



TO: Freddie Mac Servicers

November 14, 2018 | 2018-22

SUBJECT: SERVICING UPDATES

This Guide Bulletin announces:

Default management

- Revisions to our [Standard Short Sale \(“short sale”\) and Standard Deed-in-Lieu of Foreclosure](#) (“deed-in-lieu”) requirements – **September 1, 2019**
- Updates to the following related to Servicing properties impacted by a disaster:
 - [Disaster-related forbearance plan](#) requirements – **December 1, 2018**
 - The [Capitalization and Extension Modification for Disaster Relief Evaluation Notice](#) – **January 1, 2019**
- Updates to our [Borrower contact requirements](#) – **March 1, 2019**
- Changes to our [property inspection requirements](#) for delinquent Mortgages – **March 1, 2019**

Servicer execution of documents

- Increased Servicer authority to [execute documents](#) when Mortgages are assigned to Freddie Mac

Concurrent Transfers of Servicing

- Updates made in Bulletin 2018-21 for the elimination of the mandatory expiration date on [Guide Form 960](#) (“Concurrent Transfer of Servicing (CTOS) Agreement”)

Additional Guide updates

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

EFFECTIVE DATE

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

SHORT SALES AND DEEDS-IN-LIEU OF FORECLOSURE

Effective September 1, 2019; however, Servicers may implement earlier if they are operationally ready to do so

We are revising our short sale and deed-in-lieu requirements in alignment with Fannie Mae and at the direction of the FHFA. These revisions simplify our short sale and deed-in-lieu requirements to improve the loss mitigation experience for Servicers and Borrowers.

We are revising our short sale and deed-in-lieu requirements related to:

- [Borrowers who have been previously discharged from a Chapter 7 bankruptcy](#)
 - [Borrower documentation](#)
 - [Special requirements for Borrowers who are current or less than 60 days delinquent](#)
 - [Borrower contributions](#)
 - [Short sale negotiation fee requirements](#)
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- [Supplemental Borrower incentives for deeds-in-lieu](#)
- [Final inspection timing requirements for deeds-in-lieu](#)

Eligibility requirements for Borrowers previously discharged from Chapter 7 bankruptcy

If the Borrower was previously discharged from the debt obligation in a Chapter 7 bankruptcy, then the Borrower is eligible for a short sale or deed-in-lieu evaluation regardless of Delinquency, occupancy and property condition and without requiring a Borrower Response Package (BRP).

Borrower documentation

We are revising our requirements for Borrower documentation for short sales and deeds-in-lieu. The table below outlines the documentation required to evaluate a Borrower for a short sale or deed-in-lieu.

If the Mortgage status at the time of evaluation is...	Then the Servicer must:
Current or less than 90 days delinquent	Evaluate the Borrower based on a complete BRP as defined in Guide Section 9102.5. Note: If the Mortgage is current or less than 60 days delinquent, the Borrower must be in non-retention imminent default in accordance with Section 9208.3(c), and as described in the table below, to be eligible for a short sale or deed-in-lieu.
Between 90 days and 18 months delinquent	Evaluate the Borrower based on a complete BRP, unless one of the following conditions applies: <ul style="list-style-type: none"> • The Borrower failed a Freddie Mac Flex Modification® Trial Period Plan within the 12 months prior to evaluation for a short sale or deed-in-lieu • The Borrower previously received a 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 • The Borrower previously completed three or more modifications; or • The Mortgage is not secured by an Investment Property, as identified at origination, and the Borrower's FICO® score is less than or equal to 620 If any of the above conditions apply, the Servicer must evaluate the Borrower for a Streamlined Short Sale or Streamlined Deed-in-Lieu of Foreclosure as defined in Sections 9208.3 and 9209.3.
More than 18 months delinquent	Evaluate the Borrower for a Streamlined Short Sale or Streamlined Deed-in-Lieu of Foreclosure

Special requirements for Borrowers who are current or less than 60 days delinquent

If a Borrower is current or less than 60 days delinquent at the time of initial evaluation, the Borrower must be in non-retention imminent default according to the Business Rules in the chart below to be eligible for a short sale or deed-in-lieu, unless the Borrower was previously discharged from a Chapter 7 bankruptcy. The criteria for non-retention imminent default follows very similar logic to what we have implemented to evaluate for imminent default as part of a Flex Modification evaluation, but has been adjusted slightly to be more applicable to short sales and deeds-in-lieu. These requirements are identical to the imminent default requirements for a mortgage modification, except for Business Rule 3, where we have replaced one of the acceptable Imminent Default Hardships.

