation matter (**see Directory 5**) according to the reporting requirements in Section 9402.3(b). If legal expenses related to the non-routine litigation matter are reimbursable to the Servicer, then the Servicer must submit a request for pre-approval (RPA) in the Freddie Mac Reimbursement System, including an estimate of the attorney's fees and litigation costs and the attorney's hourly rate.

When a delay in taking protective action might result in the impairment of the property or jeopardize Freddie Mac's lien position, the Servicer must immediately submit an RPA. If unusual or emergency circumstances do not allow the Servicer to request Freddie Mac's prior written approval, then the Servicer must notify Freddie Mac via the Reimbursement System by the next Business Day after the Servicer incurred the expense. If the Servicer's determination to incur the expense was reasonable, as determined in Freddie Mac's sole discretion, Freddie Mac will reimburse the Servicer.

## **9402.4: Counsel retained by Servicers pursuant to Servicer's duty to indemnify Freddie Mac (07/13/16)**

From time to time, the Servicer may retain counsel to represent Freddie Mac and/or the Servicer with respect to litigation involving, related to, or arising out of allegations which, if true, could subject the Servicer to liability to Freddie Mac for a failure to comply with any selling or Servicing representation or warranty or requirement of the Guide or other Purchase Documents.

When the Servicer retains counsel for this purpose, the Servicer remains liable for legal fees and costs incurred in the defense of any litigation, as well as any and all losses, judgments, damages and expenses, including fees and costs entered against and incurred on behalf of Freddie Mac. Freddie Mac will reimburse the Servicer for Freddie Mac's proportionate share of expenses for responding to Borrower defenses.

Counsel retained and paid by Servicers pursuant to Section 9402.2 and this section do not need to be selected and engaged pursuant to Chapter 9501. In all other Freddie Mac Default Legal Matters, the Servicer must use counsel selected and engaged pursuant to Chapter 9501.

Servicers must notify Freddie Mac (**see Directory 5**) of its retention of counsel not selected and engaged pursuant to Chapter 9501 and are required to comply with the reporting requirements in Section 9402.3(b).

The Servicer must ensure that the law firm to which the Freddie Mac Default Legal Matter was originally referred is updated on the current status of the litigation either by the Servicer or its new counsel. Once the litigation for which new counsel is retained concludes, unless the entire legal matter or action is resolved, the Servicer is responsible for transitioning the Freddie Mac Default Legal Matter back to the law firm to which it was originally referred for any required further proceedings no later than one Business Day after the resolution of the litigation matter.

In instances in which the Security Instrument provides for the Borrower to reimburse any legal fees and costs incurred by the Servicer, the Servicer should instruct its counsel to notify the Borrower about his or her responsibility for such expenses. The Servicer's counsel should attempt to handle such matters by stipulation or any other expeditious manner that will reduce the fees and costs that the Borrower has to pay.

# **Chapter 9501: Selection, Retention and Management of Law Firms for Freddie Mac Default Legal Matters**

## **9501.1: Servicer's management of law firms for Freddie Mac Default Legal Matters (03/02/16)**

This chapter sets forth requirements for the Servicer's review and evaluation, selection, retention and management of law firms (referred to throughout this chapter as "firms") for Freddie Mac Default Legal Matters.

Effective June 1, 2013, all referrals of Freddie Mac Default Legal Matters must be conducted in accordance with the requirements of Chapter 9501. Chapter 9501 governs the referral of Freddie Mac Default Legal Matters to law firms selected by the Servicer under the requirements of Section 9501.7.

Effective August 1, 2013, Servicers must comply with all requirements of this chapter in order to refer Freddie Mac Default Legal Matters to law firms. Refer to Chapter 9502 for requirements related to Default Legal Matters referred prior to the August 1, 2013 effective date.

Each Servicer is responsible for retaining firms for Freddie Mac Default Legal Matters. Freddie Mac will continue to retain firms directly for REO-related legal services: eviction, REO closing, and related litigation (refer to Chapters 9401 and 9402 for more information relating to litigation).

## **9501.2: Review and evaluation of firms (03/02/16)**

### **(a) Due diligence**

As part of its selection process, each Servicer is responsible for obtaining and evaluating documentation and information from firms, and conducting due diligence to ensure that selected firms meet the requirements set forth in Section 9501.3. As part of the process, each Servicer must:

- Obtain and review all required documentation and information submitted by each firm
- Ensure that it selects from a pool of potentially acceptable firms that is diverse, and includes minority and women-owned firms and other diverse firms when feasible; and

- Ensure that the firm or any entity or individual performing work for the firm is not on the Freddie Mac Exclusionary List in accordance with Section 3101.1

**(b) Due diligence documentation**

The Servicer must provide to Freddie Mac upon request a copy of each firm’s application information and related due diligence documentation. Freddie Mac reserves the right to review the process, procedures and due diligence used by the Servicer to evaluate and select a firm.

**(c) Document retention requirements**

The Servicer must retain all information submitted by a firm in support of the firm’s application and all information otherwise gathered by the Servicer regarding the firm. The Servicer must maintain any information relating to firms that are selected and retained by the Servicer for as long as the firm is providing legal services with respect to Freddie Mac-owned or guaranteed Mortgages and, thereafter, for the longer of any retention period applicable to the Servicer or seven years. The Servicer must maintain any information relating to firms that are not selected and retained by the Servicer for the longer of any retention period applicable to the Servicer or seven years.

## **9501.3: Firm Minimum Requirements (11/15/17)**

The Servicer must ensure that all firms selected and retained to handle Freddie Mac Default Legal Matters meet the firm minimum requirements specified in this section (“Firm Minimum Requirements”), and all other applicable Freddie Mac requirements. The Firm Minimum Requirements are as follows:

**(a) Firm practice**

The firm’s practice areas must include end-to-end default-related legal services: foreclosure, bankruptcy, loss mitigation (e.g., deeds-in-lieu of foreclosure), default-related litigation and REO-related legal services: eviction, REO closing and related litigation.

The firm must:

- Be familiar with industry standards in the State in which it practices
- Understand the State legal processes and requirements in default-related and REO-related legal services; and
- Understand the substantive legal issues in the State (e.g., standing)

Additionally, the Servicer must consider firm experience in the following areas: foreclosure mediation, the Fair Debt Collection Practices Act, title curative issues, and general housing-

related issues (e.g., rent control, Section 8, lead paint liability, health code violations, foreclosure redemption, confirmation and ratification, homeowners association, mobile home matters, and Cooperative Share Loans). The firm should also have some experience with delegation for loss mitigation.

The Servicer must also consider the firm's membership in default-related and REO-related trade and industry groups, attendance or participation in State bar associations, seminar and lecture participation and attendance, and any other activities relevant to default-related and REO-related law practice.

## **(b) Presence in State**

Firms generally must have a staffed office in the State in which the firm is retained for Freddie Mac Default Legal Matters.

In addition:

- The legal work must be performed by the attorneys licensed in the State where the Mortgaged Premises is located
- The firm must be registered, as necessary, with appropriate State authorities
- For the States in which an appropriately staffed office is required, the firm must disclose to the Servicer the extent, if any, to which work will be performed by an office of the firm in another State
- The Servicer must require the firm to disclose to the Servicer where the staff handling the work in the particular State is located, and to whom the staff in that office regularly reports; and
- The Servicer must obtain office addresses for each firm it seeks to retain

### **1. Judicial foreclosure States**

In judicial foreclosure States, the firm must have an appropriately staffed office in the State in which the firm is retained for Freddie Mac Default Legal Matters.

### **2. Non-Judicial foreclosure States**

In non-judicial foreclosure States, a firm must have an appropriately staffed office located in the State in which the firm is retained, except in the following non-judicial foreclosure States: Alaska, District of Columbia, Idaho, New Hampshire, Rhode Island, Montana, West Virginia and Wyoming. In those States, Servicers should give preference to firms that have staffed offices in those States. However, out-of-State firms may be used to handle Freddie Mac Default Legal Matters, provided that the firm is located in the

same region of the country and is able to demonstrate that it has policies, procedures and processes in place to handle cases from out of State.

Servicers may use firms outside of Puerto Rico, the U.S. Virgin Islands and Guam to handle foreclosure and bankruptcy matters in those States. Servicers should give preference to firms that have staffed offices in the State, but out-of-State firms may be used, provided that they are able to demonstrate that they have policies, procedures and processes in place to handle cases from outside the State.

If a Servicer has difficulty finding a sufficient number of firms with appropriately staffed offices in States other than those listed in the exceptions above, the Servicer may contact Freddie Mac to request an exception to the requirement that a firm have an appropriately staffed office located in the State. Requests should be sent to Freddie Mac (**see Directory 1**).

#### **(c) State-specific industry references**

The Servicer must obtain from the firm at least two State-specific mortgage servicers or default-related references, or if the firm has been in existence less than one year, the partners or shareholders of the firm must provide at least two Servicer or default-related references in connection with work performed in the particular State.

#### **(d) Statewide coverage and use of local counsel**

The Servicer must ensure that the firm has the ability to cover foreclosure, bankruptcy, eviction, REO closing matters and default-related litigation throughout the State.

If the firm has partnerships or relationships with third parties (e.g., local counsel, trustee companies or title companies) that will perform or complete some aspect of the default-related and REO-related work, the Servicer must require the firm to: (i) obtain disclosure from the firm regarding such relationships and the extent to which third parties will be relied upon and (ii) determine whether the firm has a reasonable contingency plan for the loss of any of those relationships or operational processes. In evaluating any such third-party relationship, the Servicer must consider the length of time the relationship has existed and the adequacy of the firm's written policies to mitigate third-party risk.

If a firm uses local counsel to handle matters within the State, the Servicer must ensure that the firm has a process to select, manage, and review the local counsel and their work product. The process must be designed to ensure that local attorneys are qualified and adequately trained and have a satisfactory history with respect to bar complaints, sanctions and similar matters.

For a firm's contested caseload (e.g., contested foreclosures and litigated cases), the firm's reliance on local counsel must be minimal. Any use of local counsel for these matters must be structured so that the retained firm will direct and manage the local counsel on those matters.

#### **(e) Prior volume experience**

Servicers must confirm the firm and/or managing attorney(s) has completed a sufficient number of foreclosure, bankruptcy, loss mitigation, eviction and REO matters within the past 24 months to demonstrate that the firm has experience in representing creditors in default-related matters.

For the 24-month period, the Servicer must review the total number of matters referred, the total number of matters completed and the number of matters currently pending for each of the following areas: foreclosure, bankruptcy, loss mitigation, eviction and REO closing.

What constitutes a sufficient number of completed default-related and REO-related legal services will vary depending upon the State at issue, the volume the Servicer expects to refer to the firm, and the relative size of the firm. Servicers must consider these factors when making this determination.

**(f) Firm has adequate, relevant State-specific experience**

The Servicer must confirm that the firm has one or more managing attorney(s) or partner(s) with no less than 8 years of relevant, State-specific experience in foreclosure (including where applicable, confirmation, redemption and ratification matters), bankruptcy, loss mitigation, eviction, and REO closings and litigation. Servicers may make exceptions to this requirement for documented reasons in the event a firm is otherwise qualified.

The Servicer must obtain the names and the years of experience in each area (foreclosure, bankruptcy, eviction, REO closings and related litigation) for the firm's managing attorney(s) or partner(s) and associates.

If the principals or partners of the firm are not actively involved in the management of the firm, the Servicer must consider the level of experience of those actively involved in managing the firm.

**(g) One or more of the firm's lead attorneys has adequate, relevant litigation experience in the State**

The Servicer must determine whether the firm has at least one lead attorney to handle Freddie Mac Default Legal Matters with a minimum of five years of experience in default-related and REO-related litigation in the State. The firm's partner(s) or managing attorney(s) may act as the lead attorney for Freddie Mac Default Legal Matters. If the firm will utilize staff attorneys for Freddie Mac Default Legal Matters, one or more staff attorneys must have at least three years of experience in handling default-related and REO-related litigation in the State.

**(h) Attorney licensing**



The Servicer must confirm that the firm's attorneys who will handle Freddie Mac Default Legal Matters are licensed to practice, and in good standing, in the State in which the firm is being retained. Legal work must be performed by attorneys licensed in the State.

**(i) Staff experience**

The Servicer must determine whether the firm's non-attorney staff has reasonable experience. In determining what constitutes reasonable experience, the Servicer must consider the average years of experience, education, qualifications and demonstrated ability of the non-attorney staff in relation to their respective levels of responsibility.

**(j) Staff oversight**

The Servicer must confirm that the firm has appropriate attorney-to-staff ratios to ensure appropriate staff oversight given the size of the firm and the firm's operational structure. The Servicer must consider whether the firm practices in a judicial or a non-judicial State, the firm's case management practices, the State-specific process, attorney and staff experience, firm technology and firm infrastructure.

**(k) File oversight**

The Servicer must confirm that the firm has appropriate (i) attorney-to-file and (ii) staff-to-file ratios, given the size of the firm and the firm's operational structure. The Servicer must take into consideration whether the firm practices in a judicial or a non-judicial foreclosure State, the firm's case management practices, the State-specific processes, attorney and staff experience, firm technology and firm infrastructure.

**(l) Firm capacity**

As of the date of the submission of the Servicer Selection Form via <https://freddiemacsats.com>, the Servicer must confirm that the firm has the ability to accept additional referrals. Additionally, the Servicer must confirm that the firm is not operating at full capacity, given the existing facilities, personnel, and technology or, alternatively, the firm must outline to the Servicer's satisfaction the steps and time frame necessary to be in a position to handle additional referrals while still maintaining appropriate firm-to-file and staff-to-file ratios. The Servicer must confirm that the firm has contingency plans to deal with a contraction in the market.

**(m) Ethics and professional standards**

The firm must demonstrate a history of legal practice that comports with applicable legal and ethical standards, reflecting high professional standards. The Servicer must conclude that the firm does not, in the totality of the circumstances, pose a legal and/or reputational risk or exhibit systematic issues that may lead to reputational and/or legal risk to Freddie Mac.

The Servicer must obtain the following information from the firm in order to evaluate the sufficiency of the firm's professional standards:

- Any sanctions against the firm or any of its present or former attorneys in the past five years, including the nature of the sanctions and if they relate to a loan-level matter or systemic firm practice, and if related to firm practice, any corrective actions taken by the firm
- Any bar complaints/reprimands against present and former firm attorneys in the past ten years and whether the complaints were closed, pending or resulted in some form of adverse action
- Any government investigations involving firm practices in the past ten years and whether the investigations involved firm practices or are related to client investigations
- Any damages or settlement of claims as a result of an allegation of professional negligence against the firm or its attorneys in the past five years (i) in excess of \$20,000 in any single occurrence, \$50,000 in the aggregate, or (ii) reflect a possible pattern of professional negligence, regardless of amount; and
- Any significant litigation asserting systemic issues with firm processes or legal work, such as any class action lawsuit against the firm

If the Servicer is aware of any of the above items that involve the firm's professional standards but which were not disclosed by the firm, the Servicer must disclose them to Freddie Mac in the Servicer Selection Form.

The Servicer must obtain a disclosure from the firm regarding whether the firm (or any of its partners, shareholders, or employees while acting as a partner, shareholder, or principal at another firm) has been previously terminated by Freddie Mac or Fannie Mae or had referrals suspended by Freddie Mac or Fannie Mae.

The Servicer must obtain a certification from the firm that, to the best of the firm's knowledge, the firm's documents have been and continue to be prepared, executed and/or notarized in compliance with applicable law. If the firm reports that the firm, its attorneys, notaries or third-parties that the firm relies on to perform any aspect of default-related or REO-related services have previously prepared, executed or notarized documents that have not been in compliance with applicable law, the Servicer must conclude that the firm has instituted controls, procedures, and processes to address the contributing cause(s) of the firm's failure to comply with applicable law in order to execute the Servicer Selection Form.

Freddie Mac expects Servicers to exercise sound judgment and consider the totality of the circumstances in evaluating the potential legal and reputational risks posed by a firm to Freddie Mac. The items for consideration outlined above are not intended to be exhaustive or to disqualify a firm from retention if the Servicer concludes that the firm is acceptable considering the totality of the circumstances.

## **(n) Timelines**

The Servicer must review the firm's completion timelines, and confirm that the firm is able to track, monitor and complete foreclosure and bankruptcy matters in compliance with applicable law and Freddie Mac timeline requirements, taking into consideration outside factors that impact compliance with Freddie Mac timelines such as new foreclosure requirements and court delays.

## **(o) Information privacy**

The firm must maintain physical, technical and procedural controls and effective information security and data management to:

- Ensure the security and confidentiality of personally identifiable information (PII) and confidential information, whether in paper, electronic or other form
- Protect against any threats or hazards to the security or integrity of such information; and
- Protect against unauthorized access to or use of such information

The firm must implement controls meeting or exceeding industry standards, including, as applicable, standards promulgated by the International Office for Standardization (ISO) or National Institute for Standards and Technology (NIST). The firm must ensure that PII that is stored on the firm's systems and workstations is encrypted at rest at all times. The firm must have secured storage for promissory notes and other original documents to prevent theft and to ensure protection against fire, flood or other damage. The firm may not perform, outsource, or send to any affiliate outside of the United States or its territories, any legal work on Freddie Mac-owned or guaranteed Mortgages, including any storage of Freddie Mac data. The firm may not send any PII underlying Freddie Mac-owned or guaranteed Mortgages, outside the United States. The firm must have written policies, procedures, and processes in place by the date of the submission of the Servicer Selection Form, related to protection of PII and fraud prevention, including policies, procedures and processes related to: background checks of all employees; protection of PII; fraud prevention and identification; and incident response and notification protocols for data breaches and other security incidents. The Servicer must review and confirm that the firm meets these requirements for information security, data management, protection of PII and fraud prevention.

## **(p) Daily reporting to Freddie Mac**

The Servicer must confirm that the firm has the capability to provide daily reporting to Freddie Mac of key metrics (i.e., volume, milestones, delays, loss mitigation successes, litigation detail, etc.) via the Attorney Data Reporting (ADR) System, a Servicing Tool, pursuant to Section 9501.10. The Servicer must also ensure that the firm has staff responsible for reporting data directly to Freddie Mac using ADR.

### **(q) Technology**

The Servicer must confirm that the firm has adequate technology in place or technological capabilities to provide reporting, communication and tracking of key events and milestones, including access to PACER/ECF or other similar systems to obtain case and docket information from federal appellate, district and bankruptcy court records.

Additionally, the Servicer must confirm that the firm is able to provide status reports and track significant dates and events for foreclosure, bankruptcy, evictions and REO closings and has the capability to measure the duration between various process stages, to identify process impediments (e.g., holds) and to parse holds into different categories.

If a firm is multi-jurisdictional or has partnerships or relationships with third parties (e.g., local counsel, trustee companies or title companies) that will perform or complete some aspect of the default-related or REO-related work or if the firm relies on other offices to perform some aspect of the work or provide operational support, the Servicer must confirm that the firm maintains a reliable and secure means of exchanging matter information between each office and any third party the firm relies upon.

