



Bulletin 2021-32

Servicing

Issued 10/20/2021

TO: Freddie Mac Servicers

SUBJECT: SERVICING UPDATES

This Guide Bulletin announces:

- Revisions to [Seller/Servicer and Related Third Party risk mitigation](#) requirements - **January 13, 2022**
- Publication of the [Enterprise 11th District COFI Replacement Index](#) dedicated web page
- Increased fees for appraisals ordered through [BPODirect](#) – **June 15, 2021**
- Adjustments to the [Modification Loss Amount calculation](#) used for the modifications of a Mortgage subject to an indemnification agreement
- Notification requirement updates for modification of [Mortgages subject to active non-routine litigation](#)
- Requirement clarification for the [notification of taxing authorities](#) for REO and third-party sales
- [Third-party income verification](#)
- [Lost Note Affidavit](#) requirement updates
- [Land acquisition](#) clarification
- 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.

SELLER/SERVICER AND RELATED THIRD PARTY RISK MITIGATION

Effective January 13, 2022

As announced in [Guide Bulletin 2021-31](#), after internal analysis and review of industry best practices, we are updating requirements related to Seller/Servicer risk mitigation, including those related to Seller/Servicer counterparties providing critical services. These changes aim to enhance the requirements and provide greater specificity.

The revisions include, but are not limited to:

- Fortifying business continuity planning, including the expansion of a current requirement that Freddie Mac be designated as an intended third-party beneficiary in agreements with Related Third Parties
- Enhancing information security requirements, including that Freddie Mac be notified and provided with certain details within 48 hours in the event of a Security Incident (as defined in [Guide Section 1302.2\(c\)](#))
- Specifying Freddie Mac's existing remedies in the event of breach by a Seller/Servicer
- Adding Glossary definitions for Change of Control, Material Adverse Effect, Related Third Party and Senior Management

Additionally, we have revised [Section 2101.12](#) concerning the required notifications and timeframes to Freddie Mac when certain changes to the Seller/Servicer's organization or status are going to or have occurred, including:

Change	Current notification to Freddie Mac	New notification to Freddie Mac
A major change in ownership or organization, including but not limited to mergers, consolidations and/or Change of Control	At least 14 Business Days before the event	At least 60 calendar days before the event
Certain types of termination, suspension, bankruptcy or legal proceedings	Within seven Business Days after the event	Within one Business Day after the event

Guide impacts: [Sections 1301.2, 1301.3, 1302.1 through 1302.3, 1401.2, 2101.12, 2401.1, 2403.3, 2408.5, 3601.1](#) and [Glossary](#)

LEGACY 11TH DISTRICT COFI TRANSITION

In [Bulletin 2021-22](#), Freddie Mac announced the Enterprise 11th District COFI Replacement Index as the new index for the 11th District Monthly Weighted Average Cost of Funds Index (COFI).

With this Bulletin, we are announcing the link to the Enterprise 11th District COFI [Replacement Indices web page](#). Downloadable test files for testing purposes are available from October 20, 2021 to February 27, 2022.

Test Data Disclaimer: Data provided in the index files above prior to February 28, 2022 is for test purposes only and should not be used in connection with any rate change. Freddie Mac will begin publishing the Enterprise 11th District COFI Replacement Index starting February 28, 2022 (for the month of January 2022).

As a reminder, 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.

Servicers should coordinate COFI transition changes with their servicing bureau and platform vendors, as applicable.

Freddie Mac will publish the Enterprise 11th District COFI Replacement Indices on the dedicated web page on the last Business Day of every month starting on February 28, 2022 (for the month of January 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.

To learn more about this web page please refer to [Enterprise 11th District COFI Replacement Indices job aid](#).

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

APPRAISALS ORDERED THROUGH BPODIRECT® OR REAL ESTATE VALUATION PRICING (REVP)

Effective June 15, 2021

Effective June 15, 2021, fees for appraisals ordered through BPOdirect® or Real Estate Valuation Pricing (REVP) were increased as follows:

- Exterior (Drive-By Appraisal): \$435
- Interior (Full Appraisal): \$525

These fees are subject to change based on the locality. Servicers should contact bpoquestion@freddiemac.com with any questions regarding this fee increase.

Note: A Servicer should only order an appraisal when required by applicable law or the Servicer determines an appraisal is in the best interest of the Borrower.

Guide impact: [Section 9202.19](#)

MODIFICATION LOSS AMOUNT CALCULATION

In [Bulletin 2021-14](#), we announced adjustments to the Modification Loss Amount calculation for Mortgages subject to an indemnification agreement that are eligible for a modification.