Non-retention imminent default evaluation Business Rules

To be considered in imminent default, the Borrower must meet all requirements under Business Rule 1, and must meet the requirements for either:

- **Business Rule 2, or**
- **Business Rule 3**

Business Rule 1	<p>The Borrower must:</p> <ul style="list-style-type: none"> • Submit a complete Borrower Response Package • 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 • 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 • Have Cash Reserves less than \$25,000 • Have an eligible hardship as described in Section 9202.2 <p>Note: Requirements related to occupancy and non-retirement liquid assets do not apply if the Borrower is a Servicemember with Permanent Change of Station (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 imminent default if the Borrower meets the requirements of Business Rule 1, and</p> <ul style="list-style-type: none"> • The Borrower's FICO score is less than or equal to 620 determined in accordance with Section 9206.7(e); AND • The Mortgage has had two or more 30-day Delinquencies in the most recent six-month period; OR • The Borrower's housing expense-to-income ratio is greater than 40% as of the evaluation date <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"> • Death of a Borrower or death of either the primary or secondary wage earner in the household • Long-term or permanent disability; or 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; or • 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. <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>

Borrower contributions and promissory notes

Promissory notes are no longer accepted as a form of payment for Borrower contributions. All requirements pertaining to promissory notes will be removed from the Guide. Servicers will be required to evaluate Borrowers for a cash contribution, in accordance with the revised requirements described directly below.

The Servicer must request a cash contribution toward the deficiency if a Borrower has: (i) more than \$10,000 in Cash Reserves, or (ii) a housing-to-income ratio (calculated following the requirements of Section 9208.3(e)), less than or equal to 40%, unless:

- It is prohibited by applicable law
- The Servicer determines that the Borrower is eligible for Streamlined documentation
- 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 being evaluated

Borrowers who are required to make a contribution toward the deficiency must contribute the greater of:

- 20% of their Cash Reserves or
- Four times principal, interest, taxes and insurance (PITI)

The contribution amount must be rounded to the nearest \$100, and must not exceed the deficiency. If the contribution amount is not at least \$500, the requirement is waived.

Based on the Servicer's assessment of the Borrower's written or stated ability to make a financial contribution, along with its evaluation of the Borrower's financial and hardship information, the Servicer may 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. The specific reason(s) for the Servicer's decision to adjust the contribution amount must be documented in the Mortgage file. If the Borrower refuses to make a contribution that the Servicer deems reasonable for the Borrower, the Servicer must submit the case to Freddie Mac for review.

If the Borrower is current or less than 60 days delinquent and meets the criteria described in the Cash Reserves test, the Borrower must contribute a minimum of 20% of their Cash Reserves. If the Borrower is unwilling to contribute 20% of their Cash Reserves, the Servicer must submit the case to Freddie Mac for review.

While the Servicer is not required to collect supporting documentation pertaining to the Borrower's assets, Freddie Mac expects the Servicer to perform due diligence to ensure the stated assets are consistent with the Borrower's overall financial circumstances. As part of its evaluation, the Servicer must verbally confirm the Borrower's assets as stated on Guide Form 710, Mortgage Assistance Application, and reconcile any discrepancies and/or inconsistencies with the financial information in the documentation collected as part of the complete BRP (i.e., income and hardship documentation and the Borrower's credit report).

Short sale negotiation fees

At the discretion of the real estate broker, fees paid to a 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 now be deducted from the real estate broker's 6% commission.

Negotiation fees still 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.

Supplemental Borrower incentive fees for deeds-in-lieu

We are eliminating the supplemental Borrower incentive of up to \$7,000 in Connecticut, the District of Columbia, Illinois, Maryland, Massachusetts, New Jersey, New York and Pennsylvania. Borrowers in these and other areas will remain eligible to receive up to \$3,000 provided they meet the requirements of Section 9209.4.