The Servicer must require the firm to describe whether the firm currently uses a universal translation technology to communicate information between their technological system and the various Servicers' systems, or explain its method for transmitting information efficiently, accurately and securely to Servicers.

### **(r) Technology staffing**

The Servicer must confirm that the firm has adequate in-house technical expertise or readily available vendor support to ensure compliance with Freddie Mac's automated reporting requirements.

### **(s) Insurance requirements**

The Servicer must confirm that the firm has an appropriate level of malpractice and errors and omissions insurance coverage in place or be able to obtain an appropriate amount of insurance by the date of the submission of the Servicer Selection Form. The appropriate level of insurance coverage will depend upon the total number of Freddie Mac and Fannie Mae files the firm is managing or expects to manage when being evaluated by the Servicer. The firm must have the ability to obtain the appropriate amount of insurance coverage under the new requirements as follows:

- Tier I, volume of 0-4,499 foreclosure matters, coverage of not less than \$1 million per occurrence with an aggregate of not less than \$3 million
- Tier II, volume of 4,500-19,999 foreclosure matters, coverage of not less than \$5 million per occurrence with an aggregate of not less than \$5 million; and

- Tier III, volume of 20,000 or more foreclosure matters, coverage of not less than \$8 million per occurrence with an aggregate of not less than \$8 million

The required level of insurance is determined by the higher of the Freddie Mac or Fannie Mae pending foreclosure volume. By way of example, if a firm had 2,000 Freddie Mac foreclosure matters and 4,501 Fannie Mae foreclosure matters, the firm would fall within Tier II and the required coverage would be not less than \$5 million per occurrence with an aggregate of not less than \$5 million. Beginning in 2014, Servicers must conduct an updated coverage analysis annually, with the appropriate level of insurance to be determined by the number of matters being handled as of June 1 of each year. When an annual review reveals a need to increase a firm's coverage, firms will have until December 31 of each year to obtain any required increased coverage. Servicers may grant firms additional time to obtain increased coverage if necessary to reach the routine renewal date for the firm's policy, but may not grant extensions beyond June 1 of the following year.

**(t) Financial resources**

The Servicer must confirm that the firm has adequate financial resources and the financial ability to make required advances in connection with filing fees and costs necessary to process default-related and REO-related matters.

The Servicer must review the firm's financial statements and/or other firm financial documents in order to confirm that the firm has sufficient reserves or credit lines to manage operating expenses.

**(u) Business continuity**

The Servicer must confirm that the firm has business continuity and/or disaster recovery plans in place to recover critical business functions. The firm must have a documented succession/continuity plan in the event of loss of the firm owners/partners.

**(v) Quality control**

The Servicer must confirm that the firm has written policies, procedures and/or processes in place by the date of the submission of the Servicer Selection Form, to ensure the proper management and supervision of staff and the proper preparation, review, execution and notarization of default-related documents and REO-related documents. The Servicer must also confirm the firm has an escalation process for employees to raise document execution and other quality control issues to firm management.

The Servicer must obtain documentation and information related to the firm's process for ensuring compliance with its policies, procedures, processes and training, such as an internal compliance program and/or quality control reviews.

**(w) Employee training**

The Servicer must confirm that the firm has written policies for employee training, including privacy training. When determining whether a firm's employee training is adequate, the Servicer must review the frequency of training, the presence of policies and procedures and firm handbooks, manuals and job aids.

**(x) Adverse matters**

No substantial part of the firm's practice can include matters that are adverse to financial institutions, including Freddie Mac or Fannie Mae. Adverse matters to financial institutions include:

- Homeowners or condominium association foreclosures
- Consumer debtor or mortgagor representation
- Bankruptcy trustee representation; or
- Any other client(s) that may create a potential conflict of interest

**(y) Conflicts of interest**

Attorneys must not be affected by a conflict of interest or a potential conflict of interest when handling Freddie Mac Default Legal Matters. The Servicer must retain the most qualified attorneys in compliance with Freddie Mac requirements to assist with processing Freddie Mac Default Legal Matters without regard to arrangements that could provide a financial or personal benefit directly or indirectly to the Servicer, its employees, outsource companies or third party vendors utilized by the Servicer to assist in Servicing defaulted Mortgages.

On the Servicer Selection Form, the Servicer must disclose to Freddie Mac any current, past (within the last five years), or pending personal and/or financial relationships between (i) the Servicer and the firm, including its partners and shareholders (as applicable) and (ii) the firm, including its partners and shareholders (as applicable), and any outsourcing company or other third-party vendor utilized by the Servicer to assist in Servicing defaulted Mortgages.

**(z) Disclosure of third-party service providers**

The Servicer must require the firm to disclose the identity of, and relationship with, any entities the firm relies upon to provide third-party support functions performed on the Servicer's behalf, including, but not limited to, title searches, title insurance, posting, publication, and process services.

The Servicer must also require the firm to disclose whether the firm has a process to select and regularly review costs and performance of vendors of related sources to ensure competitive pricing and high quality.

**(aa) Referrals**

The Servicer is responsible for ensuring that the firm complies with Freddie Mac requirements and applicable laws regarding referrals and payment of related fees and benefits, as further described in Sections 9501.7 and 9501.8.

The Servicer must not require the firm to use vendors, outsource companies or other third-parties specified by the Servicer as a condition of receiving a referral of a Freddie Mac Default Legal Matter.

**(bb) Diversity data**

The Servicer must confirm that the firm has the capability to report diversity data to the Servicer and Freddie Mac, if necessary.

## **9501.4: Selection of firm (03/02/16)**

**(a) Servicer selects firm**

If the Servicer determines that a firm meets the Firm Minimum Requirements specified in Section 9501.3 and all other Guide requirements, then the Servicer must complete and submit a Servicer Selection Form to Freddie Mac, via <https://freddiemacsats.com> and receive Freddie Mac’s “no objection” determination before entering into an agreement with a firm to handle Freddie Mac Default Legal Matters. If Freddie Mac requests additional information from the Servicer as part of this process, the Servicer must provide the requested information within the time frame requested by Freddie Mac. Servicers may not rely upon a previous submission of a Servicer Selection Form with respect to a firm by another Servicer that received a “no objection” determination. Each Servicer must conduct its own due diligence, submit a Servicer Selection Form and receive a “no objection” determination for each firm that the Servicer wishes to retain to handle Freddie Mac Default Legal Matters.

If a firm practices in multiple States, the Servicer must submit a Servicer Selection Form for each State office for which the Servicer wishes to retain the firm.

### **Servicer Attorney Tracking System (SATS) registration**

Servicers must use the Servicer Attorney Tracking System (SATS), an online process, to submit a Servicer Selection Form to Freddie Mac for each law firm selected to handle Freddie Mac Default Legal Matters. To establish access to SATS, Servicers must first register to create a user ID and password at <https://freddiemacsats.com>. After completing the registration process, SATS will allow users to submit the information required in the Servicer Selection Form to Freddie Mac for review. SATS will also allow Servicers to respond to Freddie Mac’s requests for additional information, as necessary, and will allow Servicers to track each submission’s status during the review process.

Freddie Mac will not review any Servicer Selection Form completed and submitted to any Freddie Mac e-mail address. Servicers must complete and submit the Servicer Selection Form via <https://freddiemacsats.com>.

**(b) Freddie Mac review of Servicer Selection Form**

After Freddie Mac receives the Servicer Selection Form, Freddie Mac will notify the Servicer via the Servicer’s registered e-mail address with SATS whether Freddie Mac:

- Objects to the Servicer’s retention of the firm to handle Freddie Mac Default Legal Matters
- Has no objection to Servicer’s retention of the firm to handle Freddie Mac Default Legal Matters; or
- Needs additional information or documentation, or due diligence to be conducted before deciding whether the firm may be retained. If requested, the Servicer must provide any additional information or documentation to Freddie Mac via <https://freddiemacsats.com>, and must conduct any further due diligence requested by Freddie Mac within the time period stated in Freddie Mac’s request.

**(c) Freddie Mac’s response to Servicer firm selection**

**(i) Freddie Mac provides a “no objection” response**

The Servicer must enter into a contract with the firm (if a contract does not already exist) as further specified in Section 9501.5, to handle Freddie Mac Default Legal Matters.

**(ii) Freddie Mac provides an “objection” response**

If the Servicer determines not to retain a particular firm, or if Freddie Mac objects to the retention of a particular firm, the Servicer must notify the firm that the firm cannot be hired for Freddie Mac Default Legal Matters.

**(d) The Servicer decides not to retain firm**

The Servicer is not obligated to inform Freddie Mac:

- If the Servicer determines that a firm does not meet the Firm Minimum Requirements; or
- If the Servicer decides not to retain a firm

**(e) Diversity**

Servicers are reminded that they must be aware of, and comply with, Freddie Mac’s requirements in Sections 1201.10 and 1301.2. The Servicer must commit to practice the



principles of equal employment opportunity and non-discrimination in all its business activities, including the retention and hiring of firms retained pursuant to this section.

## **9501.5: Retention of firm (03/02/16)**

### **(a) Servicer contract with firm**

If the Servicer has not already entered into a contract with a selected firm and Freddie Mac has provided a “no objection” determination, then the Servicer must enter into a contract with the firm. The Servicer must notify Freddie Mac when the contract has been executed by updating the Servicer Attorney Tracking System (SATS) via <https://freddiemacsats.com>, and must provide a copy of the contract to Freddie Mac, upon request.

### **(b) Freddie Mac limited retention agreement with firm**

Freddie Mac will enter into a limited retention agreement that sets forth certain key retention provisions with each selected firm for each State in which the firm has received a “no objection” determination.

### **(c) Conflict between Servicer’s contract and limited retention agreements; Servicer’s respective consent**

The Servicer acknowledges that the limited retention agreement recognizes and reflects a joint attorney-client relationship between the law firm, Freddie Mac and the Servicer, and the Servicer consents to such joint representation. The Servicer consents, in advance, to the selected firm's representation of Freddie Mac in any Freddie Mac Default Legal Matter that is or might be adverse to the Servicer, and further agrees that the firm can use in such representation any information the firm gained in the course of jointly representing the Servicer and Freddie Mac. In the event of any inconsistency or conflict between the terms and conditions of the Servicer’s contract with the selected firm and the terms and conditions of Freddie Mac’s limited retention agreement with the firm, Freddie Mac’s limited retention agreement shall control.

## **9501.6: Training of firms (03/02/16)**

### **(a) Training prior to referral**

The Servicer must not refer any Freddie Mac Default Legal Matters to a firm until the Servicer verifies that the firm has executed a limited retention agreement with Freddie Mac and has completed Freddie Mac’s new firm training.

A firm is only required to attend Freddie Mac’s new firm training once, regardless of the number of Servicers that select and retain the firm.

## **(b) Ongoing training**

The Servicer must ensure that each firm obtains appropriate training to keep the firm apprised of updated Freddie Mac requirements. If the Servicer provides its own standard training and/or other communication materials to a firm, the Servicer must include information regarding Freddie Mac's requirements.

## **9501.7: Referral of Freddie Mac Default Legal Matters to firm (03/02/16)**

### **(a) Requirements prior to referral**

Prior to referring a Freddie Mac Default Legal Matter to a firm, the Servicer must confirm that the firm is eligible to receive a referral by ensuring that:

- The firm meets the Firm Minimum Requirements, as specified in Section 9501.3
- Freddie Mac has provided a “no objection” determination, as specified in Section 9501.4
- The firm has executed a contract with the Servicer requiring the firm to comply with all applicable Freddie Mac requirements, as specified in Section 9501.5
- The firm has executed a limited retention agreement with Freddie Mac, as specified in Section 9501.5
- The firm has completed Freddie Mac training and any additional Servicer training, as specified in Section 9501.6; and
- There are no conflicts of interest with respect to the retention of the firm and referral of Freddie Mac Default Legal Matters to the firm

### **(b) Diversification of referrals**

The Servicer must diversify its referrals of Freddie Mac Default Legal Matters to an appropriate number of firms in each State to protect the interests of Freddie Mac and to mitigate the risks related to a high concentration of Freddie Mac files. In selecting firms for referrals, the Servicer must consider firm capacity and management of staff to file ratios.

### **(c) Bankruptcy and foreclosure matters**

The Servicer must not refer foreclosure matters directly to trustees listed on the deeds of trust.

Refer to Section 9401.10 for additional referral requirements.

**(d) Providing documentation to firm**

The Servicer must identify a file as a Freddie Mac Default Legal Matter when sending the file to a firm. When referring a file to a firm, the Servicer must provide all documentation required to initiate a foreclosure. If the firm requests any additional information and/or documentation at any time, the Servicer must provide such requested information and/or documents within three Business Days after receipt of the request, or within such earlier time frame if necessary to comply with timing requirements under applicable law or court orders and procedures.

For any Mortgage that the Servicer refers for foreclosure that is subsequently repurchased by the Servicer, whether voluntarily or involuntarily, the Servicer must notify foreclosure and/or bankruptcy counsel within two Business Days of the completed repurchase. (See Chapter 3602 for additional information about repurchases.)

**(e) Contingency plan**

All Servicers must have a contingency plan in place, either in the form of a stand-alone document or incorporated into policies and procedures, to redirect new foreclosure and bankruptcy referrals.

## **9501.8: Prohibitions related to Freddie Mac Default Legal Matters (03/02/16)**

Servicers must not require the firm to perform any foreclosure or bankruptcy-related services on any Freddie Mac Default Legal Matter without compensation.

**(a) Prohibition against charging for, contracting for, or making arrangements to receive benefits for Servicing obligations**

A Servicer, whether acting directly or through an affiliate, service provider, vendor or outsourcing company, must not directly or indirectly:

- Charge Freddie Mac or the firm for any foreclosure or bankruptcy-related Servicing obligations, including expenses covered by the Servicing Spread; or
- Contract or make any arrangements with the firm whereby the Servicer (or its affiliate, service provider, vendor or outsourcing company) receives, directly or indirectly, any financial or other benefits (including, but not limited to, payments, the provision of employees or free or discounted services or products) from the firm in connection with any Freddie Mac Default Legal Matter or Freddie Mac-owned or guaranteed Mortgage

Refer to Section 8103.3 for additional information on Servicing obligations.

**(b) Prohibitions with respect to use of specific vendors, services and/or products**

The Servicer, and not a service provider, vendor or outsourcing company assisting the Servicer in Servicing defaulted Mortgages, must select the firm to handle Freddie Mac Default Legal Matters, and Servicers must not permit service providers, vendors, outsourcing companies, or others to participate in or influence, in any way, the Servicer’s referral process.

A Servicer must not, whether acting directly or through an affiliate, service provider, vendor or outsourcing company:

- Require the firm to contract with or use a particular service provider, vendor or outsourcing company, or to use, or pay for, a particular service or product
- Refuse to refer a file to the firm because the firm chooses not to contract with or use a particular service provider, vendor or outsourcing company, or chooses not to use, or pay for, a particular service or product; or
- Charge the firm for any aspect of the file referral or management process, including, but not limited to, the use of connectivity or invoice processing systems (e.g., licensing or subscription fees, “click” charges, or any other payment) in order for the firm to provide services necessary to handle Freddie Mac Default Legal Matters (e.g., to prosecute the foreclosure or bankruptcy case)

However, a Servicer may require the firm to use certain connectivity or invoice processing systems, provided that the firm is not required to pay for the use of, or access to, such systems.

Refer to Section 9501.9 for information about use of, and reimbursement for, connectivity and invoice processing systems.

## **9501.9: Servicer use of connectivity and invoice processing system (03/02/16)**

A Servicer, whether acting directly or through any vendor, service provider or outsourcing company, may employ electronic monitoring, management, reporting or information and document delivery processes technology, referred to in this section as a “Connectivity System,” and an invoice processing system as outlined below.

**(a) Connectivity System**

A Servicer may employ a Connectivity System to assist with fulfilling Servicing obligations such as:

- Packaging and referring foreclosure and bankruptcy cases to the firm
- Communicating information and delivering documents between the Servicer and the firm as well as any other third parties requiring access to the Connectivity System; and
- Managing and monitoring foreclosure and bankruptcy cases

If a Servicer uses a Connectivity System:

- Freddie Mac will reimburse the Servicer for the actual cost of the connectivity fee up to the maximum expense limit specified in Section 9701.11
- The Servicer must provide the firm with use of and access to the identical Connectivity System
- The Servicer must permit, or continue to permit, the firm to integrate its own technology systems with the Connectivity System at no cost to the firm; and
- The Servicer must not pass on any Connectivity System related charges to the Borrower or the firm

**(b) Invoice processing system**

A Servicer may employ an invoice processing system for managing the submission and payment of invoices.

If a Servicer, whether acting directly or through a vendor or outsourcing company, processes firm invoices electronically:

- Freddie Mac will reimburse the Servicer for the actual cost of the invoicing fee up to the maximum expense limits specified in Section 9701.11; and
- The Servicer must not pass on any invoice processing related charges to the Borrower or the firm

The amounts specified in Section 9701.11 for connectivity and invoice processing systems are the maximum amounts for which a Servicer may seek reimbursement for the life of the default (i.e., the duration of the foreclosure, including any Freddie Mac Default Legal Matter such as bankruptcy).

For example, if a Servicer has already referred a Mortgage to foreclosure and it then becomes necessary to take action with respect to a bankruptcy related to such Mortgage, or if a Servicer has already referred a file for bankruptcy and foreclosure has commenced following the bankruptcy referral, the Servicer may be reimbursed only for one connectivity fee. Likewise in this scenario, if the Servicer is using an invoice processing system, then the Servicer may only

seek reimbursement for one invoicing fee associated with the foreclosure and for one invoicing fee associated with the bankruptcy during the life of the default.

## **9501.10: Servicer reporting on Freddie Mac Default Legal Matters (06/29/16)**

The Servicer must provide reports related to firm performance, management of foreclosure and bankruptcy processes, oversight of firm compliance and performance and other related matters as required by Freddie Mac. Servicers must ensure that all firms retained for Freddie Mac Default Legal Matters report data required by Freddie Mac directly to Freddie Mac accurately and in the time frames prescribed. This includes required daily reporting by its retained law firms, via the Attorney Data Reporting (ADR) System, of key metrics such as:

- Milestones during the lifecycle of Freddie Mac Default Legal Matters
- Delays affecting prompt and efficient completion of the Freddie Mac Default Legal Matter
- Successful loss mitigation activities
- Litigation detail during the lifecycle of certain non-routine litigation matters
- Completion of the Freddie Mac Default Legal Matter

Key metrics generally must be reported to Freddie Mac within 24 hours of occurrence, unless otherwise prescribed in related training materials for the web-based attorney reporting system. Servicers may obtain access to ADR, and monitor their law firms' reporting progress, by completing the [ADR Servicer Access Request Form](#) available on the Freddie Mac Default-Related Legal Services web page at [http://www.freddiemac.com/singlefamily/service/default\\_legal\\_services.html](http://www.freddiemac.com/singlefamily/service/default_legal_services.html)

## **9501.11: Servicer monitoring and management of firm (03/02/16)**

The Servicer is responsible for managing and monitoring all aspects of the firm performance, providing necessary assistance to the firm relating to Freddie Mac Default Legal Matters, and for undertaking all activities required to protect Freddie Mac's interest in the Mortgage. The Servicer must also ensure that the firm is in compliance with applicable Freddie Mac requirements, and that the firm receives all training and documentation relating to applicable Freddie Mac requirements, either separately or as part of the Servicer's standard training.

