

Bulletin

TO: Freddie Mac Servicers

August 14, 2019 | 2019-18

SUBJECT: SERVICING UPDATES

This Guide Bulletin announces:

eModification Agreements

- Requirements for [eSignatures](#) on Electronic modifications of paper Notes and eMortgages – **New**

Servicing Data Corrections

- Freddie Mac [Servicing Data Corrections – 11/18/19 \(New\)](#)

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.

EMODIFICATION AGREEMENTS

As part of our commitment to [Reimagine Servicing](#)SM, we are updating our mortgage modification requirements to allow Servicers to use eModification Agreements to modify paper Notes and eMortgages. We are making this change to allow Servicers more flexibility and to provide more options to Borrowers.

Except as set forth in the requirements below, Servicers must continue to follow all modification and assumption and release of liability requirements as described in the Guide.

Freddie Mac will not reimburse any costs resulting from a Servicer's decision to use an eModification agreement, and the Borrower may not be charged for any associated costs.

Refer to Guide Section 1401.2 for the definition "eModification Agreement" with respect to paper Notes and Section 1402.2 with respect to the definition of "eMortgages" and the definition of "eModification Agreement" applicable solely to eMortgages.

Electronic loss mitigation documents

In lieu of paper documents, a Servicer may prepare, sign and send to the Borrower loss mitigation documents (including modification agreements) for the Borrower's Electronic signature and Electronic return to the Servicer, provided these transactions comply with the Guide, including the requirements in Section 1401.17 and new Section 9206.19.

All Electronic loss mitigation documents and any other Electronic Mortgage file documents are considered 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.

Refer to Section 1401.2 for the definitions of "Electronic" and "Electronic Records" and Section 1401.17 for the definition of "loss mitigation documents."

General requirements for 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 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 a payoff or short sale (e.g., cancellation 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 via e-mail at Legal_eMortgage@freddiemac.com before initiating legal action, including foreclosure, on a Mortgage that has been electronically modified and cooperate with Freddie Mac to determine appropriate legal actions and strategies to undertake in such legal proceedings. Additionally, the Servicer must use counsel that has the experience or demonstrated ability to enforce claims under eModification Agreements, 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 Borrower and Servicer execution that the Servicer can reproduce upon request

When a modification 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.

Document custodial requirements

If the Note is not Electronic:

- 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

If the Note is Electronic,

- Upon execution of an eModification Agreement, the Servicer must deliver an Electronic copy of the eModification Agreement, by means of MERS eDelivery, to the Freddie Mac eVault (or to the eVault of the designated third party eNote Custodian, if applicable) that contains the Authoritative Copy of the previously registered eNote
- If recordation is required, the Servicer must deliver an Electronic copy of the recorded eModification Agreement or an Electronic copy of evidence of recordation together with an Electronic copy of the executed eModification Agreement to the Freddie Mac eVault (or to the eVault of the designated third party eNote Custodian, if applicable) that contains the Authoritative Copy of the previously registered eNote

NOTE: If MERS eDelivery is not available for delivery of eModification Agreements, then delivery by Electronic means (e.g., e-mail) to Freddie Mac at loan_delivery_funding_ops@freddiemac.com is acceptable.

Refer to Section 1402.2 for the definitions of "eNote," "eVault" and "MERS eDelivery."

Storage and safekeeping of eModification Agreements

Servicers must store eModification Agreements in an eVault or similar eStorage System (as defined in Section 1402.2) and must store copies of eModification Agreements (including printed paper copies of facsimiles thereof) in the Mortgage file in accordance with the Guide requirements for storing Mortgage file documents. eModification Agreements must be logically associated with all paper Mortgage file documents so that all Servicing records (both paper and Electronic), which constitute the Mortgage file, are identified and associated with the affiliated Mortgage transaction.

Transfers of Servicing

Upon a Transfer of Servicing involving Mortgages with eModification Agreements, the Transferor Servicer must comply with Section 7101.2(b)(ii) and inform the Transferee Servicer of the name of the eVault or eStorage System holding the eModification Agreement. The Transferor Servicer must ensure that its eVault or eStorage System provider transfers 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 (as defined in Section 1401.2). 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.

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 (usually within 48 hours of a disaster).

Guide impacts

We are updating Sections 1401.2, 1401.14, 1401.15, 1401.17, 1402.2, 1402.8 through 1402.13, 9102.5 and 9206.16 and creating new Section 9206.19 to reflect our requirements for eModification Agreements.

FREDDIE MAC SERVICING DATA CORRECTIONS

Available now for optional use; required November 18, 2019

We continually engage with our Servicers to better understand their needs and priorities to reimagine how we can transform the client experience and improve efficiency. Today, we are announcing the availability of [Freddie Mac Servicing Data Corrections](#). Servicing Data Corrections automates a Servicer's data correction requests and replaces several manual form submission processes.

It is a centralized portal through which Servicers may 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
- Rollbacks

The dashboard in the application will provide the status of correction requests, providing transparency into the process.

This application eliminates the need to use Guide Form 106, *Rollback Request Form*, Form 1102, *Modified Principal and Interest Payment*, and Form 1205, *Post-Settlement Correction Request*, and paves an easier and more efficient path for Servicers to do business with us. Currently, Servicing Data Corrections is available as a standalone application. However, it will eventually be included in [Servicing Gateway](#) – a new portal scheduled to be launched in the fourth quarter of this year. The portal will include most Freddie Mac Servicing Tools, many of which will be accessible through a single sign-on process.