Final inspection timing for deeds-in-lieu

The Servicer must conduct an interior inspection of the Mortgaged Premises to ensure that it is vacant, undamaged and in broom-swept condition. The inspection must occur no more than five Business Days following receipt of the executed deed and all related documents. The Servicer must take all necessary actions to protect the property from waste, damage and vandalism, and is responsible for the condition of the property at the time of conveyance to Freddie Mac.

Guide updates

We are updating Sections 9202.1, 9208.2 through 9208.5, 9208.7, 9208.8, 9209.2 through 9209.5 and 9209.8 to reflect these changes to our short sale and deed-in-lieu requirements.

PROPERTIES IMPACTED BY DISASTERS

Disaster-related forbearance plans

Effective December 1, 2018

In a continuing effort to create operational efficiencies and to provide a more flexible evaluation process for Borrowers and Servicers, we are clarifying certain disaster-related forbearance plan requirements. Except as otherwise provided in the table below, Borrowers impacted by Eligible Disasters continue to be subject to all other special forbearance plan requirements in Guide Chapter 8404 and Bulletins 2017-14, 2017-19, 2017-21, 2017-25 and 2017-29.

The following table provides the disaster-related forbearance plan requirement changes:

Disaster-related forbearance plan requirements	
Current Guide language	Revised Guide language
Mortgage eligibility	
The Mortgage may be secured by the following property types: <ul style="list-style-type: none">Primary Residence,Second home, orInvestment Property The property may be vacant or condemned, but not abandoned.	
Circumstances where QRPC has not been achieved	
Servicers have discretion to place a Borrower who is or becomes 31 or more days delinquent in a forbearance plan in accordance with the requirements in Sections 9203.12 through 9203.17. Servicers should determine whether to provide forbearance and the length of such forbearance by assessing: <ul style="list-style-type: none">The extent of the property damage based on property inspections, and/orThe financial impact to the Borrower as a result of the Eligible Disaster	Servicers have discretion to 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 Sections 9203.12 through 9203.17, and Sections 8404.4 and 8404.6. Servicers should consider the following factors in its evaluation decision when determining whether to provide forbearance, if it has relevant information regarding: <ul style="list-style-type: none">The Borrower's financial circumstances, and/or

Disaster-related forbearance plan requirements	
Current Guide language	Revised Guide language
The short-term forbearance plan may not exceed 90 days without either achieving quality right party contact or receiving approval from Freddie Mac.	<ul style="list-style-type: none"> The extent of the property damages caused by the Eligible Disaster
Circumstances where QRPC has been achieved	
<p>Servicer may offer up to six months of forbearance without obtaining a complete BRP, but must attempt to obtain a complete BRP if forbearance exceeds six months in length. However, if the Borrower is unable to provide financial documentation, the Servicer may offer the Borrower successive forbearance plans (not to exceed 12 months in aggregate) without obtaining a complete BRP.</p>	<p>The Servicer is not required to obtain a complete BRP, and may offer:</p> <ul style="list-style-type: none"> Forbearance for a period of one to six months, and, if necessary One or more successive forbearance plan periods of one to six months <p>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.</p>
Transitioning from a forbearance plan	
<p>At the end of the forbearance period, the Servicer must reassess the Borrower's circumstances based on updated property inspections and Borrower financial information, if required by the relief or workout options, to determine if forbearance should continue to be extended, whether the Borrower is eligible for another relief or workout option, or whether the Servicer should initiate or resume collection or foreclosure proceedings.</p>	<p>At the end of the forbearance period, the Servicer must reassess the Borrower's circumstances to determine whether the Borrower's hardship has been resolved. The determination may be based on information from the Borrower as a result of QRPC and/or an updated property inspection assessment of the extent of property damage.</p> <p>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.</p>

Guide impacts: Sections 8404.4 and 8404.6

Capitalization and Extension Modification for Disaster Relief Evaluation Notice

Servicers are encouraged to begin using the revised evaluation notice immediately, but must use the revised version by January 1, 2019

Bulletin 2018-14 announced multiple revisions to our Borrower evaluation notices in Guide Exhibit 93 and solicitation letters in Exhibits 1145, 1191, 1191A and 1191B.