### **(a) Compliance processes**

The Servicer must develop and have in place policies and procedures regarding oversight and compliance of firms handling Freddie Mac Default Legal Matters. The Servicer must have policies and procedures reasonably designed to ensure that firms handling Freddie Mac Default Legal Matters are in compliance with the limited retention agreement, the applicable provisions of the Guide, and applicable law.

The Servicer's ongoing compliance monitoring must address the following minimum elements:

- Ongoing eligibility under the Firm Minimum Requirements specified in Section 9501.3
- Compliance with the limited retention agreement, including the fee and cost guidelines; and
- Firm performance and processes necessary to ensure Servicer's compliance with applicable Guide requirements

The Servicer must conduct periodic compliance reviews and training as appropriate. In determining the frequency of firm compliance reviews, the Servicer must consider the overall risk posed to Freddie Mac by the firm (legal, reputational, and financial), firm file volume, performance, any changes in staffing ratios or levels, any litigation against the firm alleging systemic issues, any media coverage regarding the firm and the prior results of any firm compliance reviews.

#### **(b) Freddie Mac review of compliance process**

Freddie Mac reserves the right to review the Servicer's compliance process. Freddie Mac may require Servicers to conduct additional compliance activities related to firms handling Freddie Mac Default Legal Matters, such as additional firm compliance reviews.

The Servicer must make available to Freddie Mac upon request the materials relating to its performance and compliance monitoring of firms handling Freddie Mac Default Legal Matters, including:

- Information regarding the scope and methodology of the Servicer's compliance monitoring
- The schedule of firm compliance reviews conducted
- The identity of any vendors used in the firm compliance reviews
- All documentation from the firm compliance reviews; and
- All findings, reports or remediation plans resulting from the firm compliance reviews

In addition, Freddie Mac may require a Servicer to change the scope of its compliance process used to monitor firms handling Freddie Mac Mortgages.

**(c) Freddie Mac right to audit firm**

Freddie Mac also reserves the right to directly conduct firm audits and firm on-site visits as Freddie Mac deems necessary. Freddie Mac audits and visits may focus on items such as fee and cost compliance, Servicer compliance with Freddie Mac requirements, and high-risk issues, including compliance with applicable laws, reputational risk, unsatisfactory results of Servicer firm compliance reviews and conflicts of interest involving Freddie Mac-owned or guaranteed Mortgages.

## **9501.12: Escalation of firm issues to Freddie Mac (03/02/16)**

**(a) Escalation of issues**

The Servicer must notify Freddie Mac via e-mail (**see Directory 1**), within two Business Days of discovery or sooner if circumstances warrant, if the Servicer becomes aware of any issues or concerns relating to a firm (including a specific employee or vendor of a firm), or a Freddie Mac Default Legal Matter, including, but not limited to:

1. Any information regarding a firm that may warrant a firm's suspension, termination or Servicer request to transfer Freddie Mac Default Legal Matters to another firm
2. Information suggesting legal or reputational risk posed by the firm such as bar complaints, sanctions, or litigation alleging systemic issues with the firm, firm attorney, or the firm's practices
3. Security incidents that compromise the security, confidentiality or integrity of "sensitive customer information" and that security incident is related to Freddie Mac-owned or guaranteed Mortgages (refer to Section 1301.2(f))
4. Actual or alleged fraud on the part of the firm
5. Federal, State, or local governmental inquiries, including congressional inquiries, regarding a firm, Freddie Mac-owned or guaranteed Mortgages, or Freddie Mac or Servicer practices affecting Freddie Mac-owned or guaranteed Mortgages
6. Non-routine litigation (as described in Section 9402.2)
7. Media inquiries relating to Freddie Mac, a firm, or Freddie Mac-owned or guaranteed Mortgages



8. Volume or capacity issues with the firm
9. Breach of the limited retention agreement between the firm and Freddie Mac, or the contract between the firm and the Servicer
10. Legal matters such as regulatory updates and specific reporting on certain matters (e.g., transfer tax matters)
11. Any systemic issues with the firm
12. Systemic Servicer issues related to file suspensions and foreclosure holds (e.g., failure to properly implement new statutory changes); and
13. Any material change in the ownership, partnership, or organization of the firm after executing the limited retention agreement. Such notifications should include instances where a named partner leaves the firm or a major practice group separates from the firm.

**(b) Procedures relating to issues and concerns**

When a Servicer provides Freddie Mac notice of an issue requiring Freddie Mac's attention, the Servicer must designate in its e-mail one or more points of contact. Freddie Mac may request that the Servicer obtain additional information from the firm regarding the issue that was escalated to Freddie Mac, and the Servicer must promptly provide the requested information to Freddie Mac.

**(c) Freddie Mac rights**

Freddie Mac reserves the right to issue direction to Servicers and firms regarding escalated issues. Refer to Section 9501.15 for more information about Freddie Mac's reservation of rights

**(d) Escalated issue – confidential information**

Any issue that is identified and escalated to or by Freddie Mac pursuant to this section (other than non-routine litigation) is considered to be "confidential information" as defined in Sections 1201.8 and 8101.8. The Servicer must comply with the requirements of such sections with respect to treatment of any escalated issue.

## **9501.13: File transfers, termination and suspension of firms (05/18/16)**

**(a) Servicer-directed suspension of referrals, Freddie Mac Default Legal Matter transfers and terminations**

If a Servicer becomes aware of information regarding a firm's handling Freddie Mac Default Legal Matters that might warrant a suspension of referrals of new Freddie Mac Default Legal Matters, the transfer of Freddie Mac Default Legal Matters to another firm, and/or termination of the firm (such as for legal, reputational, or operational risk), the Servicer must:

- Notify Freddie Mac within two Business Days via e-mail or sooner if circumstances warrant, as set forth in Section 9501.12; and
- Conduct due diligence with respect to the issue

If the Servicer intends to suspend referrals of new Freddie Mac Default Legal Matters, transfer Freddie Mac Default Legal Matters, and/or terminate a firm, the Servicer must provide Freddie Mac with at least five Business Days' notice (**see Directory 1**) prior to implementing the decision. Additionally, the notification must provide Freddie Mac with the implementation plan for the course of action chosen by the Servicer, pursuant to Section 9501.14.

For the transfer of Freddie Mac Default Legal Matters, once a Servicer has determined the eligible law firm(s) that will receive such file transfers, the following must also be included in the notification to Freddie Mac:

- Servicer name and the six-digit Seller/Servicer number
- The nine-digit Freddie Mac loan number
- Servicer loan number
- Date of transfer
- Original law firm name
- New law firm name
- Freddie Mac Default Legal Matter being transferred (e.g., foreclosure, bankruptcy proof of claim (POC) or bankruptcy motion for relief (MFR)) to the new law firm
- The State in which the Mortgaged Premises is located

In addition, the Servicer must:

- Upon request, provide Freddie Mac with the reason for the decision and the due diligence materials or other information supporting the decision
- Inform the firm of the decision; and
- Keep Freddie Mac periodically updated with respect to the status of implementation of the decision

Refer to Section 9501.14 for additional information relating to implementation of terminations, transfer of Freddie Mac Default Legal Matters and suspensions.

**(b) Freddie Mac-directed suspension of referrals, matter transfers and terminations**

Freddie Mac may direct the Servicer to initiate an investigation of a firm if Freddie Mac becomes aware of information that might warrant a suspension of referrals of new Freddie Mac Default Legal Matters, the transfer of Freddie Mac Default Legal Matters, or termination of the firm. Freddie Mac also may conduct due diligence and investigations as necessary. Freddie Mac may instruct Servicers to suspend some or all referrals of new Freddie Mac Default Legal Matters, to transfer some or all existing Freddie Mac Default Legal Matters, or to terminate a firm.

In the event of a decision by Freddie Mac to suspend referrals of new Freddie Mac Default Legal Matters, transfer Freddie Mac Default Legal Matters, or terminate a firm, Freddie Mac will:

- Inform the Servicer of the decision and provide direction with respect to required Servicer actions, including direction with respect to transfers of Freddie Mac Default Legal Matters
- Inform the firm of the decision and provide direction to the firm with respect to required firm actions; and
- Terminate the limited retention agreement between Freddie Mac and the firm, as appropriate

**(c) Documentation of due diligence review**

The Servicer must maintain documentation of the due diligence review, the Servicer's decision, and all other information supporting the decision for a period of seven years after such decision.

## **9501.14: Implementing file transfers and/or the termination and suspension of firms (03/02/16)**

**(a) Implementation plan**

Prior to implementing any decision to terminate a contract with a firm, suspend referrals of new Freddie Mac Default Legal Matters and/or transfer Freddie Mac Default Legal Matters from a firm, the Servicer must develop an implementation plan which addresses:

- File transfers

- The capacity of other eligible firms in the State to handle additional Freddie Mac Default Legal Matters and/or transferred Freddie Mac Default Legal Matters
- Proration of fees and costs between the transferor and transferee firms
- Contract provisions during any transition period, including insurance; and
- Other issues as necessary

The implementation plan must take into account any legal, operational or reputational risks that may arise during the transition period, and must address these risks in the most cost-efficient and effective manner. Freddie Mac reserves the right to require the modification of the implementation plan, and provide additional Servicer requirements relating to the termination of any firm, the suspension of referrals of new Freddie Mac Default Legal Matters and the transfer of Freddie Mac Default Legal Matters.

**(b) Servicer monitoring of implementation plan**

The Servicer must take all necessary steps to ensure that the implementation plan proceeds in an orderly manner and that all Freddie Mac interests are protected during the implementation. Such steps include, but are not limited to:

- Transferring files relating to Freddie Mac Default Legal Matters to eligible firms
- Addressing any issues arising from the transfer of files, the suspension of referrals and the termination of a firm
- Reporting periodically to Freddie Mac on the status of the plan, including such details as how many files are transferred to each new firm, which new firms receive the files and the timing of transfers; and
- Such other details as requested by Freddie Mac

Servicers may not charge Freddie Mac or Borrowers for any fees or costs associated with transferring Freddie Mac Default Legal Matters, and such amounts may not be added to Borrower Mortgage balances.

**(c) Freddie Mac’s rights to manage termination, suspension and/or file transfers**

Freddie Mac may decide, in its sole discretion, that the legal, operational or reputational risks necessitate Freddie Mac’s management of the:

- Termination of any firm with respect to its handling of Freddie Mac Default Legal Matters
- Suspension of referrals of Freddie Mac Default Legal Matters to a firm; and/or
- Transfers of files relating to Freddie Mac Default Legal Matters

In such case, the Servicer must cooperate with Freddie Mac in such management and provide all necessary documentation, files and information as requested by Freddie Mac.

## **9501.15: Reservation of rights and remedies for non-compliance concerning litigation (03/02/16)**

Freddie Mac reserves the right to direct and control all litigation involving a Freddie Mac loan. The Servicer and firm handling the litigation must cooperate fully with Freddie Mac in the prosecution, defense or handling of the matter.

In addition, Freddie Mac reserves the right to:

1. Select the foreclosure counsel for a particular case, whether the case is routine or non-routine litigation
2. Direct and manage the actions taken by the foreclosure counsel, on a case-by-case or individual State basis
3. Assess additional compensatory fees against the Servicer and/or seek repayment of losses, costs or damages from the Servicer sustained due to errors, omissions or delays by the Servicer or its agent; and
4. Direct and manage the actions taken by Servicers and firms relating to escalated issues specified in Section 9501.12

### **Remedies for non-compliance**

If a Servicer fails to comply with the provisions under Chapter 9501, Freddie Mac, in its sole discretion, and in addition to any other remedies specified in the Guide or the Servicer's other Purchase Documents, reserves the right to:

- Refuse to reimburse the Servicer for any legal fees and costs
- Offset the entire legal fee from future foreclosure expenses otherwise eligible for reimbursement from Freddie Mac or seek the Servicer's reimbursement of the entire legal fee with interest, if Freddie Mac has already reimbursed the Servicer for the costs involved in the particular foreclosure or bankruptcy
- Require the Servicer to reimburse the firm or Freddie Mac for any prohibited payments or other financial benefits
- Prohibit the Servicer from contracting, directly or through any service provider, vendor or outsourcing company, with a firm with respect to products or services ancillary to a foreclosure or bankruptcy case

- Prohibit the Servicer from contracting with the service provider, vendor or outsourcing company involved in the prohibited activities with respect to Freddie Mac-owned or guaranteed Mortgages
- Seek Servicer repayment of losses, costs or damages sustained by Freddie Mac due to errors by the Servicer or its agent; and/or require repurchase of impacted Mortgage

# **Chapter 9502: Retention of Counsel for Freddie Mac Default Legal Matters Referred Prior to August 1, 2013**

## **9502.1: Retention of counsel for Freddie Mac Default Legal Matters referred prior to August 1, 2013 (03/02/16)**

If a Freddie Mac Default Legal Matter is referred to a law firm prior to August 1, 2013, the Servicer must comply with the requirements relating to the selection and retention of counsel as set forth in this chapter rather than the requirements of Chapter 9501. However, Servicers must comply with the requirements in Chapter 9501 related to the monitoring and management of a law firm, reporting, escalation of issues and termination and suspension of law firms for matters referred to counsel on or after June 1, 2013.

## **9502.2: Litigation counsel eligibility criteria for Freddie Mac Default Legal Matters referred prior to August 1, 2013 (03/02/16)**

Having a single law firm handle a Mortgage from foreclosure through eviction, including bankruptcy, increases efficiency and effectiveness by eliminating learning curve problems and delays caused by hand-offs and duplicative title work. Therefore, Servicers are required to ensure that counsel retained for Freddie Mac's Mortgage foreclosures, evictions, deeds-in-lieu of foreclosure and bankruptcies meet the following criteria:

- The law firm retained as litigation counsel must have expertise in all four of the following areas: residential foreclosures, deeds-in-lieu of foreclosure, evictions and secured creditor representation in bankruptcy cases. For foreclosures or evictions on 2- to 4-unit properties, the law firm must also have experience in handling litigation matters on income-producing properties, including appointing receivers and enforcing assignment of rents.
- The attorneys at the law firm who are actually handling Freddie Mac's cases must have a minimum of three years' experience in their particular areas of expertise. For example, an attorney handling a bankruptcy case must have at least three years' experience representing secured creditors in bankruptcy cases. In the event that the attorney handling a matter for Freddie Mac is unavailable, the firm must have an attorney with similar relevant experience who can substitute for the absent attorney without causing a delay.

In addition, when selecting a law firm to handle foreclosures and bankruptcies, Servicers should consider the reputation of the firm as well as whether the firm's attorneys, principals, or managers are, or have been, subject to:

- Disciplinary action by any regulatory authority
- Sanctions imposed by a court or licensing authority
- Legal action by any governmental or regulatory authority resulting from the firm's involvement in single-family loan-level foreclosure, bankruptcy, eviction or property closing activities
- Legal action by consumers resulting from the firm's involvement in single-family loan-level foreclosure, bankruptcy, eviction or property closing activities

Refer to Sections 9401.6 through 9401.10 regarding when to refer a bankruptcy case to counsel and our requirements for bankruptcy counsel and Sections 9402.1 through 9402.3 regarding litigation.

### **9502.3: How to select foreclosure counsel for Freddie Mac Default Legal Matters referred prior to August 1, 2013 (03/02/16)**

The Servicer is responsible for selecting counsel, and its selection decisions must not be influenced by inappropriate considerations. Refer to Section 9502.6 for additional information on prohibitions relating to foreclosure and bankruptcy referrals.

When making foreclosure and bankruptcy referrals, the Servicer must ensure that it is diversifying referrals by engaging in a relationship with at least two law firms in higher-volume States (States in which the Servicer has 250 or more Freddie Mac foreclosure and bankruptcy referrals in a calendar year).

In higher-volume States, the Servicer must take one of the following approaches to diversifying foreclosure and bankruptcy referrals:

1. The Servicer must make foreclosure and bankruptcy referrals on Mortgages it services on behalf of Freddie Mac to at least two law firms, ensuring that at least a substantial minority of the referrals are made to the law firm that receives the fewest referrals; or
2. The Servicer must make foreclosure and bankruptcy referrals to at least two law firms, with respect to its entire Servicing portfolio, ensuring that at least a substantial minority of the referrals are made to the law firm that receives the fewest referrals

In addition, all Servicers must have a contingency plan in place, either in the form of a stand-alone document or incorporated into policies and procedures, to redirect new foreclosure and



bankruptcy referrals in the event a law firm the Servicer is using is no longer able to accept new referrals.

The Servicer must use the same entity that it retains to represent it in a bankruptcy action on a Mortgage to process the foreclosure.

The foreclosure counsel must be free from any conflict of interest with the Borrower.

The foreclosure counsel the Servicer chooses must meet the eligibility requirements in Section 9502.2.

When selecting the foreclosure counsel, the Servicer must base the selection on the prior performance of the foreclosure counsel in the following areas:

1. Completing foreclosures
2. Delivering clear and marketable title to Freddie Mac
3. Facilitating reinstatements and workouts with Borrowers
4. Resolving litigation delays (foreclosure counsel only)

The Servicer must communicate Freddie Mac's State foreclosure time line expectations and Freddie Mac's allowable fee schedule to the foreclosure counsel whom the Servicer selects. The Servicer must also communicate to the counsel that if they pay the Servicer or its vendor, either directly or indirectly, for any of the Servicing obligations covered by the Servicing Spread or any expenses itemized in Section 9701.15, Freddie Mac may preclude the counsel who pays any such expenses on Freddie Mac Mortgages from processing future foreclosures or bankruptcies for Freddie Mac.

## **9502.4: Selecting bankruptcy counsel for Freddie Mac Default Legal Matters referred prior to August 1, 2013 (03/02/16)**

The Servicer must diversify foreclosure and bankruptcy referrals in higher-volume States (States in which the Servicer has 250 or more Freddie Mac foreclosure and bankruptcy referrals in a calendar year). In addition, the Servicer must have a contingency plan to redirect new foreclosure and bankruptcy referrals in the event a law firm that the Servicer is using is no longer able to accept new referrals (see Section 9502.3).

Bankruptcy counsel must be free from any conflict of interest with the Borrower.

Servicers must use the same entity retained in a foreclosure action on a Mortgage to represent the Servicer in a subsequent bankruptcy. Likewise, if at the dismissal or completion of the bankruptcy the Mortgage progresses to foreclosure, the Servicer must use the same law firm to handle the foreclosure as it used for the bankruptcy.