In response to Servicer feedback on using this calculation for Payment Deferrals, we are providing a new calculation for Mortgages subject to an indemnification agreement where:

- The Borrower is eligible for a Payment Deferral; and
- The Borrower previously received a Modification with principal deferred; and
- The modification with deferred principal was not previously billed as originally outlined in [Bulletins 2016-5](#), [2017-1](#) and [2021-14](#)

For completed Payment Deferrals that meet the conditions above, the methodology used to determine the Modification Loss Amount is described below:

1. Determine "Duration of Modification Loss"

- a. Calculated from the effective date of the Payment Deferral to either Credit Enhancement Termination Date, Date Loan Payoff, subsequent Payment Deferral effective date or subsequent Modification effective date or

If none of the three dates referenced in step (a) is available, Duration of Modification Loss is calculated from effective date of the Payment Deferral to the end of last reported cycle for that year

2. **Calculate the "Accrual Rate"** - the lesser of post-modified Accounting Net Yield (ANY) or Post-modified note rate minus 0.35%
3. **Calculate "Modification Shortfall"**

Modification Loss Amount = Payment Deferral Amount under current Payment Deferral multiplied by One-twelfth of the Accrual Rate

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

Guide impact: [Section 9203.20](#)

MORTGAGES SUBJECT TO ACTIVE NON-ROUTINE LITIGATION

To provide additional flexibility, we are updating the notification requirements for modifications of Mortgages subject to active non-routine litigation.

Currently, Servicers must contact Freddie Mac and the Servicer's counsel prior to sending Borrowers a Flex Modification offer and allow no less than five Business Days for Freddie Mac and the counsel to respond with comments.

We will no longer require Freddie Mac be notified. Instead, Servicers must review the Flex Modification offer through their counsels to ensure that the offer is appropriate per applicable law, does not undermine any active litigation and settlement negotiations and that Freddie Mac's interests are not adversely impacted before sending a Trial Period Plan offer to the Borrower or Borrower's counsel.

Guide impact: [Section 9402.3](#)

TAXING AUTHORITY NOTIFICATION

In response to Servicer feedback, we are clarifying requirements for the notification of taxing authorities, homeowners associations (HOAs) and other required organizations of the change of ownership at foreclosure sale to Freddie Mac for REO properties and the third-party purchaser for third-party sales.

This change provides greater clarity of the Servicer's closeout responsibilities when a property goes to foreclosure sale.

Guide impacts: [Sections 9301.43](#) and [9603.10](#)

THIRD-PARTY INCOME VERIFICATION

In response to industry feedback, we are updating the Borrower income documentation requirements for workout or relief options in [Section 9202.3](#) to clarify that Servicers may use third-party vendors for verification of income per existing guidance on the use of an Outsourced Vendor as mentioned in [Section 8101.2\(f\)](#).

Guide impact: [Section 9202.3](#)

LOST NOTE AFFIDAVITS

In [Bulletin 2020-29](#), we announced requirements for Servicers to deliver lost note affidavits (LNAs) to Freddie Mac. The new provisions required Servicers to make available to Freddie Mac upon request verification regarding the validity of the LNA form in any given state from a person licensed to practice law in that state. Based on Servicer feedback, we are revising the requirement to allow in-house counsel or outside counsel to perform this review and provide a legal analysis without the state licensing requirement.

Guide impact: [Section 8107.1](#)

LAND ACQUISITION

We are adding guidance to [Section 8401.1](#) to specify that Freddie Mac does not object to the acquisition of land if the land to be added to the Mortgaged Premises has free and clear title and does not pose any risks that could devalue Freddie Mac's collateral.

Guide impact: [Section 8401.1](#)

ADDITIONAL GUIDE UPDATES AND REMINDERS

Seller/Servicer confidential information

As announced in [Bulletin 2021-31](#), we have updated [Section 1201.8\(b\)](#) to clarify that Freddie Mac's confidentiality obligations do not apply to Seller/Servicer confidential information that was independently developed by Freddie Mac or another third party.

Guide impact: [Section 1201.8](#)

Retirement of A-minus and Affordable Merit Rate® Mortgages

Effective for Mortgages with Settlement Dates on and after January 1, 2022

As announced in [Bulletin 2021-29](#), we have removed A-minus and Affordable Merit Rate® Mortgages from the Guide as Loan Product Advisor® no longer returns A-minus eligibility for Caution Mortgages.

Additional permitted Transfers of Ownership

In response to Servicer feedback, we are updating the requirements for additional permitted Transfers of Ownership to clarify that a permitted Transfer of Ownership may be to a Limited Liability Company (LLC) or Limited Partnership (LP) (provided they meet the conditions as outlined in [Section 8406.4\(b\)](#)); however, it is not a requirement for the Transfer of Ownership to be to an LLC or LP as it is just one of the options as outlined in [Section 8406.4](#).

Guide impact: [Section 8406.4](#)

Capitalization and Extend Modification for Disaster Relief

In [Bulletin 2020-28](#), we announced the elimination of the Extend Modification for Disaster Relief and the Capitalization and Extend Modification for Disaster Relief as available loss mitigation options in our Guide and Bulletins and replacing those options with the Disaster Payment Deferral.

With this Bulletin, we are updating the Guide to remove all references to the Extend Modification and Capitalization and Extend Modification.

Guide impacts: [Sections 8404.6](#), [9102.5](#), [9201.2](#), [9204.2](#), [9206.10](#) through [9206.13](#) and [9206.16](#)

Form 960

We are updating [Form 960, *Agreement for Concurrent Transfer of Servicing of Single-Family Mortgages*](#) to include e-mail submission instructions.

Guide impact: [Form 960](#)

UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, access the Bulletin 2021-32 (Servicing) Guide Updates Spreadsheet via the Download drop-down available at

<https://guide.freddiemac.com/app/guide/bulletin/2021-32>.

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
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