Effective November 18, 2019, Servicers must begin using Servicing Data Corrections to submit all Servicing data correction requests along with required supporting documentation. Data correction requests through Servicing Data Corrections replaces requests normally submitted via Forms 106, 1102 and 1205 along with notices of discrepancies to the ARM notification report.

Servicers are encouraged to begin using Servicing Data Corrections as soon as they are operationally ready to do so, in preparation for November 18, 2019, when it will be required. Once a Servicer implements Servicing Data Corrections, it will no longer be permitted to submit Forms 106, 1102 and 1205, which will be retired on November 18, 2019.

Access to Servicing Data Corrections can be managed via [Freddie Mac Access Manager](#). A Servicer's Executive Administrator may provision access to authorized users of the application. Servicers that do not utilize Access Manager must request access by completing the [Servicing Data Corrections Request Form](#). Freddie Mac will respond to a Servicer's request for access to Servicing Data Corrections within 48 business hours.

A tutorial is available on the [Freddie Mac Learning Center](#) to educate Servicers on the application's capabilities and functions.

Effective August 14, 2019, a Servicer's access to and use of Servicing Data Corrections is governed by the terms and conditions of the System-Specific License set forth in Section 2402.9 and the Master System License set forth in Section 2401.1.

Guide impacts: Sections 2402.9, 8103.7, 8303.10, 8303.11, 8303.13, 8502.2, 9205.12, 9206.13, 9206.18, 9208.8, 9210.5, 9301.39, 9601.3, Guide Exhibit 88, Forms 106, 1102, 1205, Directories 3 and 5

ADDITIONAL GUIDE UPDATES AND REMINDERS

Exhibit 76, *Loan Modification for Delinquent Mortgages*

We are updating Exhibit 76, *Loan Modification for Delinquent Mortgages*, to include requirements that better reflect our available modification products. These changes include an expansion of the Borrower representations and covenants as well as a section for the capitalization amount. We are also creating Exhibit 76A to provide authorized changes to Exhibit 76, such as language to address forbearance. We recommend that Servicers begin implementing Exhibit 76 and use the authorized changes in future modification agreements when modifying Freddie Mac Mortgages.

Guide impacts: Exhibits 76 and 76A

Servicer Success Scorecard

In Bulletin 2019-6, Freddie Mac announced that a Servicer's annual ranking in the Servicer Success Scorecard, if applicable, would be reflected on the Servicer's June 2019 scorecard. However, a Servicer's annual ranking, if applicable, will now be reflected on the Servicer's January 2020 scorecard. For more information, please contact your Freddie Mac representative or call the Customer Support Contact Center at 800-FREDDIE.

Notice of Office of Foreign Asset Control (OFAC) match

All Seller/Servicers are required to comply with Office of Foreign Asset Control (OFAC) regulatory requirements. We are reminding Servicers that they are required to periodically screen all Borrowers against OFAC's list of Specially Designated Nationals and Blocked Persons SDN List ("OFAC SDN List") in accordance with the Servicer's own OFAC compliance program and to notify Freddie Mac within 24 hours of any Borrower match to the OFAC SDN List.

We are also updating the Guide to clarify that after a Servicer notifies Freddie Mac of a valid SDN match, we will contact the Servicer to discuss next steps related to Servicing the Mortgage, which may consist of discontinuing certain Servicing activities. To help ensure compliance with these Guide requirements, Servicers should inform their relevant compliance personnel of Freddie Mac's OFAC screening and notification requirements.

Guide impact: Section 1301.2

Bankruptcy cramdowns

We are updating the Guide to remove the requirement that Servicers notify Freddie Mac if a Borrower becomes at least 30 days delinquent in his or her payments under a confirmed reorganization plan that includes a bankruptcy cramdown. Rather, upon determining the Borrower became 60 days delinquent in his or her payments but no later than the 75th day of Delinquency, the Servicer must instruct counsel to file 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 continue to notify Freddie Mac of such default and indicate the type of default and include the Servicer's recommendation as to how to proceed.

Guide impacts: Sections 9401.6 through 9401.8

Short sale transactions: Minimum net proceeds

Effective September 1, 2019

In Bulletin 2018-22, we announced that we were updating Section 9208.7 to provide examples of acceptable Closing Costs used when determining if a short sale transaction meets the minimum net proceeds. For most Closing Costs, we require the Servicer to ensure they are reasonable and customary for the jurisdiction where the Mortgaged Premises is located. However, for certain specific transaction costs, we have more prescriptive limits (e.g., Borrower incentives).

To increase clarity, we are re-organizing Section 9208.7(b) to segregate the Closing Costs/transaction costs with more stringent thresholds.

Guide impact: Section 9208.7

Escrow accounts

In Bulletin 2019-17, we encouraged Sellers to establish Escrow accounts when originating certain Mortgage products. To support these best practices, we are updating our Escrow related Servicing requirements in Section 8201.1. Servicers must not discontinue or waive collecting Escrow on a HomeOneSM Mortgage if an Escrow account was established when the Mortgage was sold to Freddie Mac.

Additionally, we are reorganizing Section 8201.1 to make it easier for Servicers to identify our requirements for annual Escrow analysis, waivers of Escrow accounts and non-payment of Escrow charges.

Other than those highlighted in this Bulletin, no other changes to the Servicing requirements outlined in Section 8201.1 were made.

Guide impact: Section 8201.1

GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2019-18 (Servicing) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2019-18>.

CONCLUSION

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

Sincerely,



Yvette W. Gilmore
Vice President
Servicer Relationship and Performance Management