If the Servicer does not use the same entity representing the Servicer in a foreclosure action to represent it in a subsequent bankruptcy, Freddie Mac may, in its sole discretion, elect not to

reimburse the Servicer. See Chapter 9701 for more details on reimbursement for bankruptcy costs and fees.

If a Servicer determines that special circumstances exist that require case management by counsel on a current Mortgage, then the Servicer must obtain Freddie Mac's prior written approval to obtain counsel in accordance with the requirements in Section 9502.2 and incur the legal expense by submitting a request for pre-approval via the Reimbursement System.

## **9502.5: Foreclosure time line compensatory fee protection for use of designated counsel when required for Freddie Mac Default Legal Matters referred prior to August 1, 2013 (03/02/16)**

For Mortgages referred to foreclosure prior to October 1, 2011:

The Servicer will not be subject to compensatory fees for a foreclosure and/or bankruptcy handled by a designated counsel that is not completed within Freddie Mac's required time lines, as long as the delay was not caused by the Servicer's failure to refer the Mortgage to foreclosure in accordance with the Guide requirements and/or send all of the documentation, information, signatures and/or funds to the designated counsel as required.

If the Servicer elects to use Freddie Mac's designated counsel, and the Servicer does not use that same designated counsel for both foreclosure and bankruptcy, Freddie Mac will not give the Servicer credit for using designated counsel for purposes of foreclosure time line compensatory fee protection.

## **9502.6: Prohibitions relating to foreclosure and bankruptcy referrals for Freddie Mac Default Legal Matters referred prior to August 1, 2013 and Freddie Mac remedies for non-compliance (03/02/16)**

Freddie Mac requires that all foreclosure and bankruptcy-related Servicing obligations, and all services and products purchased in connection with such Servicing obligations, be done in the most effective, efficient and cost-conscious manner. Servicers must not require the law firm to perform any foreclosure or bankruptcy-related services on any Freddie Mac Legal Matter without compensation.

### **(a) Prohibition against charging for, contracting for, or making arrangements to receive benefits for Servicing obligations**

A Servicer, whether acting directly or through an affiliate, service provider, vendor or outsourcing company, must not directly or indirectly:

- Charge Freddie Mac, the counsel for any foreclosure or bankruptcy-related Servicing obligations, including expenses covered by the Servicing Spread; or
- Contract or make any arrangements with counsel whereby the Servicer (or its affiliate, service provider, vendor or outsourcing company) receives, directly or indirectly, any financial or other benefits (including, but not limited to, payments, the provision of employees, or free or discounted services or products) from the counsel in connection with any Freddie Mac Mortgage

Refer to Section 8105.3 for additional information on Servicing obligations.

**(b) Prohibition against Servicers requiring firms to use specific vendors, services and/or products**

A Servicer must not, whether acting directly or through an affiliate, service provider, vendor or outsourcing company:

- Require counsel to contract with or use a particular service provider, vendor or outsourcing company, or to use, or pay for, a particular service or product;
- Refuse to refer a file to counsel because the attorney chooses not to contract with or use a particular service provider, vendor or outsourcing company, or chooses not to use, or pay for, a particular service or product; or
- Charge counsel for any aspect of the file referral or management process, including, but not limited to, the use of connectivity or invoice processing systems (e.g., licensing or subscription fees, "click" charges, or any other payment) in order for an attorney to provide services necessary to prosecute the foreclosure or bankruptcy case

However, a Servicer may require counsel to use certain connectivity or invoice processing systems provided that the attorney is not required to pay for the use of, or access to, such systems.

**(c) Prohibition against service providers, vendors, outsourcing companies or others influencing selection of foreclosure counsel**

The Servicer, and not a service provider, vendor or outsourcing company assisting the Servicer in Servicing defaulted Mortgages, must select counsel to work on Freddie Mac Mortgages, and Servicers must not permit service providers, vendors, outsourcing companies, or others to participate in or influence, in any way, the Servicer's selection process.

**(d) Remedies for non-compliance**

If a Servicer fails to comply with the provisions of Section 9502.6(a), (b), or (c) above, Freddie Mac may, in its sole discretion and in addition to any other remedies specified in the Guide or the Servicer's other Purchase Documents:

- Refuse to reimburse the Servicer for any counsel fees and costs;
- Offset the entire legal fee from future foreclosure expenses or seek reimbursement of the entire legal fee with interest, if Freddie Mac has already reimbursed the Servicer for the costs involved in the particular foreclosure or bankruptcy;
- Require the Servicer to reimburse the counsel or Freddie Mac for any prohibited payments or other financial benefits;
- Prohibit the Servicer from contracting, directly or through any service provider, vendor or outsourcing company, with counsel with respect to products or services ancillary to a foreclosure or bankruptcy case; and/or
- Prohibit the Servicer from contracting with the service provider, vendor or outsourcing company involved in the prohibited activities with respect to Freddie Mac Mortgages

## **9502.7: Providing information to the foreclosure counsel and Servicer use of connectivity and invoice processing systems for Freddie Mac Default Legal Matters referred prior to August 1, 2013 (03/02/16)**

### **(a) Responsibility to provide information to foreclosure counsel**

For any Mortgage that the Servicer refers for foreclosure, the Servicer must provide complete written reinstatement or payoff figures to the counsel workout specialist, or outsourcing vendor requesting the information. This information must be provided within two Business Days of the date on which a written request is received. The Servicer may provide the written reinstatement or payoff figures via a paper document, facsimile or e-mail.

If the foreclosure counsel requests additional documentation from the Servicer (such as certificates of judgment or proofs of claim) while a case is pending, the Servicer must provide the additional documentation within two Business Days of receiving the request.

For any Mortgage that the Servicer refers for foreclosure, but the Mortgage is subsequently repurchased by the Servicer, whether voluntarily or involuntarily, the Servicer must notify foreclosure and/or bankruptcy counsel within two Business Days of the completed repurchase. (See Chapter 3602 for additional information about repurchases.)

### **(b) Connectivity and invoice processing systems**

A Servicer, whether acting directly or through any vendor, service provider or outsourcing company, may employ electronic monitoring, management, reporting or information and document delivery processes technology, referred to here as a “Connectivity System,” and an invoice processing system as outlined below.

**i) Connectivity System**

A Servicer may employ a Connectivity System to assist with fulfilling Servicing obligations such as:

- Packaging and referring foreclosure and bankruptcy cases to counsel;
- Communicating information and delivering documents between the Servicer and its counsel as well as any other third parties requiring access to the Connectivity System; and
- Managing and monitoring foreclosure and bankruptcy cases

**If a Servicer uses a Connectivity System:**

- Freddie Mac will reimburse a Servicer for the actual cost of the connectivity fee up to the maximum expense limit specified in Section 9701.11;
- The Servicer must provide all attorneys the use of and access to the identical Connectivity System;
- The Servicer must permit, or continue to permit, counsel to integrate their own technology systems with the Connectivity System at no cost to the counsel; and
- The Servicer must not pass on any Connectivity System related charges to the Borrower or the counsel

**ii) Invoice processing system**

A Servicer may employ an invoice processing system for managing the submission and payment of invoices.

If a Servicer, whether acting directly or through a vendor or outsourcing company, processes counsel invoices electronically:

- Freddie Mac will reimburse the Servicer for the actual cost of the invoicing fee up to the maximum expense limits specified in Section 9701.11; and
- The Servicer must not pass on any invoice processing related charges to the Borrower or the counsel

The amounts specified in Section 9701.11 for connectivity and invoice processing systems are the maximum amounts for which a Servicer may seek reimbursement for the life of the default (i.e., the duration of the foreclosure, including any related bankruptcy referral).

For example, if a Servicer has already referred a file to foreclosure and it then becomes necessary to take action with respect to a bankruptcy related to such Mortgage, or if a Servicer has already referred a file for bankruptcy and foreclosure has commenced following the bankruptcy referral, the Servicer may be reimbursed only for one connectivity fee. Likewise in this scenario, if the Servicer is using an invoice processing system, then the Servicer may only seek reimbursement for one invoicing fee associated with the foreclosure and for one invoicing fee associated with the bankruptcy during the life of the default.

# Chapter 9601: Deficiency Recovery

## 9601.1: Working with vendors to collect deficiencies (07/13/16)

Freddie Mac may use vendors to assist in the collection of deficiencies. The Servicer must assist such vendors to obtain any necessary case file documentation upon the vendor's request. This would include data reporting or case file documentation that firms, selected and retained by the Servicer to handle Freddie Mac Default Legal Matters, may have obtained in the course of handling a particular case. **At the time the vendor requests documentation for this purpose, as part of the request, the vendor will provide a letter of authorization from Freddie Mac to obtain such information.**

The Servicer may only execute deficiency assignment documents that transfer deficiency rights from the Servicer to Freddie Mac when requested by an MI or third-party vendor. Refer to Section 9601.2 for requirements on assigning deficiency rights.

## 9601.2: Assigning deficiency rights after the foreclosure sale (03/02/16)

If the Mortgage has mortgage insurance and is not covered by any other credit enhancement, the Servicer must not execute any assignment of the right to pursue a deficiency or assignment of a deficiency judgment to an MI or a third party. These documents must be sent directly to Freddie Mac (see **Directory 5**). Freddie Mac will coordinate the execution of these assignment documents.

The Servicer may execute deficiency assignment documents that transfer deficiency rights from the Servicer to Freddie Mac when requested by an MI or third-party vendor.

For all other issues related to assigning deficiency rights after foreclosure sale, Servicers should direct their questions to Freddie Mac (see **Directory 5**).

## 9601.3: Charging off the deficiency (10/09/19)

**Refer to Bulletins 2019-18, 2019-19 and 2019-21, which announced the availability of Freddie Mac Servicing Data Corrections. Servicers may use the application prior to the implementation of the December 9, 2019 version of this section.**

The amount that Freddie Mac has determined to be charged off will be reflected on the Draft Report. The Servicer must review the Draft Report and report any discrepancies between its

records and the amount on the Draft Report to Freddie Mac (see **Directory 5**) by submitting Form 1205, Post-Settlement Correction Request, within 30 calendar days following Freddie Mac's posting of the amount to the Draft Report. Servicers may access the Draft Report through the Freddie Mac Service Loans application at <http://www.freddiemac.com/singlefamily/service/>.

When reporting a discrepancy, Servicers must submit the calculation used to determine the variance in the comment section of Form 1205 and any documentation to support the request.

Freddie Mac will process, at its discretion, discrepancies that are submitted more than 60 calendar days after the initial adjustment is posted to the Draft Report. Such discrepancies may be subject to a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the post-settlement correction request is denied, the Servicer may be liable for any additional losses.

### **9601.3: Charging off the deficiency (Future effective date 12/09/19)**

The amount that Freddie Mac has determined to be charged off will be reflected on the Draft Report. The Servicer must review the Draft Report and report any discrepancies between its records and the amount on the Draft Report to Freddie Mac via [the Freddie Mac Servicing Data Corrections tool](#) (see [Exhibit 88, Servicing Tools](#)) within 30 calendar days following Freddie Mac's posting of the amount to the Draft Report. Servicers may access the Draft Report through the Freddie Mac Service Loans application at <http://www.freddiemac.com/singlefamily/service/>.

When reporting a discrepancy, Servicers must [input](#) the calculation used to determine the variance [and upload](#) any documentation to support the request in [the Servicing Data Corrections tool](#).

Freddie Mac will process, at its discretion, discrepancies that are submitted more than 60 calendar days after the initial adjustment is posted to the Draft Report. Such discrepancies may be subject to a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the post-settlement correction request is denied, the Servicer may be liable for any additional losses.



# **Chapter 9602: Post-Sale Reporting to Other Entities**

## **9602.1: Servicer reporting of foreclosure sales to credit repositories (03/02/16)**

The Servicer must report all foreclosure sales to the credit repositories listed in Exhibit 51, Credit Repositories and Information to Report, according to the requirements in Section 8106.6.

## **9602.2: Servicer reporting to the IRS (03/02/16)**

The Servicer must report the acquisition or abandonment of the property to the Internal Revenue Service (IRS) according to the requirements in Section 8106.3 on IRS Form 1099-A, Acquisition or Abandonment of Secured Property.

In the event that deficiency rights were not preserved during the foreclosure process as may be allowed under Section 9301.23, the Servicer must also report the cancellation of debt to the IRS according to the requirements in Section 8106.4 on IRS Form 1099-C, Cancellation of Debt.

# Chapter 9603: REO

## 9603.1: General Servicer requirements for REO properties (07/15/19)

Once Freddie Mac has acquired a property in REO and the Servicer has successfully reported the foreclosure sale or deed-in-lieu of foreclosure via the Freddie Mac Service Loans application pursuant to Section 9603.9, the Servicer will no longer have the responsibility for the following REO activities, including for properties located in States that have a redemption, confirmation process or ratification of sale:

1. Securing, maintaining, inspecting and winterizing the property
2. Making advances to superior lienholders, including condominium/homeowners association (HOA) assessments, Planned Unit Development (PUD) assessments, ground rent, co-op corporation assessments and leasehold payments required under the lease
3. Evicting the occupants in the property
4. Marketing and rehabilitating the REO

Servicers are responsible for the following activities until the sale of the REO by Freddie Mac, the MI, FHA, RHS or VA:

1. Filing and concluding FHA, RHS and VA claims, if applicable. (Freddie Mac will file MI claims.)
2. Filing and concluding property insurance claims, if applicable and applying for premium refunds, in accordance with Section 9603.11. **The Servicer is required to cancel any existing property insurance policies no later than 14 days after the completed foreclosure sale or deed-in-lieu of foreclosure has been successfully reported to Freddie Mac.** Freddie Mac may instruct the Servicer to maintain property insurance (even if the property is vacant and has no claimable damage). If Freddie Mac makes this request, the Servicer must continue the insurance coverage until Freddie Mac notifies the Servicer that Freddie Mac has sold the REO.
3. Referring all inquiries and offers regarding purchase of the REO to Freddie Mac (**see Directory 6**) within one Business Day of the inquiry or offer
4. Fulfilling all requests made by Freddie Mac, including attorney selection. If the Servicer requires the assistance of an attorney in fulfilling any of the obligations set forth in this chapter, the Servicer must use an attorney who meets the criteria in Section 9501.3. (See Exhibit 88, Servicing Tools).

5. Taking such action that Freddie Mac may request regarding a property

Servicers may review the REO Overview report, accessible via the “REO” tile of the Servicer’s Servicer Performance Profile (SPP) (see Exhibit 88) for the property status. The Servicer may also call the Customer Support Contact Center at 800-FREDDIE to obtain this information. Freddie Mac will not send the Servicer a written notice of the sale of the REO.

## 9603.1: General Servicer requirements for REO properties (Future effective date 12/09/19)

Once Freddie Mac has acquired a property in REO and the Servicer has successfully reported the foreclosure sale or deed-in-lieu of foreclosure via the Freddie Mac [Foreclosure Sale Reporting and Loan Level Reporting tools](#) (see Exhibit 88, [Servicing Tools](#)) pursuant to Section 9603.9, the Servicer will no longer have the responsibility for the following REO activities, including for properties located in States that have a redemption, confirmation process or ratification of sale:

1. Securing, maintaining, inspecting and winterizing the property
2. Making advances to superior lienholders, including condominium/homeowners association (HOA) assessments, Planned Unit Development (PUD) assessments, ground rent, co-op corporation assessments and leasehold payments required under the lease
3. Evicting the occupants in the property
4. Marketing and rehabilitating the REO

Servicers are responsible for the following activities until the sale of the REO by Freddie Mac, the MI, FHA, RHS or VA:

1. Filing and concluding FHA, RHS and VA claims, if applicable. (Freddie Mac will file MI claims.)
2. Filing and concluding property insurance claims, if applicable and applying for premium refunds, in accordance with Section 9603.11. The Servicer is required to cancel any existing property insurance policies no later than 14 days after the completed foreclosure sale or deed-in-lieu of foreclosure has been successfully reported to Freddie Mac. Freddie Mac may instruct the Servicer to maintain property insurance (even if the property is vacant and has no claimable damage). If Freddie Mac makes this request, the Servicer must continue the insurance coverage until Freddie Mac notifies the Servicer that Freddie Mac has sold the REO.
3. Referring all inquiries and offers regarding purchase of the REO to Freddie Mac (**see Directory 6**) within one Business Day of the inquiry or offer

4. Fulfilling all requests made by Freddie Mac, including attorney selection. If the Servicer requires the assistance of an attorney in fulfilling any of the obligations set forth in this chapter, the Servicer must use an attorney who meets the criteria in Section 9501.3. (See Exhibit 88, Servicing Tools).
5. Taking such action that Freddie Mac may request regarding a property

Servicers may review the REO Overview report, accessible via the “REO” tile of the Servicer’s Servicer Performance Profile (SPP) (see Exhibit 88) for the property status. The Servicer may also call the Customer Support Contact Center at 800-FREDDIE to obtain this information. Freddie Mac will not send the Servicer a written notice of the sale of the REO.

## **9603.2: FHA/VA/RHS claim filing (03/02/16)**

On a Mortgage that is insured by the FHA or guaranteed by the VA or RHS, the Servicer must process the claim for FHA insurance or VA or RHS guaranty benefits within the agency’s established time frames and according to the agency’s requirements to ensure that the claim recipient receives the maximum claim payment amount.

### **(a) FHA, VA or RHS claim filing for Mortgages subject to a recourse obligation, including indemnification**

The Servicer must file the claim to ensure that payment is made directly to the Servicer. Because the Servicer is the claim recipient, the Servicer should ensure that it receives the maximum claim payment amount to apply towards any expenses incurred as Freddie Mac will not reimburse the Servicer for expenses incurred on Mortgages subject to a recourse obligation (see Section 9701.4 on Freddie Mac’s rights).

### **(b) FHA, VA or RHS claim filing for Mortgages not subject to a recourse obligation or indemnification**

The Servicer must file the claim in Freddie Mac’s name to ensure that payment is made directly to Freddie Mac (**see Directory 6**). Because Freddie Mac is the claim recipient, the Servicer should ensure that Freddie Mac receives the claim payment, in the maximum claim payment amount, before seeking reimbursement for expenses incurred on the Mortgage.

## **9603.3: Primary mortgage insurance claim filing (03/02/16)**

Freddie Mac will file a claim for loss with the MI if the Mortgage is covered by primary mortgage insurance and will manage the claims payment process with the MI. The Servicer must provide all information and documentation pertaining to the claim to the MI no later than 60 days

after the foreclosure sale, short sale or acceptance of a deed-in-lieu of foreclosure, or within any shorter time frame as specified by the mortgage insurance master policy or by Freddie Mac.

## **9603.4: Offers to purchase the property with a pending mortgage insurance claim (07/15/19)**

A Servicer that receives an inquiry or an offer regarding purchase of an REO property must contact its Freddie Mac REO claim specialist (see **Directory 6**) within one Business Day of receiving the inquiry or offer.