We are announcing similar changes to the Capitalization and Extension Modification for Disaster Relief Evaluation Notice, which is exclusive to Freddie Mac's evaluation notices inventory, and aligning our responses to the "Frequently Asked Questions" section of the evaluation notice to the current requirements in Section 9206.4.

Guide impact: Exhibit 93

BORROWER CONTACT REQUIREMENTS

Effective March 1, 2019; however, Servicers may implement sooner if they are able to do so

In response to Servicer feedback, jointly with Fannie Mae and at the direction of the FHFA, we are updating certain requirements for contacting delinquent Borrowers.

Servicers are currently required to attempt to contact delinquent Borrowers every **five** days, starting no later than the 36th day of Delinquency (or the 36th day after the Due Date of an unpaid monthly installment) until either the 210th day of Delinquency or quality right party contact (QRPC) is achieved, whichever comes first.

We are extending the period between contact attempts from every five days to every **seven** days. Servicers will now be required to continue Borrower contact attempts at least every seven days throughout the delinquency cycle, starting on the 36th day of Delinquency until the earlier of the 210th day of Delinquency or QRPC is achieved.

We are also extending the required time to issue breach letters (also referred to as “notices of acceleration” or “demand letters”) from no later than the 60th day of Delinquency to no later than the 75th day of Delinquency, unless otherwise required by State law.

Guide impacts: Sections 9101.2 and 9102.4

PROPERTY INSPECTIONS FOR DELINQUENT MORTGAGES

Effective March 1, 2019; however, Servicers are encouraged to implement sooner

Currently, if a Servicer has not received a payment in the last 30 days or has not achieved QRPC in accordance with Section 9102.3, the Servicer must order an initial property inspection no later than the 45th day of Delinquency and obtain the complete report by the 60th day of Delinquency.

To provide Borrowers and Servicers more time to resolve the Delinquency and avoid unnecessary property inspections, we are extending this time frame. Servicers must order the initial property inspection on or after the 60th day of Delinquency and complete the property inspection no later than the 75th day of Delinquency for all delinquent Mortgages. Servicers 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.

In addition, we are updating our requirements for establishing QRPC by requiring Servicers to make every attempt to determine the occupancy status of the property. It is important that Servicers determine the occupancy status as early as possible to proceed with Borrower evaluation for workout solutions to resolve the Delinquency.

Guide impacts: Sections 9101.2, 9102.3, 9102.4 and 9202.12

SERVICER EXECUTION OF DOCUMENTS

Freddie Mac makes available to Servicers upon request a limited power of attorney (LPOA) which empowers Servicers to execute certain documents, such as release documents and assignments of the Security Instrument for initiating foreclosures, in Freddie Mac’s name. We are expanding the scope of this LPOA which will broaden Servicer’s authority to execute documents when Mortgages are assigned to Freddie Mac. Under the LPOA, Servicers may execute the following documents:

- Full release
- Mortgage modifications
- Reconveyances
- Lien releases
- Subordination of liens
- Assignments
- Partial releases or discharges
- Foreclosure actions
- Gap assignments

A sample LPOA is now included in the Guide as Exhibit 53.

Servicers are strongly encouraged to request multiple LPOAs as needed (e.g., for recordation in the local land record offices) by submitting an e-mail request to Shortsales@freddiemac.com in accordance with Section 8101.4 and Directory 9.

Servicers that service Senior Subordinate Mortgages must submit requests for multiple LPOAs related to such Mortgages by sending an e-mail to Foreclosures@freddiemac.com in accordance with Section 8601.6 and Directory 5.

Additionally, we are updating Section 8101.4 to specify that Servicers with an LPOA from Freddie Mac do not need to submit requests to Freddie Mac to execute the types of documents outlined in the LPOA. The Servicer may execute these documents in Freddie Mac's name pursuant to a Freddie Mac issued LPOA when the Mortgage has been assigned to Freddie Mac.

Guide impacts: Sections 8101.3, 8101.4 and Exhibit 53

CONCURRENT TRANSFERS OF SERVICING

Effective October 31, 2018

We are notifying Servicers that in Bulletin 2018-19, we announced that we were eliminating the mandatory expiration date on the Form 960 ("Concurrent Transfer of Servicing (CTOS) Agreement"), which results in Sellers and their respective Transferee Servicers no longer needing to submit a new CTOS Agreement annually. This creates operational efficiencies and streamlines the CTOS process.

