



Bulletin 2021-22

Servicing

Issued 06/09/2021

TO: Freddie Mac Servicers

SUBJECT: SERVICING UPDATES

This Guide Bulletin announces:

COFI transition

- [COFI transition](#) replacement index - **February 1, 2022**

Third-party mortgage assistance funds

- Clarification on handling [third-party mortgage assistance funds](#)

Subsequent Transfer of Servicing

- Updates to the [Subsequent Transfer of Servicing](#) requirements – **October 1, 2021**

Form 479A

Updates to [Form 479A](#) and clarification regarding requirements and processing time

Extinguishment of rights in Collateral

- Clarification on [extinguishment of rights](#) in Collateral related to Conveyance or Financing

Depository account monitoring

- [Depository account monitoring](#) clarification

Additional Guide updates and reminders

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

EFFECTIVE DATE

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

COFI TRANSITION REPLACEMENT INDEX

Effective February 1, 2022

For COFI ARMs with interest rate adjustments based on a lookback date after January 31, 2022, Servicers must use the Enterprise 11th District COFI Replacement Index.

The Federal Home Loan Bank of San Francisco will cease publishing the 11th District Monthly Weighted Average Cost of Funds Index (COFI) after the publication of the December 2021 index on January 31, 2022. As a result, Freddie Mac must select a replacement index for any Freddie Mac ARMs indexed to COFI to be used after January 31, 2022.

Freddie Mac has chosen a new index, called the **Enterprise 11th District COFI Replacement Index**, which will be based on the Federal Cost of Funds Index (Fed COFI) with a spread adjustment.

Freddie Mac will publish the Enterprise 11th District COFI Replacement Index on a dedicated web page on the last Business Day of every month starting on February 28, 2022 (for the month of January 2022). We will provide a link to the web page in a Servicing Bulletin closer to the time of the transition.

Most Freddie Mac COFI ARM Notes contain standard index replacement language stating that "If the Index is no longer available, the Note Holder will choose a new index which is based upon comparable information."

Freddie Mac will conduct outreach to ascertain if a Servicer services Freddie Mac COFI ARMs with Notes that contain non-standard index replacement language. The Servicer must provide a copy of each Note that is representative of each variation of non-standard index replacement language and request instructions on how to proceed. Freddie Mac will contact the Servicer if further action is needed.

If the terms of the Note require other Servicing data changes, such as changes to the Margin, upon implementation of the Enterprise 11th District COFI Replacement Index, the Servicer must notify Freddie Mac of such changes via the [Servicing Data Corrections tool](#) available via [Servicing Gateway](#).

On or before the date of the next mortgage interest rate adjustment that uses the Enterprise 11th District COFI Replacement Index, the Servicer must provide impacted Borrowers with written notice identifying the replacement index and stating where the index is posted. In addition, the Servicer must store a copy of this notice in the Freddie Mac mortgage file and send a copy of the notice to the Document Custodian with instructions to store the notice with the original Note.

To learn more about the COFI transition please visit the [Freddie Mac Reference Rate](#) web page, [COFI FAQs](#) and [COFI Playbook](#).

THIRD-PARTY MORTGAGE ASSISTANCE FUNDS

In March 2020, the federal government allocated funds for State and local governments to use in support of COVID-19 impacted homeowners and renters via the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). Earlier this year, additional federal funds were allocated to assist COVID-19 impacted Borrowers via the American Rescue Plan.

In response to these announcements and inquiries from Servicers and third parties about application of these funds and funds from third parties in general, we have added new [Guide Chapter 9212](#). This new chapter clarifies the existing guidance about acceptance and application of mortgage assistance funds received by Borrowers from third-party organizations including, but not limited to, State and local government agencies. This additional clarification will help Servicers and organizations facilitating the disbursement of Mortgage assistance funds to help Borrowers.

For guidance specific to the Hardest Hit Funds, Servicers should continue to refer to [Chapter 9211](#).

Guide impact: [Chapter 9212](#)

SUBSEQUENT TRANSFER OF SERVICING (STOS)

Effective for STOS requests with Effective Dates of Transfer on or after October 1, 2021

We are updating [Chapter 7101](#) to prohibit the Subsequent Transfer of Servicing (STOS) of Mortgages that are 90 days or more delinquent or that have been previously modified. Servicers that wish to transfer Mortgages that are 90 days or more delinquent or that have been previously modified must do so in accordance with the Voluntary Partial Cancellation process outlined in [Chapter 7102](#).