## **9603.5: Receipt of claim payment (03/02/16)**

If the Servicer receives a claim payment intended for Freddie Mac, whether from the MI or applicable entity (see Section 9603.2 on FHA/VA/RHS claim filing and Section 9603.3 on primary mortgage insurance claim filing), the Servicer must send the funds to Freddie Mac (see **Directory 6**) within 10 Business Days after the Servicer receives them. The Servicer must also include all supporting documentation relating to the claim payment received from the MI or applicable entity, including a copy of the claim payment check.

However, if the Mortgage insured by the FHA, or guaranteed by the VA or RHS is subject to a recourse obligation, including indemnification, the Servicer does not need to send the funds to Freddie Mac.

## **9603.6: Reduced, suspended or denied claims (03/02/16)**

If the claim payment amount is reduced, suspended or denied by the MI due to the Servicer's actions or inactions including, but not limited to, failure to comply with the Guide or applicable mortgage insurance requirements, then Freddie Mac may exercise its remedies provided by the Guide and the other Purchase Documents for the amount that is reduced, suspended or denied. Refer to Chapter 3602 regarding repurchases, repurchase alternatives and other remedies.

## **9603.7: Remittance of primary mortgage insurance claim payments (03/02/16)**

When Freddie Mac receives the claim payment from the MI, Freddie Mac will remit any portion of the proceeds due to the Servicer, less any outstanding amounts due to Freddie Mac from the Servicer.

## **9603.8: Property Condition Certificate (PCC) process (07/15/19)**

The Servicer may review the REO Overview report, assessible via the “REO” tile of the Servicer’s Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools) for the property status, including the Property Condition Certificate (PCC) completion date. The Servicer may also call the Customer Support Contact Center at 800-FREDDIE to obtain this information. Freddie Mac will not send the Servicer a written notice of the sale of the REO.

## **9603.9: Required REO documentation and reporting (03/02/16)**

When reporting an REO, the Servicer must report the transaction ID of “Foreclosure” and sales result “Freddie Mac” no later than the Business Day immediately following the date of the foreclosure sale. Refer to Section 9301.38.

The Servicer must submit to Freddie Mac (see **Directory 6**) any information Freddie Mac requests from the Mortgage file within 15 Business Days of the date of its request. Refer to Section 3302.3 for Freddie Mac’s record retention requirements for Mortgage files on foreclosed Mortgages.

## **9603.9: Required REO documentation and reporting (Future effective date 12/09/19)**

When reporting an REO, the Servicer must report the transaction ID of “Foreclosure” and sales result “Freddie Mac” [via the Foreclosure Sale Reporting tool \(see Exhibit 88, Servicing Tools\)](#) no later than the Business Day immediately following the date of the foreclosure sale. Refer to Section 9301.38.

The Servicer must submit to Freddie Mac (see **Directory 6**) any information Freddie Mac requests from the Mortgage file within 15 Business Days of the date of its request. Refer to Section 3302.3 for Freddie Mac’s record retention requirements for Mortgage files on foreclosed Mortgages.

## 9603.10: Notifying the taxing authority/HOA of REO (07/15/19)

Within five days of reporting the foreclosure sale or deed-in-lieu of foreclosure via the [Freddie Mac Service Loans application](#), the Servicer must notify the taxing authority and homeowners association (HOA), if applicable, of Freddie Mac's ownership of the property.

When the Servicer contacts these organizations, the Servicer must have the REO titled as follows:

Federal Home Loan Mortgage Corporation  
c/o [Green River Capital, LLC](#)  
[7730 South Union Park Avenue, Suite 400](#)  
[Midvale, UT 84047](#)

**Important:** [Freddie Mac](#) will pay the real estate taxes, condominium assessments, HOA dues and leasehold estates [payments](#), as they become due after the [Servicer reports the foreclosure sale](#) or the settlement of a deed-in-lieu of foreclosure. [Freddie Mac may retain a vendor to conduct such activities.](#)

There are special requirements for REO located in California. California taxing authorities reassess properties for supplemental taxes from the foreclosure sale date to the sale date of the REO. Also, taxing authorities often generate a supplemental tax statement long after the REO sale date. Therefore, the Servicer must notify the taxing authority in writing to send any supplemental tax bills to Freddie Mac [at the address above within five days following the foreclosure sale or the deed-in-lieu of foreclosure date.](#)

## 9603.10: Notifying the taxing authority/HOA of REO (Future effective date 12/09/19)

Within five days of reporting the foreclosure sale or deed-in-lieu of foreclosure via the Freddie Mac [Foreclosure Sale Reporting tool \(see Exhibit 88, Servicing Tools\)](#), the Servicer must notify the taxing authority and homeowners association (HOA), if applicable, of Freddie Mac's ownership of the property.

When the Servicer contacts these organizations, the Servicer must have the REO titled as follows:

Federal Home Loan Mortgage Corporation  
c/o [Green River Capital, LLC](#)  
[7730 South Union Park Avenue, Suite 400](#)  
[Midvale, UT 84047](#)

**Important:** Freddie Mac will pay the real estate taxes, condominium assessments, HOA dues and leasehold estates payments, as they become due after the Servicer reports the foreclosure sale or the settlement of a deed-in-lieu of foreclosure. Freddie Mac may retain a vendor to conduct such activities.

There are special requirements for REO located in California. California taxing authorities reassess properties for supplemental taxes from the foreclosure sale date to the sale date of the REO. Also, taxing authorities often generate a supplemental tax statement long after the REO sale date. Therefore, the Servicer must notify the taxing authority in writing to send any supplemental tax bills to Freddie Mac at the address above within five days following the foreclosure sale or the deed-in-lieu of foreclosure date.

## **9603.11: Property insurance for REO (07/15/19)**

The Servicer must maintain or cancel the existing property insurance policy according to the requirements in this section and Section 8202.12. Additionally, the Servicer must assist in the filing of a property insurance claim, when applicable, according to requirements in subsection 9603.11(b) below.

### **(a) Maintaining or canceling property insurance**

The Servicer must take all actions required in the mortgage clause of all applicable property insurance policies including, but not limited to, providing all notices to the insurer required under such clause, in order to preserve the coverage and its maximum benefits for the Servicer and/or Freddie Mac, as mortgagee. The Servicer must cancel such policies within 14 days after **the foreclosure sale or deed-in-lieu of foreclosure has been reported to Freddie Mac**, even if there is claimable damage to the property or if the property has sold.

### **(b) Filing claims**

A property recovery firm will handle the insurance claim filing process on Freddie Mac's behalf. The Servicer must provide that firm with the necessary information to file and process the claim within three Business Days of their request for such information.

### **(c) Obtaining a refund for the unearned insurance premiums**

After canceling the policy, the Servicer must submit a request for the unearned portion of the insurance premium to the insurance company for any premium that the Servicer paid on behalf of the Borrower, if applicable. The Servicer must offset any refund it receives from the insurance company against funds the Servicer requests via the final 104SF claim in the Freddie Mac Reimbursement System.



## 9603.12: Canceling utilities for REO (07/15/19)

Once the Servicer has successfully reported the foreclosure sale or deed-in-lieu of foreclosure to Freddie Mac, Freddie Mac or its agent/vendor will transfer the utilities to Freddie Mac. The Servicer can obtain reimbursement for any utility bills it paid that Freddie Mac approved in advance or the Servicer incurred up to the foreclosure sale or deed-in-lieu of foreclosure pursuant to the process for reimbursement of expenses in Section 9603.15.

## 9603.13: Condominium/HOA and PUD fees, ground rent and real estate taxes for REO (07/15/19)

### (a) REO located in a Condominium Project or Planned Unit Development

The Servicer is no longer responsible for paying the assessment fees of a Condominium Project or Planned Unit Development (PUD), and homeowners association (HOA) upon the successful reporting of the foreclosure sale or the executed deed-in-lieu of foreclosure to Freddie Mac via the Freddie Mac Service Loans application.

Freddie Mac may require the Servicer in special circumstances to pay assessments after the foreclosure sale date, in order to protect Freddie Mac's interest.

### (b) Reimbursement of duplicate association assessments and real estate tax payments

In the event the Servicer has complied with the requirements of this section and the duplication of association assessments and real estate tax payments exists, Freddie Mac will reimburse the Servicer for its portion of the duplicate payment(s) in accordance with the requirement in this chapter and Chapter 9701.

To receive reimbursement for the duplicate payment(s), the Servicer must submit a request for reimbursement to Freddie Mac via e-mail (**see Directory 6**) and include in that request proof of the Servicer's compliance with the applicable requirements and proof of the payment of the expenses.

Freddie Mac will not reimburse the Servicer for any such duplicate payments if the Servicer does not meet the requirements in this section and/or the requirements in Chapter 9701. In such instances, the Servicer may seek a refund from the condominium, HOA or PUD association or taxing authority to which duplicate payments were made.

## **9603.13: Condominium/HOA and PUD fees, ground rent and real estate taxes for REO (Future effective date 12/09/19)**

### **(a) REO located in a Condominium Project or Planned Unit Development**

The Servicer is no longer responsible for paying the assessment fees of a Condominium Project or Planned Unit Development (PUD), and homeowners association (HOA) upon the successful reporting of the foreclosure sale or the executed deed-in-lieu of foreclosure to Freddie Mac via the Freddie Mac [Foreclosure Sale Reporting tool \(see Exhibit 88, Servicing Tools\)](#).

Freddie Mac may require the Servicer in special circumstances to pay assessments after the foreclosure sale date, in order to protect Freddie Mac's interest.

### **(b) Reimbursement of duplicate association assessments and real estate tax payments**

In the event the Servicer has complied with the requirements of this section and the duplication of association assessments and real estate tax payments exists, Freddie Mac will reimburse the Servicer for its portion of the duplicate payment(s) in accordance with the requirement in this chapter and Chapter 9701.

To receive reimbursement for the duplicate payment(s), the Servicer must submit a request for reimbursement to Freddie Mac via e-mail ([see Directory 6](#)) and include in that request proof of the Servicer's compliance with the applicable requirements and proof of the payment of the expenses.

Freddie Mac will not reimburse the Servicer for any such duplicate payments if the Servicer does not meet the requirements in this section and/or the requirements in Chapter 9701. In such instances, the Servicer may seek a refund from the condominium, HOA or PUD association or taxing authority to which duplicate payments were made.

## **9603.14: Eviction requirements for REO (07/15/19)**

Freddie Mac will conduct the eviction proceedings if the property is occupied. If Freddie Mac requests information or documentation from the Servicer pertaining to the eviction, then the Servicer must provide the information or documentation to Freddie Mac within the requested time frames.

## **9603.15: Reimbursement of expenses incurred on an REO property (03/02/16)**

For an REO not acquired by a third-party at the foreclosure sale, or for legal expenses not legally collectible from the third-party purchaser, Freddie Mac will reimburse the Servicer for reasonable expenses incurred in accordance with the provisions in Chapter 9701, Exhibit 57A, Approved Attorney Fees and Title Expenses, and/or those approved by Freddie Mac during the foreclosure process.

## **9603.16: Final settlement between the Servicer and Freddie Mac for REO (06/13/18)**

After Freddie Mac has received all proceeds from the sale of the REO and the Servicer has submitted all claims for reimbursement to Freddie Mac [through the Freddie Mac Reimbursement System](#), Freddie Mac will calculate and complete the final settlement of foreclosure expenses between the Servicer and Freddie Mac.

Freddie Mac will bill the Servicer for the Servicer's proportionate share of any expenses Freddie Mac has advanced during the REO holding period if Freddie Mac is not able to recover them from the Servicer's share of the proceeds. Otherwise, Freddie Mac will net these expenses against the Servicer's proportionate share of the sale proceeds and Freddie Mac will send the balance of the Servicer's share to the Servicer. Freddie Mac will also collect any fees, charges or other amounts the Servicer owes Freddie Mac with this settlement.

## **9603.17: Late execution of REO repurchase (05/01/19)**

Freddie Mac may request a Servicer to repurchase a Mortgage post-foreclosure and after investor reporting ceases and the loan has been transferred to REO. If the Servicer does not remit proceeds to Freddie Mac in accordance with the time frame and requirements in Section 8303.14, the Servicer will be assessed a late execution of REO repurchase compensatory fee.

The compensatory fee will be calculated by multiplying the amount of the remittance shortage by the highest quoted prime rate [on the last Business Day of the month in which the REO repurchase occurred in the print edition of \*The Wall Street Journal\* in its regular column entitled "Money Rates" plus 3%](#). If the prime rate is not published, then Freddie Mac will determine the [comparable rate](#).

The amount of the late remittance and the number of days that the remittance is late is based on a 365-day year and determines the amount of the late execution of REO repurchase compensatory fee due to Freddie Mac. There is a minimum charge of \$50 on any late remittance. For purposes of calculating the charge, Freddie Mac uses the rate described above for any late remittances

occurring between the first day after the Accounting Cycle, up to and including the **last day of the** following Accounting Cycle.

Refer to Section 8303.42 for the compensatory fee assessed for late execution of a repurchase request if not an REO.

# Chapter 9701: Reimbursement of Expenses

## 9701.1: Reimbursement of expenses (03/02/16)

This chapter contains Freddie Mac's guidelines and requirements for using the Freddie Mac Reimbursement System to request and obtain reimbursement for eligible expenses incurred in connection with a workout or foreclosure of a Mortgage serviced for Freddie Mac.

The expense reimbursement process is governed by the requirements in this chapter, other Purchase Documents, and the following:

1. The terms and conditions of the Mortgage documents
2. Applicable law
3. Requirements of FHA, RHS, VA or the MI, if applicable
4. The Reimbursement System User Agreement – Servicer set forth in Exhibit 91

If foreclosure proceedings are discontinued, all fees and costs the Servicer incurs must be collected from the Borrower (unless prohibited by applicable law). The Servicer must not charge the Borrower for:

- Any costs or fees that the Servicer has not incurred, and
- Reinstatement or relief fees that are not allowed by applicable law or the Purchase Documents

If applicable law prohibits reimbursement from the Borrower, Freddie Mac will share the expenses with the Servicer in proportion to Freddie Mac's interest in the Mortgage.

## 9701.2: Servicer expense approval authority (03/02/16)

Servicers may incur legal and other expenses in accordance with the established limits in Exhibit 57, 1- to 4-Unit Property Approved Expense Amounts, and Exhibit 57A, Approved Attorney Fees and Title Expenses, without Freddie Mac's prior approval.

## 9701.3: Request for pre-approval (RPA) (09/25/17)

Prior to the Servicer incurring the expense or expenses, if possible, the Servicer must obtain written pre-approval from Freddie Mac by submitting a request for pre-approval (RPA) via the RPA functionality in the Freddie Mac Reimbursement System to:

- Exceed the expense limits in Exhibits 57 and 57A
- Incur certain expenses as set forth in Exhibit 74
- Incur expenses not set forth in Exhibit 74

All RPAs will require the Servicer to submit supporting documentation. Freddie Mac will not provide pre-approval for, or reimbursement of, expenses considered non-reimbursable (as set forth in Section 9701.15).

## **9701.4: Freddie Mac's rights concerning expense reimbursement (06/12/19)**

Freddie Mac reserves the following rights:

1. Freddie Mac may deny the Servicer's request for reimbursement or curtail a portion of such expenses if Freddie Mac does not receive the Servicer's request within the required time frames specified in Section 9701.5
2. Freddie Mac will not reimburse the Servicer for expenses incurred on Mortgages repurchased by the Servicer, or Mortgages subject to full recourse or indemnification. However, when applicable, the Servicer must submit expenses on any Mortgage that is pending repurchase. If the Servicer is required to repurchase Freddie Mac's interest in a Mortgage in accordance with Chapter 3602, Freddie Mac's calculation of the repurchase price will include all amounts the Servicer was reimbursed.
3. If Freddie Mac does not exercise its right to set off amounts owed to Freddie Mac against other funds owed to a Servicer, Freddie Mac will bill the Servicer for expenses and/or losses incurred or discovered after the repurchase notification date and/or the date of Freddie Mac's receipt of the repurchase proceeds from the Servicer
4. If Freddie Mac audits the Servicer's reimbursement requests and determines that a previously reimbursed expense was not eligible for reimbursement, Freddie Mac may bill the Servicer for any amounts due to Freddie Mac on the Servicer's monthly Servicer Non-Performing Loans Invoice. (Refer to Section 9102.1 for information on the payment of Servicing Non-Performing Loans Invoices via an Automated Clearing House draft.)
5. The expenses submitted on the final claim for a Mortgage insured by the FHA, or guaranteed by the VA or RHS not subject to recourse or indemnification will not be reimbursed until Freddie Mac has received the full amount of claim proceeds from the applicable entity

Note: Freddie Mac will reimburse the Servicer for additional expenses that appear on the claim forms the Servicer submits to the applicable entity only if Freddie Mac receives these funds in the claim proceeds from the applicable entity.

6. Freddie Mac reserves the right to require the Servicer to obtain competitive bids from multiple vendors on property preservation work that exceeds the expense limits specified in Exhibit 57, 1- to 4- Unit Property Approved Expense Amounts.

## **9701.5: Reimbursement claim submission types and time frames (07/15/19)**

Expenses for which the Servicer is seeking reimbursement are submitted via a 104SF claim in the Freddie Mac Reimbursement System.

Expense reimbursement may occur after:

1. The completion of a mortgage modification, if the reimbursable expenses were not capitalized in the modification or otherwise paid by the Borrower. Such action is referred to as a “Loan Modification” claim submission type.
2. The completion of a short sale or charge-off workout option. Such action is referred to as a “Non-REO” claim submission type.
3. The purchase of a property by a third party at a foreclosure sale (and after Freddie Mac has received, and accepted for settlement, the third-party foreclosure sale transaction submitted via Workout Prospector<sup>®</sup> pursuant to Section 9301.43). Such action is referred to as a “Third Party” claim submission type.
4. Freddie Mac’s acquisition of the REO (through foreclosure sale or deed-in-lieu of foreclosure). Such action is referred to as an “REO” claim submission type.
5. Completion of the REO sale by Freddie Mac, also referred to as an “REO” claim submission type
6. The completion of a non-REO event or activity without a “get actual” (or “GA”) date in the Reimbursement System (such as a reinstatement or payoff of the Mortgage, if the reimbursable expenses were considered unrecoverable from the Borrower under federal, State or local law upon reinstatement or payoff of the Mortgage). Such action is referred to as a “Non-REO w/o GA” claim submission type.
7. Freddie Mac receives the claim payment on a Mortgage insured by the FHA or guaranteed by the VA or RHS not subject to recourse or indemnification

Claim submission time frames provided for in this Section 9701.5 are not applicable for Mortgages insured by the FHA, or guaranteed by the VA or RHS. For claim submissions on Mortgages insured by the FHA, or guaranteed by the VA or RHS not subject to recourse or indemnification, the Servicer may submit a claim for expense reimbursement via a 104SF claim in the Reimbursement System after Freddie Mac has received the claim payment from the applicable entity (see Section 9603.2 on FHA/VA/RHS claim filing and Section 9603.5 on receipt of claim payment). However, Freddie Mac must receive the 104SF claim no later than 60 days after Freddie Mac has received the claim payment.