Effective October 31, 2018, the expiration date field on the CTOS Agreement is optional. CTOS Agreements where the expiration date field is left blank will remain in effect until Freddie Mac, the Transferor Servicer (Seller), or the Transferee Servicer terminate the CTOS Agreement.

In lieu of reviewing and approving CTOS Agreements annually, Freddie Mac will monitor the financial condition and performance of the Transferor Servicer (Seller) and the Transferee Servicer, and may, in our discretion, rescind or suspend approval of the CTOS Agreement.

The Transferor Servicer or Transferee Servicer may terminate the CTOS Agreement by first providing notice to the other (Transferor Servicer or Transferee Servicer as applicable) and then to Freddie Mac via e-mail to TOS@freddiemac.com at least five Business Days prior to the requested termination date.

In addition to making the expiration date on the CTOS Agreement optional, we updated the form to remove the aggregate UPB field, references to Senior Subordinate Mortgages, and references to remittance types and cycles that Freddie Mac no longer supports. The terms and conditions were also updated to be consistent with the Servicing Contract.

With the Transferee Servicer's agreement, Freddie Mac will remove the expiration date on all CTOS Agreements currently with expiration dates of November 1, 2018 or later. To effect this change, Freddie Mac has provided each Transferee Servicer with a list of existing CTOS Agreements that they have with each Transferor Servicer (Seller) and requested the them to indicate on the list which agreements should no longer be subject to an expiration date and which agreements should remain subject to their existing expiration date. The Transferee Servicer must return the list via email to TOS@freddiemac.com no later than December 14, 2018 and must copy the Transferor Servicer (Seller) on such e-mail. Freddie Mac will deem those CTOS Agreements that the Transferee Servicer indicated to be no longer to be subject to an expiration date to continue in effect until terminated by the Transferor Servicer (Seller), Transferee Servicer, or Freddie Mac in accordance with the updated Form 960.

If the Transferee Servicer does not provide the list to Freddie Mac by December 14, 2018 indicating that they wish to remove the expiration date of their CTOS Agreement(s), then such agreements will expire in accordance with their expiration dates.

The Transferor Servicer's delivery of Mortgages to Freddie Mac and CTOS of the related Servicing Contract Rights to the Transferee Servicer after the expiration date on the related CTOS Agreement, which the Transferee Servicer has indicated should no longer be subject to an expiration date, shall be deemed to be the Transferor Servicer's acceptance of Freddie Mac's and the Transferee Servicer's removal of the expiration date.

All other CTOS requirements in Chapter 7101 remain unchanged.

We have updated Sections 7101.2, Form 960 and Directory 3 to reflect these changes.

ADDITIONAL GUIDE UPDATES

Servicer indemnification of Freddie Mac

We are updating our requirements related to Servicer indemnification of Freddie Mac to:

- Specify that a Servicer's indemnification of Freddie Mac applies to both direct and indirect losses, damages or expenses
- Require that Servicers that open and maintain Custodial Accounts at their own institution indemnify Freddie Mac for any loss, damage or expense that results directly or indirectly from a bankruptcy or insolvency

Guide impacts: Sections 8101.9 and 8302.3

Insured depository tier ratings

We are updating our minimum insured depository tier rating requirements to remove ratings that are no longer provided by Fitch.

Guide impact: Section 8302.5

Directory updates

International e-mails

We are updating the Directory to prohibit e-mails from being sent from an international e-mail address to the Freddie Mac Legal Division at nonroutine_litigation@freddiemac.com and legal_escalations@freddiemac.com. An international e-mail address contains characters that do not exist in the American Standard Code for Information Interchange (ASCII).

Guide impacts: Directories 1 and 5

BPOdirect® valuations

We are updating Directory 5 to include the e-mail address of BPOQuestion@freddiemac.com for notifying Freddie Mac if:

- 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

Guide impact: Directory 5

GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2018-22 (Servicing) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bll1822_spreadsheet.xls.

CONCLUSION

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

Sincerely,

A handwritten signature in black ink, appearing to read "Yvette W. Gilmore". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Yvette W. Gilmore
Vice President
Servicer Relationship and Performance Management