Guide impacts: [Sections 7101.2](#) and [7101.3](#)

FORM 479A UPDATES

We are updating [Form 479A, Single-Family Servicing Agent Certification and Agreement](#) to include submission instructions and a place to include Document Custodian information. These changes provide clarity to Servicers concerning form requirements and the delivery and advance timing requirements for submission of the form, including the following:

- The form includes delivery instructions and important information required for approval of Master Servicer's use of a Servicing Agent
- [Form 479A](#) should be sent via email to group_stm@freddiemac.com at least 20 Business Days prior to the Effective Date of an addition or change of the relationship between a Master Servicer and Servicing Agent
- Approval of the submitted [Form 479A](#) will be sent from Freddie Mac via email instead of by sending a signed acknowledgment of the [Form 479A](#)
- The form requests document custodian information in order to provide better information regarding the relationships between the Master Servicer, Servicing Agent, and Document Custodian
- [Form 479A](#) will request additional information from the Master Servicer, including its use of multiple Seller/Servicer Identification Numbers and multiple Servicing Agents

Guide impacts: [Section 8102.1](#), [Form 479A](#)

EXTINGUISHMENT OF RIGHTS IN COLLATERAL

We are updating [Section 3603.1](#) to clarify that certain rights in Collateral related to a Conveyance or Financing are extinguished upon the termination of the Servicer or termination of a Servicer's Servicing Contract Rights, whether such termination was with or without cause.

Guide impact: [Section 3603.1](#)

DEPOSITORY ACCOUNT MONITORING

We are updating [Section 8304.8](#) to clarify that Servicers have a continuing obligation to ensure its depository meets our eligibility requirements and have its own oversight of depository to ensure depository maintains an acceptable risk threshold.

Guide impacts: [Sections 4204.4](#), [8302.4](#) and [8304.8](#)

ADDITIONAL GUIDE UPDATES AND REMINDERS

Exclusionary List screening requirements for loss mitigation activities

As announced in [Bulletin 2021-20](#), the screening requirement for loss mitigation activities has been updated and simplified. The previous requirement that Servicers screen all participants in any loss mitigation activities against the Exclusionary List is being revised to require that, other than Servicer's own employees and contracted third parties, only the buyer of a short sale must be screened.

Servicers must continue to ensure that none of their own employees engaged in Servicing Freddie Mac Mortgages, or third parties to whom these functions are outsourced or assigned, are on the Exclusionary List.

We have updated our requirements for requesting a waiver of warranties regarding the Exclusionary List and reporting fraud and Suspicious Activity. All such requests and reporting must now be submitted via email to mortgage_fraud_reporting@freddiemac.com. Requests via fax and regular mail will no longer be accepted.

Servicer warranties regarding the Exclusionary List have also been revised in [Section 3101.1\(f\)](#), requiring supporting documentation for the maintenance of controls to meet this warranty obligation.

Guide impacts: [Section 3101.1](#)

Workout incentives

We are updating [Section 9204.6](#) to direct questions regarding the status of workout incentives to NPL_Invoices@freddiemac.com and to clarify that Freddie Mac will track all workouts a Servicer settles on a daily basis.

Guide impacts: [Section 9204.6](#), [Directory](#)

Short sale minimum net proceeds

Effective immediately, we are clarifying that Borrower contributions must not be included when determining the minimum net proceeds for a short sale.

Guide impact: [Section 9208.7](#)

Payment Deferral

Payment Deferrals and Assumptions

To respond to Servicer inquiries, we are adding language to [Section 9207.2](#) to clarify that when a Servicer is considering a simultaneous assumption and modification, the relief options a Servicer must consider before the workout mortgage assumption include payment deferral.

Guide impacts: [Section 9207.2](#)

Payment Deferral Offer EDR Code

As a reminder, Servicers must report Event Code H6, *Payment Deferral Offer*, to notify Freddie Mac that the Mortgage is subject to an active COVID-19 Payment Deferral offer in the following instances:

- The forbearance period ends prior to settlement of an accepted COVID-19 Payment Deferral (e.g. if the Servicer elected to use a processing month and the forbearance plan expires); or
- The Servicer has made a proactive offer following the expiration of a forbearance plan in accordance with the "Solicitation for a COVID-19 Payment Deferral"

In these instances, the Servicer must continue to report Event Code H6 until the offer has expired or the Payment Deferral has been completed.

Guide impact: [Exhibit 82](#)

Income source references

As announced in [Guide Bulletin 2021-16](#), we have updated references from income “source” to income “type” to ensure that the terms are being used consistently throughout the Guide.

Guide impacts: [Section 9202.3](#), [Form 710](#), and [Exhibit 101](#)

GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, access the Bulletin 2021-22 (Servicing) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2021-22>.

CONCLUSION

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

Sincerely,

Bill Maguire
Vice President, Servicing Portfolio Management