**(a) Loan Modification claim submissions and reimbursement of mortgage modification expenses**

Servicers must submit all mortgage modification related expenses that were not capitalized in the modification or otherwise paid by the Borrower (including unrecoverable expenses described in Section 9701.5(f)) in the initial claim. The exception to this would be for expense code 300003 (Recordation Fees), which may be submitted on a supplemental claim.

Mortgage modification expenses are limited to mortgage modifications that have a mortgage modification settlement date in Freddie Mac’s systems (see Section 9206.17 regarding mortgage modification settlement data submissions) and have been completed in accordance with Section 9206.18. If the Servicer submits a claim for reimbursement of mortgage modification expenses and the mortgage modification settlement date does not exist in Freddie Mac’s systems, the claim will not be eligible for payment.

The table below describes the specific Loan Modification claim submission types and time frames for the reimbursement of mortgage modification expenses:

<b>Claim Submission Type</b>	<b>Description</b>	<b>Time Frame</b>
Initial	Filed to request reimbursement of expenses related to a mortgage modification. Expenses are reimbursable per the guidance provided in Section 9206.15.	Freddie Mac must receive no later than 90 days after the settlement date provided in Freddie Mac systems
Supplemental	Filed to request reimbursement of recordation fees related to mortgage modifications. Expenses are reimbursable per the guidance provided in Section 9206.15.	Freddie Mac must receive no later than 180 days after the settlement date provided in Freddie Mac systems



**(b) Non-REO claim submissions and reimbursement of non-REO expenses**

Usually the Servicer only needs to submit one claim, referred to as the “final” claim. Any additional claim submissions are referred to as “supplemental.”

The table below describes the specific Non-REO claim submission types and time frames for the reimbursement of non-REO expenses:

<b>Claim Submission Type</b>	<b>Description</b>	<b>Time Frame</b>
Final	Filed to request reimbursement of expenses incurred by the Servicer for short sales and charge-offs	Freddie Mac must receive no later than 45 days after completion of the workout settlement
Supplemental	Filed after the final claim to request reimbursement of expenses omitted from the final claim, such as a delayed invoice received by the Servicer for short sales and charge-offs	Freddie Mac must receive no later than 60 days after completion of the workout settlement

**(c) Third Party claim submissions and reimbursement of third party expenses**

The Servicer typically only needs to submit one claim, which is referred to as the “final” claim. Any additional claim submissions are referred to as “supplemental.”

The table below describes the specific Third Party claim submission types and time frames for the reimbursement of third party expenses:

<b>Claim Submission Type</b>	<b>Description</b>	<b>Time Frame</b>
Final	Filed to request reimbursement of expenses incurred up to the date the foreclosure action is completed	Freddie Mac must receive no later than 45 days after settlement of the third-party foreclosure sale transaction

<b>Claim Submission Type</b>	<b>Description</b>	<b>Time Frame</b>
Supplemental	Filed after the final claim to request reimbursement of expenses omitted from the final claim, such as a delayed invoice received by the Servicer	Freddie Mac must receive no later than 60 days after settlement of the third-party foreclosure sale transaction

**(d) REO claim submissions and reimbursement of REO expenses**

For reimbursement of certain expenses relating to deeds-in-lieu of foreclosure, the Servicer must complete the workout settlement pursuant to Section 9209.8. (See Exhibit 74, Expense and Income Codes for Expense Reimbursement Claims, for a list of the expense and income codes.)

The table below describes the specific REO claim submission types and time frames for reimbursement of pre- and post-foreclosure sale expenses for REO:

<b>Claim Submission Type</b>	<b>Description</b>	<b>Time Frame</b>
Initial	Filed to request reimbursement of expenses incurred up to and including the foreclosure sale date. Reimbursable expenses include, but are not limited to, incurred legal fees and costs.	Freddie Mac must receive no later than 45 days after the foreclosure sale date. (See Sections 9301.38 and 9209.8 regarding reporting requirements for foreclosure sale results and deed-in-lieu of foreclosure transactions.)

Claim Submission Type	Description	Time Frame
Supplemental	Filed to request expenses incurred after the foreclosure sale date but prior to the settlement of the sale of the REO	The Servicer may submit any time after the foreclosure sale date, but no later than 60 days after the settlement of the sale of the REO
Final	Filed to request reimbursement of allowable expenses incurred after the foreclosure sale date	The Servicer may submit any time after the foreclosure sale date, but no later than 60 days after the settlement of the sale of the REO

During the REO holding period (i.e., this is the time period from Freddie Mac’s acquisition of the property to the sale of the REO), the Servicer **may review** the status of the REO by monitoring the *REO Overview* report, accessible via the “REO” tile of the Servicer’s Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools). The Servicer may also call the Customer Support Contact Center at 800-FREDDIE to obtain this information. Freddie Mac will not send the Servicer a written notice of the sale of the REO.

**(e) Non-REO w/o GA claim submissions and reimbursement of Non-REO w/o GA expenses**

The Servicer typically only needs to submit one claim, which is referred to as the “final” claim. Any additional claim submissions are referred to as “supplemental.”

Non-REO w/o GA expenses may include, but are not limited to, expenses relating to the following events or activities:

- Expenses (e.g., legal fees and/or legal costs) considered unrecoverable from the Borrower under applicable federal, State or local law upon reinstatement or payoff of the Mortgage. (Refer to Section 9701.5(f) regarding unrecoverable expenses.)
- Bankruptcy completion on a current Mortgage for which the Servicer obtained Freddie Mac’s written pre-approval to incur the legal expense via the request for pre-approval (RPA) functionality in the Reimbursement System pursuant to Section 9401.6(a)

The table below describes the specific Non-REO w/o GA claim submission types and time frames for the reimbursement of Non-REO w/o GA expenses:

Claim Submission Type	Description	Time Frame
Final	Filed to request reimbursement of expenses incurred by the Servicer	Freddie Mac must receive no later than 45 days after completion of the Non-REO w/o GA event or activity (as defined above)
Supplemental	Filed after the final claim to request reimbursement of expenses omitted from the final claim, such as a delayed invoice received by the Servicer	Freddie Mac must receive no later than 60 days after completion of the Non-REO w/o GA event or activity (as defined above)

**(f) Unrecoverable expenses**

Freddie Mac will reimburse certain expenses (e.g., legal fees and/or legal costs) considered unrecoverable from the Borrower under applicable federal, State or local law upon reinstatement or pay off of the Mortgage, or upon completion of a mortgage modification.

Certain unrecoverable expenses as set forth in Exhibit 74 will be reimbursed by Freddie Mac on a Non-REO w/o GA claim submission type or a Loan Modification claim submission type, as applicable. For any other expense a Servicer believes to be unrecoverable from the Borrower under applicable federal, State or local law, the Servicer must obtain written pre-approval from Freddie Mac by submitting an RPA via the RPA functionality in the Reimbursement System to be reimbursed by Freddie Mac on a Non-REO w/o GA claim submission type or a Loan Modification claim submission type.

## 9701.6: Reimbursement of taxes (07/15/19)

The Servicer must administer all funds in the Borrower’s Escrow account to pay expenses in accordance with the terms set forth in the Note and the Security Instrument, in addition to applicable federal, State and local laws. The Servicer must maintain sufficient Escrows and/or verify timely payments of those taxes in accordance with Sections 8201.1 and 9301.27.

Freddie Mac will reimburse the Servicer that is in compliance with the requirements of Sections 8201.1 and 9301.27 for taxes that were incurred and paid to a taxing authority as follows:

- For REO claim submissions, taxes are reimbursable if incurred up to 12 months prior to the DDLPI through the **foreclosure sale held and deed-in-lieu of foreclosure date** and paid in accordance with the requirements of Section 9603.13(a)

- For Non-REO and Third Party claim submissions, taxes are reimbursable if incurred and paid to a taxing authority up to 12 months prior to the DDLPI through the payoff date. (Refer to Section 9701.5 for a description of claim submission types.)

If the Servicer advanced taxes as required in Section 8201.1 and entered into a repayment plan for the taxes with the Borrower, and the Borrower breached the repayment plan during the repayment period, Freddie Mac will reimburse the Servicer for the taxes the Borrower did not pay if the Servicer provides Freddie Mac with documentation of:

1. The repayment plan and the sequence of events
2. Evidence that the Servicer initiated foreclosure as required in Section 8201.1

Except as otherwise provided herein, Freddie Mac will reimburse the Servicer for the first tax penalty incurred on a non-escrowed Mortgage that goes to foreclosure on the condition that the Servicer has complied with the requirements of Section 8201.1. Freddie Mac will not reimburse the Servicer for the interest or other charges accrued on delinquent taxes.

Freddie Mac will reimburse Servicers for the first and second tax penalty incurred on a non-escrowed Mortgage in the State of California only in instances where the Servicer is not notified of unpaid real estate taxes on a non-escrowed Mortgage until the second tax penalty was assessed.

Freddie Mac will not reimburse the Servicer for any late fees, interest and penalties other than:

- The first tax penalty on a non-escrowed Mortgage (including interest if the taxing authority considers interest as a penalty, or includes it as part of the penalty)
- The first and second tax penalties on a non-escrowed Mortgage in California
- Any tax penalty, interest or late fee incurred as a result of the Servicer's nonpayment due to a pending sale of the REO (see Section 9603.13(a))

In California, properties are reassessed for supplemental taxes from the foreclosure sale date to the REO settlement date. A supplemental tax statement is often generated long after the REO settlement date. Therefore, **within five days upon the foreclosure sale held date or the execution of the deed-in-lieu of foreclosure**, the Servicer must notify the taxing authority, in writing, to send any supplemental tax bills to Freddie Mac (**see Directory 6**). The Servicer must also send Freddie Mac a copy of the letter sent to the taxing authority.

## **9701.7: Reimbursement of insurance premiums (07/15/19)**

Freddie Mac will reimburse the Servicer for property insurance premiums if they were incurred and paid to the insurer up to 12 months prior to the DDLPI.

After the DDLPI, the following insurance expenses are reimbursable in every jurisdiction:

1. Mortgage insurance premiums are reimbursable if incurred after the DDLPI and before the REO acquisition date. The acquisition date is the foreclosure sale date, the date of the expiration of the redemption period and/or the confirmation/ratification date, whichever occurs last.
2. Property insurance premiums paid through an escrow account are reimbursable for a period up to:
  - Twelve months after the foreclosure sale or cancelation of the policy (whichever occurs earlier);
  - 14 days after the **foreclosure sale or deed-in-lieu of foreclosure has been successfully reported to Freddie Mac through the Freddie Mac Service Loan application**, if the property did not revert to REO through foreclosure sale; or
  - For Non-REO claim submissions, 14 days after completion of the workout settlement. (Refer to Section 9701.5 for a description of claim submission types.)
3. Lender-Placed Insurance (LPI) premiums are reimbursable for a period up to 14 days after the final non-REO activity or up to 14 days after the **foreclosure sale and or the deed-in-lieu of foreclosure has been successfully reported through the Service Loans application**. Freddie Mac will not reimburse the Servicer for LPI premiums for periods in which the Borrower obtained coverage meeting the requirements outlined in Chapter 8202 was already in place. LPI premiums for which the Servicer or an affiliated entity received compensation in violation of Section 8202.12 are not reimbursable.

## **9701.7: Reimbursement of insurance premiums (Future effective date 12/09/19)**

Freddie Mac will reimburse the Servicer for property insurance premiums if they were incurred and paid to the insurer up to 12 months prior to the DDLPI.

After the DDLPI, the following insurance expenses are reimbursable in every jurisdiction:

1. Mortgage insurance premiums are reimbursable if incurred after the DDLPI and before the REO acquisition date. The acquisition date is the foreclosure sale date, the date of the expiration of the redemption period and/or the confirmation/ratification date, whichever occurs last.
2. Property insurance premiums paid through an escrow account are reimbursable for a period up to:

- Twelve months after the foreclosure sale or cancelation of the policy (whichever occurs earlier);
  - 14 days after the foreclosure sale or deed-in-lieu of foreclosure has been successfully reported to Freddie Mac through the Freddie Mac [Foreclosure Sale Reporting tool](#) (see [Exhibit 88, Servicing Tools](#)), if the property did not revert to REO through foreclosure sale; or
  - For Non-REO claim submissions, 14 days after completion of the workout settlement. (Refer to Section 9701.5 for a description of claim submission types.)
3. Lender-Placed Insurance (LPI) premiums are reimbursable for a period up to 14 days after the final non-REO activity or up to 14 days after the foreclosure sale and or the deed-in-lieu of foreclosure has been successfully reported through the [Foreclosure Sale Reporting tool](#). Freddie Mac will not reimburse the Servicer for LPI premiums for periods in which the Borrower obtained coverage meeting the requirements outlined in Chapter 8202 was already in place. LPI premiums for which the Servicer or an affiliated entity received compensation in violation of Section 8202.12 are not reimbursable.

## **9701.8: Reimbursement of liens (03/02/16)**

Freddie Mac will reimburse the Servicer in most instances where the Servicer must pay expenses that are, or may become, a First Lien priority on the property or that if not paid would result in the termination of Freddie Mac's interest in the property, as provided in the Guide. (Refer to Sections 9301.27 and 9701.10.)

## **9701.9: Reimbursement for property inspection and property preservation expenses (07/15/19)**

For each property inspection completed in accordance with the requirements of Section 9202.12, Freddie Mac will reimburse the Servicer the lesser of:

- The actual cost of the property inspection; or
- The applicable expense limit stated in Exhibit 57, 1- to 4-Unit Property Approved Expense Amounts

In addition, the Servicer will be reimbursed for an interior property inspection obtained for a Freddie Mac Standard Deed-in-Lieu of Foreclosure pursuant to the requirements of Section 9209.6.

In the case of abandoned properties, it may be necessary for the Servicer to incur certain property preservation expenses, such as the cost of utilities and expenses incurred to protect the property

from waste, damage and vandalism. The Servicer will be reimbursed for Freddie Mac's proportionate share of such property preservation expenses according to the guidelines in Exhibit 57 and Section 8403.2 for expenses incurred from the DDLPI through the **reported foreclosure sale date**, when the property reverts to REO. If the expense of the preservation exceeds Freddie Mac's approval limits, or the expense will be incurred after the date of a foreclosure sale, **including where** the property sold to a third party, the Servicer must obtain Freddie Mac's approval prior to incurring the expense by submitting a request for pre-approval of these costs via the Freddie Mac Reimbursement System.

If the Servicer exceeds the expense limit in Exhibit 57 for emergency repairs, Freddie Mac may reimburse the Servicer if Freddie Mac is notified of the emergency via the Reimbursement System by the next Business Day after the expense was incurred. If the Servicer's determination to incur the expense was reasonable, as determined in Freddie Mac's sole discretion, Freddie Mac will reimburse the Servicer for the expense.

The Servicer is no longer responsible for property preservation expenses and will not be reimbursed for property preservation costs, including utility expenses, incurred after (i) the **reported foreclosure sale date** or (ii) if the property sold to a third party at the foreclosure sale, the foreclosure action is complete.

## **9701.10: Reimbursement of condominium, HOA and PUD assessments, and ground rent (07/15/19)**

### **(a) For Mortgages with Note Dates prior to February 14, 2014**

**Freddie Mac will pay the condominium, homeowners association (HOA) and Planned Unit Development (PUD) assessments, and ground rent as they become due after the foreclosure sale or the settlement date of the deed-in-lieu of foreclosure is reported via the Freddie Mac Service Loans application, pursuant to Section 9603.1.**

If applicable State law creates a lien priority over the Mortgage lien for condominium, HOA or PUD assessments assessed before the foreclosure sale date **or the settlement date of the deed-in-lieu of foreclosure**, then Freddie Mac will reimburse the Servicer for its payment of regular condominium, HOA or PUD assessments assessed prior to the foreclosure sale date **or the settlement date of the deed-in-lieu of foreclosure**, in an amount no greater than the lesser of:

- The actual amount in regular assessments advanced by the Servicer
- The maximum amount in regular assessments that, per the project declaration or bylaws, would take priority over the Mortgage
- The maximum amount in regular assessments that, per applicable State statute, would take priority over the Mortgage



Freddie Mac will not reimburse the Servicer for late fees, interest, collections expenses or attorney fees, regardless of whether such amounts may be included under the lien pursuant to applicable State law.

**(b) For Mortgages with Note Dates on or after February 14, 2014**

Freddie Mac will pay the condominium, HOA and PUD assessments, and ground rent as they become due after the foreclosure sale or the settlement date of the deed-in-lieu of foreclosure is reported via the Service Loans application, pursuant to Section 9603.1.

Freddie Mac will not reimburse the Servicer for late fees, interest, collection expenses or attorney fees unless expressly allowed by Section 9603.13(a).

If applicable State law creates a lien priority over the Mortgage lien for condominium, HOA or PUD assessments assessed before the foreclosure sale date, then Freddie Mac will reimburse the Servicer for its payment of regular condominium, HOA or PUD assessments assessed prior to the foreclosure sale date, in an amount equal to the lesser of the actual amount advanced or:

- For Mortgages secured by property in the State of Florida – no more than 12 months (or any lesser amount provided by State statute)
- For Mortgages secured by property in the State of Connecticut – no more than nine months (or any lesser amount provided by State statute)
- For Mortgages secured by property in all other States (including States that provide an exception for Freddie Mac Mortgages) – no more than six months (or any lesser amount provided by State statute)

Freddie Mac will not reimburse the Servicer for late fees, interest, collections expenses or attorney fees, regardless of whether such amounts may be included under the lien pursuant to applicable State law.

**(c) Ground rent**

For leasehold Mortgages, if termination of the lease will impair Freddie Mac's lien position or interest in the property, Freddie Mac will reimburse the Servicer for any payments it made pursuant to the terms of the lease (i.e., ground rents) to prevent termination of the lease and protect Freddie Mac's lien position and interest in the property.

Freddie Mac will reimburse the Servicer that is in compliance with the requirements of Sections 9301.26 and 9401.3 regarding leasehold Mortgages for ground rents paid as follows:

- For REO claim submissions, ground rents are reimbursable if incurred and paid up to 12 months prior to the DDLPI through the **foreclosure sale date**

- For Non-REO and Third Party claim submissions, ground rents are reimbursable if incurred and paid up to 12 months prior to the DDLPI through the payoff date. (Refer to Section 9701.5 for a description of claim submission types.)

## **9701.10: Reimbursement of condominium, HOA and PUD assessments, and ground rent (Future effective date 12/09/19)**

### **(a) For Mortgages with Note Dates prior to February 14, 2014**

Freddie Mac will pay the condominium, homeowners association (HOA) and Planned Unit Development (PUD) assessments, and ground rent as they become due after the foreclosure sale or the settlement date of the deed-in-lieu of foreclosure is reported via the [Freddie Mac Foreclosure Sale Reporting tool \(see Exhibit 88, Servicing Tools\)](#), pursuant to Section 9603.1.

If applicable State law creates a lien priority over the Mortgage lien for condominium, HOA or PUD assessments assessed before the foreclosure sale date or the settlement date of the deed-in-lieu of foreclosure, then Freddie Mac will reimburse the Servicer for its payment of regular condominium, HOA or PUD assessments assessed prior to the foreclosure sale date or the settlement date of the deed-in-lieu of foreclosure, in an amount no greater than the lesser of:

- The actual amount in regular assessments advanced by the Servicer
- The maximum amount in regular assessments that, per the project declaration or bylaws, would take priority over the Mortgage
- The maximum amount in regular assessments that, per applicable State statute, would take priority over the Mortgage

Freddie Mac will not reimburse the Servicer for late fees, interest, collections expenses or attorney fees, regardless of whether such amounts may be included under the lien pursuant to applicable State law.

### **(b) For Mortgages with Note Dates on or after February 14, 2014**

Freddie Mac will pay the condominium, HOA and PUD assessments, and ground rent as they become due after the foreclosure sale or the settlement date of the deed-in-lieu of foreclosure is reported via the Service Loans application, pursuant to Section 9603.1.

Freddie Mac will not reimburse the Servicer for late fees, interest, collection expenses or attorney fees unless expressly allowed by Section 9603.13(a).

If applicable State law creates a lien priority over the Mortgage lien for condominium, HOA or PUD assessments assessed before the foreclosure sale date, then Freddie Mac will reimburse the Servicer for its payment of regular condominium, HOA or PUD assessments assessed prior to the foreclosure sale date, in an amount equal to the lesser of the actual amount advanced or:

- For Mortgages secured by property in the State of Florida – no more than 12 months (or any lesser amount provided by State statute)
- For Mortgages secured by property in the State of Connecticut – no more than nine months (or any lesser amount provided by State statute)
- For Mortgages secured by property in all other States (including States that provide an exception for Freddie Mac Mortgages) – no more than six months (or any lesser amount provided by State statute)

Freddie Mac will not reimburse the Servicer for late fees, interest, collections expenses or attorney fees, regardless of whether such amounts may be included under the lien pursuant to applicable State law.

#### **(c) Ground rent**

For leasehold Mortgages, if termination of the lease will impair Freddie Mac's lien position or interest in the property, Freddie Mac will reimburse the Servicer for any payments it made pursuant to the terms of the lease (i.e., ground rents) to prevent termination of the lease and protect Freddie Mac's lien position and interest in the property.

Freddie Mac will reimburse the Servicer that is in compliance with the requirements of Sections 9301.26 and 9401.3 regarding leasehold Mortgages for ground rents paid as follows:

- For REO claim submissions, ground rents are reimbursable if incurred and paid up to 12 months prior to the DDLPI through the foreclosure sale date
- For Non-REO and Third Party claim submissions, ground rents are reimbursable if incurred and paid up to 12 months prior to the DDLPI through the payoff date. (Refer to Section 9701.5 for a description of claim submission types.)

## **9701.11: Reimbursement of fees and costs incurred during legal proceedings (08/01/18)**

Certain legal fees and costs are reimbursable when the Servicer forecloses on a property or takes other routine or non-routine legal action. All foreclosure and related legal fees and costs must be reasonable and comparable to those customarily charged in the area where the property is located (see Section 9301.14 regarding foreclosure counsel fees). Those fees and costs include such items as:

1. Foreclosure attorney fees as set forth in Exhibit 57A, Approved Attorney Fees and Title Expenses, and foreclosure attorney fees incurred that exceed the expense limits in Exhibit 57A, if the Servicer has submitted and Freddie Mac has granted written pre-approval of the Servicer's request via the Freddie Mac Reimbursement System.

Foreclosure attorney fees listed in Exhibit 57A are the approved attorney fees for an uncontested foreclosure. This generally includes but is not limited to:

- All activities necessary to complete the first legal action
- Review of supporting documentation and loan status
- Verification that the Borrower is not a Servicemember currently serving a Period of Military Service (as those terms are referenced in Section 8503.1), or if the Borrower was a Servicemember, that more than one year has elapsed since his or her Period of Military Service ended (see Section 8503.2 regarding foreclosure relief options exclusive to Servicemembers and their Dependents). Verification must be completed following the referral of a Mortgage to foreclosure but prior to the first legal action, and again prior to foreclosure sale.
- Review of title examination
- Preparation and filing of all necessary papers and notices, including the publication and posting of notices of foreclosure or other legal proceedings as required by State or local law, as well as obtaining service of process on all defendants or parties entitled to notice
- Obtain orders for alternate or special service, if doing so will expedite service of process at little or no additional cost
- All necessary court appearances required in an uncontested foreclosure
- Preparing documentation for and obtaining entry of judgment in a judicial foreclosure action, or preparing all documentation necessary to conduct the foreclosure sale in a non-judicial foreclosure action
- Handling the foreclosure sale including any actions required to postpone (see Section 9301.28 regarding foreclosure sale postponements), reset and set aside the sale, and
- Preparation and recording of conveyance deeds

If during the pendency of a foreclosure, a Servicer relies upon its foreclosure counsel, as a vendor, to perform or handle services associated with Servicer functions, including Delinquency management requirements as provided in Chapters 8402 through 8404, 9201 through 9211, 9301, 9401, 9402, 9501, 9601 and 9602, then any additional fees or service charges billed by a law firm should be paid by the Servicer at its own expense. (See Section 9701.15 regarding non-reimbursable expenses.)

2. Mediation fees and court costs when pre-foreclosure mediation is required by State or local law. Attorney fees and court costs, as well as fees charged by a mediation manager or coordinator for participation in a pre-foreclosure mediation program are reimbursable with prior written approval from Freddie Mac as follows:
  - Freddie Mac will approve mediation attorney fees up to \$425 for attendance and appearance at the initial mediation hearing or conference when Freddie Mac determines that applicable law requires participation in a pre-foreclosure mediation program. Freddie Mac will conduct additional review(s) to approve requests for pre-approval (RPAs) of mediation attorney fees in excess of \$425 for counsel's attendance and appearance at the initial mediation hearing or conference, or in any amount in any State or jurisdiction where Freddie Mac has not determined that applicable law requires a pre-foreclosure mediation program.
  - In situations where additional mediation hearings or conferences are required, Freddie Mac will approve mediation attorney fees up to \$300 per occurrence, for up to two additional mediation hearings or conferences. Freddie Mac will conduct additional review(s) to approve RPAs of mediation attorney fees in excess of the initial mediation hearing or conference and two additional occurrences.
  - Freddie Mac will approve mediation-related court costs, as well as fees charged by a mediation manager or coordinator for participation in a pre-foreclosure mediation program, not to exceed the actual costs.
3. Filing costs and other costs required by a court, as well as the cost of obtaining a copy of a death certificate if needed to facilitate prompt and efficient completion of the legal proceedings
4. Costs as set forth in Exhibit 57A for title work required for foreclosures, which include the cost of an update to the title if required by the State, or to ensure clear and marketable title to the Mortgaged Premises after the foreclosure sale. Freddie Mac will not reimburse for any additional title abstract, commitment or policy. If the Servicer must obtain an additional update to the title because the original is stale due to bankruptcy delay, Freddie Mac will reimburse the Servicer up to \$125 for the update in Maryland, Ohio and Virginia, and \$75 for all other States. Servicers must contact Freddie Mac for written pre-approval for an additional update if the title becomes stale for any other reason.
5. Costs of serving legal notices, when required by law
6. Cost of publication of notices of foreclosure or other legal proceedings as required by State or local law. Reimbursable costs incurred for the publication of such legal notices include actual charges imposed by the newspaper or publication. The foreclosure attorney fees in Exhibit 57A cover fees for acquiring the publication, including the cost of preparing, submitting and verifying the legal notices.

7. Cost of posting of notices of foreclosure or other legal proceedings, as required by State or local law. Reimbursable costs incurred for the posting of such legal notices are for actual charges imposed for the physical posting of notices on the property.
8. Postage for certified or registered mail that is required for legal notices as required by law
9. Bankruptcy costs and fees as set forth in Exhibit 57A, and bankruptcy expenses incurred that exceed the expense limits in Exhibit 57A, if the Servicer has submitted and Freddie Mac has granted written pre-approval of the Servicer's request via the Reimbursement System. However, if the Borrower is delinquent and files for bankruptcy protection and a reorganization plan is approved, Freddie Mac will not reimburse the Servicer for its expenses. The Servicer must seek reimbursement for its allowable expenses through the Borrower's bankruptcy plan.

If the Borrower breaches the bankruptcy plan, the Servicer must not submit a claim for expense reimbursement until after the applicable event or activity described in Section 9701.5.

10. Eviction costs and expenses if Freddie Mac directs the Servicer to process the eviction. (Refer to Section 9603.14.)
11. Contested foreclosure fees and court costs required to continue with the foreclosure process if the Servicer has submitted and Freddie Mac has granted written pre-approval of the Servicer's request via the Reimbursement System.

For legal expenses that are related to a non-routine litigation matter and are considered reimbursable, Servicers must first contact Freddie Mac with details of the non-routine litigation matter according to the reporting requirements in Section 9402.3(b), and include an estimate of the attorney's fees and litigation costs, as well as the attorney's hourly rate, in the Servicer's request for Freddie Mac's pre-approval via the Reimbursement System.

Contested foreclosure fees and court costs are:

<p><b>Contested Foreclosure Resolved by Motion for Summary Judgment (Judicial)</b></p>	<p>Foreclosure attorney fee for a contested foreclosure in which a defendant files an answer requiring the filing of a summary judgment motion. This includes work leading up to the filing of the summary judgment motion, all court appearances and all written discovery.</p>
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<b>Responding to a Motion to Dismiss (Judicial)</b>	Foreclosure attorney fee for responding to a motion to dismiss, including the preparation and filing of a response and attendance at all hearings.
<b>Contested Foreclosure Resolved by Trial (Judicial)</b>	Foreclosure attorney fee for trial, set by court upon its own motion including, but not limited to, pre-trial preparation and correspondence, preparation and filing documents necessary for trial, witness preparation and all necessary court appearances.

<b>Contested Foreclosure Resolved by Motion to Dismiss (Non-Judicial)</b>	Foreclosure attorney fee for a contested foreclosure (i.e., Borrower's filing of a lawsuit to challenge a non-judicial foreclosure) resolved by the filing of a motion to dismiss and subsequent entry of an order granting motion to dismiss. This includes all work leading up to the filing of the motion to dismiss and all necessary court appearances.
<b>Contested Foreclosure Resolved by Summary Judgment Motion (Non-Judicial)</b>	Foreclosure attorney fee for a contested foreclosure (i.e., Borrower's filing of a lawsuit to challenge a non-judicial foreclosure) resolved by the filing of a motion for summary judgment and subsequent entry of an order granting motion for summary judgment. This includes all work leading up to the filing of the summary judgment motion, all court appearances and all written discovery.
<b>Probate Proceedings</b>	Foreclosure attorney fee for probate proceedings during a contested foreclosure.

<b>Motion for Mediation in a Contested Foreclosure</b>	Foreclosure attorney fee for attendance and appearance at a mediation session for a contested foreclosure that is not part of a State or local law pre-foreclosure mediation program.
<b>Borrower Initiated Motions</b>	Foreclosure attorney fee for responding to a motion initiated by the Borrower or Borrower's counsel, including the preparation and filing of a response and attendance at all hearings.
<b>Reply to Affirmative Defenses/Motion to Strike</b>	Foreclosure attorney fee for responding to affirmative defenses or a motion to strike filed by or on behalf of the Borrower in a contested foreclosure, including the preparation and filing of a response and attendance at all hearings.
<b>Discovery (Request for Production of Documents, Request for Admissions, Interrogatories)</b>	Foreclosure attorney fee for responding to a discovery request or propounding discovery in a contested foreclosure, including the preparation and filing of a response and attendance at all hearings.
<b>Contested Foreclosure Fee – Other</b>	Foreclosure attorney fee for additional work needed to resolve a contested foreclosure that enters into litigation, whether routine or non-routine, in order to proceed with the foreclosure.

12. For the life of the default, the actual cost of system connectivity fees, technology fees and invoice processing fees up to the following maximum expense limits:

- Connectivity fees are reimbursable up to a maximum of \$25 per referral, on or after April 1, 2011, for the life of the default
- Technology fees are reimbursable up to a maximum of \$5 per referral, before April 1, 2011, for the life of the default
- Invoicing fees are reimbursable up to a maximum of \$5 to process foreclosure invoices and an additional maximum of \$5 to process bankruptcy invoices for the life of the default on referrals on or after April 1, 2011

For details on system connectivity and invoice processing, refer to Section 9501.9.



13. Attorney fees to shorten a redemption period, when allowed by applicable State law, if the Servicer has submitted and Freddie Mac has granted written pre-approval of the Servicer's request via the Reimbursement System
14. Attorney fees to foreclose on a Cooperative Share Loan, if the Servicer has submitted and Freddie Mac has granted written pre-approval of the Servicer's request via the Reimbursement System
15. Attorney fees for appearance and attendance at a status, conciliation or case management conference, when required by State or local law or set by the court, if the Servicer has submitted and Freddie Mac has granted written pre-approval of the Servicer's request via the Reimbursement System. This includes fees for appearance and attendance at pre-mediation hearings or conferences, when required by State or local law or set by the court.
16. Certain expenses (e.g., legal fees and/or legal costs) considered unrecoverable from the Borrower under applicable federal, State or local law upon reinstatement or payoff of the Mortgage, or upon completion of a mortgage modification. (Refer to Section 9701.5(f) regarding unrecoverable expenses.)

In the event of a foreclosure of the property or a bankruptcy of the Borrower, attorneys' invoices paid by the Servicer pursuant to Section 8103.3 must match or exceed the claim for reimbursement in the Reimbursement System. Servicers must pay attorneys' invoices timely, and should not be delaying the payment of attorneys' invoices until after the expenses have been reimbursed by Freddie Mac.

Freddie Mac will not reimburse the Servicer for attorney's fees and litigation costs on Mortgages sold to Freddie Mac with full recourse or subject to indemnification. For Mortgages sold to Freddie Mac with recourse or subject to indemnification, the Servicer must inform counsel retained for foreclosure, eviction or bankruptcy that the Servicer is responsible for paying all associated fees and costs.

## **9701.11: Reimbursement of fees and costs incurred during legal proceedings (Future effective date 01/01/20)**

Certain legal fees and costs are reimbursable when the Servicer forecloses on a property or takes other routine or non-routine legal action. All foreclosure and related legal fees and costs must be reasonable and comparable to those customarily charged in the area where the property is located (see Section 9301.14 regarding foreclosure counsel fees). Those fees and costs include such items as:

1. Foreclosure attorney fees as set forth in Exhibit 57A, Approved Attorney Fees and Title Expenses, and foreclosure attorney fees incurred that exceed the expense limits in Exhibit

57A, if the Servicer has submitted and Freddie Mac has granted written pre-approval of the Servicer's request via the Freddie Mac Reimbursement System.

Foreclosure attorney fees listed in Exhibit 57A are the approved attorney fees for an uncontested foreclosure. This generally includes but is not limited to:

- All activities necessary to complete the first legal action
- Review of supporting documentation and loan status
- Verification that the Borrower is not a Servicemember currently serving a Period of Military Service (as those terms are referenced in Section 8503.1), or if the Borrower was a Servicemember, that more than one year has elapsed since his or her Period of Military Service ended (see Section 8503.2 regarding foreclosure relief options exclusive to Servicemembers and their Dependents). Verification must be completed following the referral of a Mortgage to foreclosure but prior to the first legal action, and again prior to foreclosure sale.
- Review of title examination
- Preparation and filing of all necessary papers and notices, including the publication and posting of notices of foreclosure or other legal proceedings as required by State or local law, as well as obtaining service of process on all defendants or parties entitled to notice
- Obtain orders for alternate or special service, if doing so will expedite service of process at little or no additional cost
- All necessary court appearances required in an uncontested foreclosure
- Preparing documentation for and obtaining entry of judgment in a judicial foreclosure action, or preparing all documentation necessary to conduct the foreclosure sale in a non-judicial foreclosure action
- Handling the foreclosure sale including any actions required to postpone (see Section 9301.28 regarding foreclosure sale postponements), reset and set aside the sale, and
- Preparation and recording of conveyance deeds

If during the pendency of a foreclosure, a Servicer relies upon its foreclosure counsel, as a vendor, to perform or handle services associated with Servicer functions, including Delinquency management requirements as provided in Chapters 8402 through 8404, 9201 through 9211, 9301, 9401, 9402, 9501, 9601 and 9602, then any additional fees or service charges billed by a law firm should be paid by the Servicer at its own expense. (See Section 9701.15 regarding non-reimbursable expenses.)

2. Filing costs and other costs required by a court, as well as the cost of obtaining a copy of a death certificate if needed to facilitate prompt and efficient completion of the legal proceedings

3. Costs as set forth in Exhibit 57A for title work required for foreclosures, which include the cost of an update to the title if required by the State, or to ensure clear and marketable title to the Mortgaged Premises after the foreclosure sale. Freddie Mac will not reimburse for any additional title abstract, commitment or policy. If the Servicer must obtain an additional update to the title because the original is stale due to bankruptcy delay, Freddie Mac will reimburse the Servicer up to \$125 for the update in Maryland, Ohio and Virginia, and \$75 for all other States. Servicers must contact Freddie Mac for written pre-approval for an additional update if the title becomes stale for any other reason.
4. Costs of serving legal notices, when required by law
5. Cost of publication of notices of foreclosure or other legal proceedings as required by State or local law. Reimbursable costs incurred for the publication of such legal notices include actual charges imposed by the newspaper or publication. The foreclosure attorney fees in Exhibit 57A cover fees for acquiring the publication, including the cost of preparing, submitting and verifying the legal notices.
6. Cost of posting of notices of foreclosure or other legal proceedings, as required by State or local law. Reimbursable costs incurred for the posting of such legal notices are for actual charges imposed for the physical posting of notices on the property.
7. Postage for certified or registered mail that is required for legal notices as required by law
8. Bankruptcy costs and fees as set forth in Exhibit 57A, and bankruptcy expenses incurred that exceed the expense limits in Exhibit 57A, if the Servicer has submitted and Freddie Mac has granted written pre-approval of the Servicer's request via the Reimbursement System. However, if the Borrower is delinquent and files for bankruptcy protection and a reorganization plan is approved, Freddie Mac will not reimburse the Servicer for its expenses. The Servicer must seek reimbursement for its allowable expenses through the Borrower's bankruptcy plan.

If the Borrower breaches the bankruptcy plan, the Servicer must not submit a claim for expense reimbursement until after the applicable event or activity described in Section 9701.5.

9. Eviction costs and expenses if Freddie Mac directs the Servicer to process the eviction. (Refer to Section 9603.14.)
10. Contested foreclosure fees and court costs required to continue with the foreclosure process if the Servicer has submitted and Freddie Mac has granted written pre-approval of the Servicer's request via the Reimbursement System.

For legal expenses that are related to a non-routine litigation matter and are considered reimbursable, Servicers must first contact Freddie Mac with details of the non-routine litigation matter according to the reporting requirements in Section 9402.3(b), and include an

estimate of the attorney’s fees and litigation costs, as well as the attorney’s hourly rate, in the Servicer’s request for Freddie Mac’s pre-approval via the Reimbursement System.

Contested foreclosure fees and court costs are:

<p><b>Contested Foreclosure Resolved by Motion for Summary Judgment (Judicial)</b></p>	<p>Foreclosure attorney fee for a contested foreclosure in which a defendant files an answer requiring the filing of a summary judgment motion. This includes work leading up to the filing of the summary judgment motion, all court appearances and all written discovery.</p>
<p><b>Responding to a Motion to Dismiss (Judicial)</b></p>	<p>Foreclosure attorney fee for responding to a motion to dismiss, including the preparation and filing of a response and attendance at all hearings.</p>
<p><b>Contested Foreclosure Resolved by Trial (Judicial)</b></p>	<p>Foreclosure attorney fee for trial, set by court upon its own motion including, but not limited to, pre-trial preparation and correspondence, preparation and filing documents necessary for trial, witness preparation and all necessary court appearances.</p>
<p><b>Contested Foreclosure Resolved by Motion to Dismiss (Non-Judicial)</b></p>	<p>Foreclosure attorney fee for a contested foreclosure (i.e., Borrower’s filing of a lawsuit to challenge a non-judicial foreclosure) resolved by the filing of a motion to dismiss and subsequent entry of an order granting motion to dismiss. This includes all work leading up to the filing of the motion to dismiss and all necessary court appearances.</p>

<b>Contested Foreclosure Resolved by Summary Judgment Motion (Non-Judicial)</b>	Foreclosure attorney fee for a contested foreclosure (i.e., Borrower's filing of a lawsuit to challenge a non-judicial foreclosure) resolved by the filing of a motion for summary judgment and subsequent entry of an order granting motion for summary judgment. This includes all work leading up to the filing of the summary judgment motion, all court appearances and all written discovery.
<b>Probate Proceedings</b>	Foreclosure attorney fee for probate proceedings during a contested foreclosure.
<b>Motion for Mediation in a Contested Foreclosure</b>	Foreclosure attorney fee for attendance and appearance at a mediation session for a contested foreclosure that is not part of a State or local law pre-foreclosure mediation program.
<b>Borrower Initiated Motions</b>	Foreclosure attorney fee for responding to a motion initiated by the Borrower or Borrower's counsel, including the preparation and filing of a response and attendance at all hearings.
<b>Reply to Affirmative Defenses/Motion to Strike</b>	Foreclosure attorney fee for responding to affirmative defenses or a motion to strike filed by or on behalf of the Borrower in a contested foreclosure, including the preparation and filing of a response and attendance at all hearings.
<b>Discovery (Request for Production of Documents, Request for Admissions, Interrogatories)</b>	Foreclosure attorney fee for responding to a discovery request or propounding discovery in a contested foreclosure, including the preparation and filing of a response and attendance at all hearings.
<b>Contested Foreclosure Fee – Other</b>	Foreclosure attorney fee for additional work needed to resolve a contested foreclosure that enters into litigation, whether routine or non-routine, in order to proceed with the foreclosure.

11. For the life of the default, the actual cost of system connectivity fees, technology fees and invoice processing fees up to the following maximum expense limits:

- Connectivity fees are reimbursable up to a maximum of \$25 per referral, on or after April 1, 2011, for the life of the default
- Technology fees are reimbursable up to a maximum of \$5 per referral, before April 1, 2011, for the life of the default
- Invoicing fees are reimbursable up to a maximum of \$5 to process foreclosure invoices and an additional maximum of \$5 to process bankruptcy invoices for the life of the default on referrals on or after April 1, 2011

For details on system connectivity and invoice processing, refer to Section 9501.9.

12. Attorney fees to shorten a redemption period, when allowed by applicable State law, if the Servicer has submitted and Freddie Mac has granted written pre-approval of the Servicer's request via the Reimbursement System
13. Attorney fees to foreclose on a Cooperative Share Loan, if the Servicer has submitted and Freddie Mac has granted written pre-approval of the Servicer's request via the Reimbursement System
14. Attorney fees for appearance and attendance at a status, conciliation or case management conference, when required by State or local law or set by the court, if the Servicer has submitted and Freddie Mac has granted written pre-approval of the Servicer's request via the Reimbursement System. This includes fees for appearance and attendance at pre-mediation hearings or conferences, when required by State or local law or set by the court.
15. Certain expenses (e.g., legal fees and/or legal costs) considered unrecoverable from the Borrower under applicable federal, State or local law upon reinstatement or payoff of the Mortgage, or upon completion of a mortgage modification. (Refer to Section 9701.5(f) regarding unrecoverable expenses.)

In the event of a foreclosure of the property or a bankruptcy of the Borrower, attorneys' invoices paid by the Servicer pursuant to Section 8103.3 must match or exceed the claim for reimbursement in the Reimbursement System. Servicers must pay attorneys' invoices timely, and should not be delaying the payment of attorneys' invoices until after the expenses have been reimbursed by Freddie Mac.

Freddie Mac will not reimburse the Servicer for attorney's fees and litigation costs on Mortgages sold to Freddie Mac with full recourse or subject to indemnification. For Mortgages sold to Freddie Mac with recourse or subject to indemnification, the Servicer must inform counsel retained for foreclosure, eviction or bankruptcy that the Servicer is responsible for paying all associated fees and costs.

## 9701.12: Reimbursement requirements when foreclosure must be restarted (10/24/16)

In certain States, if the Servicer must restart a foreclosure proceeding, in whole or in part, due to an allowable delay as defined in Section 9301.46, Freddie Mac will reimburse the Servicer as follows:

1. All of the reimbursable actual costs (per the requirements of the Guide) of each foreclosure attempt and the completed foreclosure
2. Up to 70% of the approved foreclosure attorney fees for the first foreclosure attempt
3. Up to 100% of the approved foreclosure attorney fees for the completed foreclosure

Additionally, for any foreclosure attempt subsequent to the first foreclosure attempt, except for the completed foreclosure, the Servicer may be reimbursed up to 70% of the approved foreclosure attorney fees with prior written approval from Freddie Mac. To obtain written approval from Freddie Mac, the Servicer must submit a request for pre-approval (RPA) via the RPA functionality in the Freddie Mac Reimbursement System.

Freddie Mac will not reimburse the Servicer for any fees or costs associated with a restarted foreclosure if the Servicer has to restart a foreclosure proceeding due to a delay that is not considered an allowable delay as defined in Section 9301.46, or due to Servicer non-compliance with the Guide.

The States affected by this requirement are identified in Exhibit 57A, Approved Attorney Fees and Title Expenses.

In all other States, Freddie Mac will reimburse the Servicer for only one occurrence of the foreclosure attorney fee and reimbursable actual costs (per the requirements of the Guide).

## 9701.13: Reimbursement of BPO/appraisal reports (03/02/16)

Since the Servicer does not incur an expense when it orders a BPO or appraisal report from Freddie Mac via BPOdirect® in connection with a workout or a foreclosure, a BPO or appraisal report via BPOdirect is not an expense for which the Servicer may seek reimbursement. Freddie Mac will only reimburse the Servicer for an appraisal report ordered from an appraiser of its choice if the Servicer has complied with Section 9202.16.

## **9701.14: Reimbursement of Scheduled Principal (05/01/19)**

Effective May 1, 2019, this section is deleted.

## **9701.15: Non-reimbursable expenses (07/23/18)**

Consistent with Section 8101.2, standard operating costs incurred by a Servicer, or its Servicing Agent and/or Outsourced Vendor(s), as applicable, in connection with the Servicer's obligations and duties owed to Freddie Mac are part of the Servicer's cost of doing business, and, therefore, are not reimbursable by Freddie Mac, unless expressly provided for otherwise in [the Servicing Contract](#).

Standard operating costs and expenses that are non-reimbursable by Freddie Mac (together referred to as "non-reimbursable expenses") include, but are not limited to:

1. Appraisal reports, except when approved by Freddie Mac in advance
2. Attorney's fees resulting from correction of matters that should have been resolved before the foreclosure sale, including any costs to resolve real property title issues that are the result of Seller's or Servicer's actions or inactions
3. Documentary stamp taxes/transfer taxes/excise taxes on real estate conveyance (Freddie Mac is exempt under Title 12 of the United States Code, Section 1452(e)), unless the Servicer received Freddie Mac's prior written approval via the Freddie Mac Reimbursement System. (See Section 9301.41 for additional requirements for reimbursement of transfer taxes after a foreclosure sale, or when closing a deed-in-lieu of foreclosure transaction).
4. Sales tax
5. Facsimile transmission (fax) charges
6. Interest, penalties (except for the first tax penalty (and second tax penalty in California as provided in Section 9701.6) incurred as defined in Section 9701.6), late charges, or legal fees for late payment of taxes or homeowners association (HOA) assessments
7. Long distance telephone calls
8. Mailgram charges
9. Mileage or travel costs
10. Mortgage credit life insurance premiums



11. Other costs of an attorney, such as time or fees for curing a Delinquency, document preparation, word processing or notary public services performed by an attorney; co-counsel fees; referral fees, packaging fees or other similar fees and new case start-up fees
12. Photocopy costs
13. Photographs
14. Regular postage
15. The actual or imputed value of in-house counsel time expended when the reimbursable matter is handled by in-house counsel
16. Additional fees for preparing a foreclosure deed because the cost of doing so is included in the attorney's fees listed in Exhibit 57A, Approved Attorney Fees and Title Expenses
17. Credit reports
18. Additional fees or service charges billed by a law firm, or any entities the firm relies upon to provide third-party support functions performed on the Servicer's behalf, that are considered included in the attorney's fees listed in Exhibit 57A
19. Additional fees or service charges that are billed by a law firm or any entity the Servicer relies upon and are associated with Servicer functions. Servicers should pay vendors for handling such Servicer functions at their own expense.

For non-reimbursable expenses, Servicers or their Permitted Vendors (see Section 2405.7 regarding use of the Reimbursement System by Permitted Vendors) should not be requesting Freddie Mac's written pre-approval by submitting a request for pre-approval (RPA) via the RPA functionality in the Reimbursement System for these expense amounts.

If Freddie Mac determines that the Servicer has directly or indirectly passed or charged to Freddie Mac any non-reimbursable expenses, or charged Freddie Mac for Servicing obligations covered by the Servicing Spread (as set forth in Section 8103.3), then Freddie Mac may pursue any or all remedies available under the Guide, other Purchase Documents and applicable law.

## **9701.16: Denials and adjustments of expense reimbursement requests (03/02/16)**

Freddie Mac reserves the right to withhold payment on a reimbursement request if:

1. Servicer fails to provide Freddie Mac with supporting documentation requested or in the time frame Freddie Mac requires
2. Freddie Mac did not receive the request within the expense reimbursement submission time frames (see Section 9701.5)

3. The request includes expenses that are typically non-reimbursable, unless the Servicer has obtained Freddie Mac's written pre-approval
4. The request includes expenses for an amount in excess of the expense limits in Exhibit 57, 1- to 4-Unit Property Approved Expense Amounts, and Exhibit 57A, Approved Attorney Fees and Title Expenses, unless the Servicer obtained Freddie Mac's written pre-approval

If Freddie Mac adjusts or denies the Servicer's reimbursement request:

- Information on the reason why Freddie Mac either adjusted or denied an expense reimbursement will be available in the Freddie Mac Reimbursement System
- The Servicer may resubmit the reimbursement request via the Reimbursement System provided the resubmission is within Freddie Mac's time frame requirements, the Servicer claims only the disallowed expense, and the appropriate documentation is attached and includes a justification for why the disallowed expense should be reimbursed

## **9701.17: Default reporting requirements and reimbursement of claims (03/02/16)**

The legal fees and costs the Servicer submits must reflect the same default action dates as reported via EDR. Failure to report Delinquency, foreclosure, bankruptcy and other relevant EDR data will result in the adjustment or denial of the claim request.

## **9701.18: REO related costs and expenses (03/02/16)**

Freddie Mac will reimburse the Servicer for post-acquisition activities which a Servicer must perform for Freddie Mac, the MI, FHA and/or the VA. (Refer to Chapter 9603 for information on these activities.)

## **9701.19: Expense offsets (03/02/16)**

The Servicer must deduct certain funds from expenses incurred. These funds include positive Escrow balances at default, interest on Escrow balances, property insurance and primary mortgage insurance premium refunds.

The Servicer's requested expense reimbursements must be offset by any positive Escrow balance. Funds remaining in the Borrower's Escrow account at default must be accounted for with the Servicer's reimbursement request as income to offset expenses. Funds remaining in a temporary buydown account before the foreclosure action was started must be applied as set forth in Section 4204.4. Additionally, the Servicer is required to offset any incurred reimbursable

expenses with the proceeds of rental income it receives during the foreclosure or REO holding period.

Mortgage insurance premium refunds should be refunded directly to Freddie Mac by the MI on the claim for loss. If, however, the MI sends a refund of the mortgage insurance premium to the Servicer directly, the Servicer must credit the MI premium refund on the claim as income when it submits a request for expense reimbursement.

In the following instances, Freddie Mac will bill the Servicer for the funds on the Performing Loans monthly Servicer Billing Statement or the Servicer Non-Performing Loans Invoice, respectively:

- If the income reported by the Servicer exceeds the expenses requested
- If the Servicer has no expenses currently being processed to offset the income that is due to Freddie Mac

Refer to Section 9102.1 for information on the payment of the Servicer Billing Statement and Non-Performing Loans Invoice via an Automated Clearing House (ACH) draft.

The Servicer must not offset anticipated or received mortgage insurance claim payments, property insurance claim proceeds or sales proceeds against any expenses incurred. (Refer to Section 9701.20 for information on remitting these funds to Freddie Mac.)

## **9701.20: Forwarding remittances to Freddie Mac (11/30/16)**

The Servicer is required to forward, [via wire transfer or check](#), non-REO related funds to Freddie Mac (**see Directory 5**) and REO related funds to Freddie Mac (**see Directory 6**) within 10 Business Days of the Servicer's receipt of the funds. Such funds typically include, but are not limited to, mortgage insurance claim proceeds and property insurance claim proceeds.

The Servicer must forward the funds to Freddie Mac via check or wire transfer as follows:

- For non-REO related funds, the Servicer must forward the funds via check payable to the Federal Home Loan Mortgage Corporation and include the Freddie Mac loan number along with copies of related documentation with the check
- For REO related funds, the Servicer must forward the funds via (a) check or (b) wire transfer
  - (a) Remittances forwarded by check must be payable to the Federal Home Loan Mortgage Corporation and include the Freddie Mac loan number along with copies of related documentation with the check

- (b) Remittances forwarded by wire transfer must reference the Freddie Mac loan number, address of property, and the type of proceeds (e.g., REO repurchases, mortgage insurance claim proceeds, and property insurance claim proceeds)

The Servicer must not offset any expenses against property insurance claim proceeds or mortgage insurance claim proceeds.

## **9701.21: Standard supporting documentation for expense reimbursement (03/02/16)**

With the exception of Mortgages insured by the FHA, or guaranteed by the VA or RHS not subject to recourse or indemnification, Freddie Mac generally will not require the Servicer to submit supporting documentation with its expense reimbursement requests and resubmission of denied reimbursement requests. However, there are situations, such as audits of reimbursement requests, where Freddie Mac will instruct the Servicer to provide standard supporting documentation. Standard supporting documentation for expense reimbursement requests includes, but is not limited to:

1. Proof of all disbursements: Copies of original bills/invoices of services performed for expenses submitted on the claim, that include, but are not limited to, the following: legal fees and costs, property inspection, property preservation costs, primary mortgage insurance premiums and condominium/homeowners association (HOA)/Planned Unit Development (PUD) assessments
2. A copy of the project declaration highlighting, if applicable, the portion of the condominium, HOA or PUD assessments that may take priority over the Mortgage
3. Copy of the Mortgage history beginning twelve months prior to the DDLPI through the date Freddie Mac requests the Mortgage history. Proof of payment of normal Escrow items is not required if shown in the history. However, if tax payments are not consistent with the other taxes or if they were paid in a lump sum, the Servicer must submit documentation from the taxing authority providing the breakdown of the tax amount, including any late charges, penalties and interest (if applicable).
4. The buydown account balance, if applicable

For expense reimbursement requests on Mortgages insured by the FHA, or guaranteed by the VA or RHS not subject to recourse or indemnification, Freddie Mac requires the Servicer to provide supporting documentation including, but not limited to:

- A copy of the claim for benefits filed with the applicable entity
- Any communication or requests for information from the applicable entity regarding the claim, including any response, and

- Documentation showing the itemization of the distribution of the claim payment received from the applicable entity (e.g., loss claim packet or advice of payment letter)

In the event a Servicer is required to submit supporting documentation for Freddie Mac to process the claim, the Servicer's submission must meet the appropriate submission deadline in Section 9701.5 or any deadline given in Freddie Mac's request for documentation.

## **9701.22: Expense reimbursement audits (03/02/16)**

Freddie Mac will perform audits of claims to ensure compliance with Freddie Mac's requirements. If Freddie Mac finds that a claim is not in compliance with applicable requirements, Freddie Mac may deny the reimbursement or adjust the claim.

Freddie Mac will communicate an audit request to the Servicer via the Freddie Mac Reimbursement System. The Servicer will then be required to submit the standard supporting documentation via the Reimbursement System within seven Business Days. (Refer to Section 9701.21.) If the Servicer fails to submit the required documentation by the deadline, the Servicer's claim will be denied and the Servicer will not be permitted to resubmit the claim to Freddie Mac.

If Freddie Mac determines through the audit that an expense was not eligible for reimbursement, Freddie Mac will:

- Provide the Servicer with an explanation of Freddie Mac's audit findings, and
- Release the claim back to the Servicer or adjust the claim based on Freddie Mac's audit findings

If Freddie Mac determines through an audit that a previously reimbursed expense was not eligible for reimbursement, Freddie Mac will bill the Servicer for the amounts due back to Freddie Mac on its monthly Servicer Non-Performing Loans Invoice. (Refer to Section 9102.1 for information on the payment of Servicing Non-Performing Loans Invoices via an Automated Clearing House draft.)

If Freddie Mac determines through the audit that Freddie Mac owes funds to the Servicer, Freddie Mac will remit the funds to the Servicer within 30 calendar days of the date Freddie Mac notifies the Servicer of the audit findings.