

Bulletin

To: Freddie Mac Servicers

April 12, 2023 | 2023-10

SUBJECT: SERVICING UPDATES

This Guide Bulletin announces:

- **Custodial Accounts**
 - Updated requirements for [Eligible Depositories](#)
 - Clarifications to help identify who prepared forms when [reconciling Custodial Accounts](#)
- **Servicing Contract Rights**
 - Clarifications of terms related to [Servicing Contracts, Servicing Contract Rights and Transfers of Servicing](#)
 - Amendments to [Voluntary Partial Cancellation \(VPC\)](#) exhibits
 - [Updates previously announced in Bulletin 2023-9](#)
- **BPO**
 - [Updated fees for BPOs](#) ordered through BPODirect® or Real Estate Valuation and Pricing – **May 1, 2023**
- **Updates from previous bulletins**
 - Guide updates related to [Payment Deferrals and low interest-bearing balance loans](#) – **October 1, 2023**
 - Updated [information and security and privacy requirements](#) – **July 3, 2023**
 - A new [Correspondent XChange®](#) operational bifurcation agreement
 - A clarification related to our [grant of security interest](#) – **November 1, 2022**
 - A new requirement for the [Mortgage file language](#) – **August 1, 2023**
 - Reminders for [existing Guide requirements](#)

EFFECTIVE DATE

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

CUSTODIAL ACCOUNTS

Eligible Depositories

We are updating our Custodial Account requirements, including the acceptable risk thresholds for Eligible Depositories, Servicer's use of custodial clearing accounts and the timing of deposits to custodial clearing accounts and Custodial Accounts.

Guide impacts: Sections 8302.3 through 8302.6, 8302.10 and 8304.8



Reconciliation

We have clarified that when submitting Guide Form 59, *Principal and Interest Custodial Account Reconciliation Worksheet — Monthly Account Statement*, or Form 59E, *Escrow Custodial Account Reconciliation Worksheet Servicers*, Servicers must identify who prepared and who approved the forms.

Additionally, we have updated the Current Cycle Variance and Total Cumulative Variance worksheets on Forms 59 and 59E to include both the Servicer loan number and Freddie Mac loan number.

Guide impacts: Sections 8304.15, 8304.19, Forms 59 and 59E

SERVICING CONTRACT RIGHTS

Clarification to terminology related to Servicing Contract Rights

We have clarified certain terms related to Servicing Contracts, Servicing Contract Rights (SCRs) and Transfers of Servicing to emphasize the legal rights related to those agreements and to differentiate them from general industry usage of accounting terminology related to buying and selling mortgage servicing rights (MSRs). The changes are clarifying rather than substantive. For instance, we have replaced references to “MSR” with “SCR,” where appropriate, as an MSR is an accounting term under generally accepted accounting principles that allows Servicers to book the present value of a stream of anticipated servicing income under the Servicing Contract as an asset solely for accounting purposes. Such accounting treatment does not give rise to legal ownership of an asset that can be bought and sold. We have also made other clarifications to ensure consistent use of the more appropriate terms “Servicing Contract Rights” or “SCRs” that denote conditional contractual rights and obligations that are held, but not legally owned, by a Servicer and which can be assigned and assumed solely via a Freddie Mac-approved Transfer of Servicing.

To bring greater clarity to our Servicing-Released XChange® Mortgage delivery and related Concurrent Transfer of Servicing processes, we have changed the use of the term “Servicing Buyers” to “Transferee Servicer” to better reflect the Transferee Servicer’s assumption of the Transferor Servicer’s rights and obligations under the Servicing Contract with respect to its assignment of the Servicing Contract Rights to the Transferee Servicer.

As a reminder, all Sellers, upon the sale of a Mortgage to Freddie Mac, contractually agree to service the Mortgages for Freddie Mac and thereby become Servicers. Their agreement to service such Mortgages creates the Servicing Contract and related Servicing Contract Rights that can then be assigned to a Transferee Servicer in a Concurrent or Subsequent Transfer of Servicing. Moreover, we are clarifying our Servicing-retained sales process to emphasize that in no case does a Seller retain any rights, title or interest in the Mortgage or Servicing of the Mortgage. Rather, the Servicing Contract and related conditional Servicing Contract Rights are first created upon sale of the Mortgage to Freddie Mac.

Finally, we have updated the terminology in additional Guide provisions and definitions. We will be making similar changes to various systems and other external communications and marketing documents to ensure a consistent approach across Freddie Mac.

Guide impacts: Sections 7101.2 through 7101.6, 7101.9, 7101.15, 8102.1, 8102.2, 8103.1, 8105.1, 8105.2, 8301.2, 8302.19, 8302.20, 8304.16, 9201.1, 9203.25, 9203.26, 9204.6, 9206.13, 9210.4 and 9401.3

Voluntary Partial Cancellations (VPCs)

From time to time, Freddie Mac engages in negotiated transactions with Servicers affecting that Servicer’s Servicing Contract and related Servicing Contract Rights. One type of such transaction is implemented through a Voluntary Partial Cancellation (VPC) Agreement in which the Servicer’s Servicing Contract and related Servicing Contract Rights associated with a portion of the Mortgage portfolio it services for Freddie Mac are canceled.

With this Bulletin, we have amended Exhibit 30, *Voluntary Partial Cancellation of Servicing Contract Rights Agreement (RPL & NPL) Incorporated Provisions*, and Exhibit 31, *Flow Voluntary Partial Cancellation of Servicing Contract Rights Agreement Incorporated Provisions*, to delete and replace references to “MSR,” which is a short-hand accounting term often used in the industry, with the more appropriate term “Servicing Contract Rights” or “SCR”. Additional clean-up and clarification changes were made to both exhibits.

Guide impacts: Exhibits 30 and 31



Updates from Bulletin 2023-9

In Bulletin 2023-9, we made additional updates for terms related to Servicing Contracts, Servicing Contract Rights and Transfers of Servicing.

Guide impacts: Sections 1101.2, 1201.2, 1201.3, 1201.7, 1201.8, 1301.3, 1401.11, 1401.12, 1402.9, 2202.2, 2202.3, 2301.1, 2301.2, 2408.1, 3601.1, 3602.7, 3603.1 through 3603.6, 5703.7, 5704.1, 6101.5 through 6101.7, 6102.7, 6102.9, 6301.6, 6301.8, Glossary, Exhibits 28, 33, 102 and 104

BPO PRICE ADJUSTMENT

Effective May 1, 2023

Due to changing market conditions, fees for BPOs ordered through [BPODirect](#) or Real Estate Valuation and Pricing (see Exhibit 88, *Servicing Tools*) have changed as follows:

- Interior valuation with interior and exterior photographs: \$150
- Exterior valuation with exterior photographs: \$100

Please direct any questions to BPOQuestion@FreddieMac.com.

Guide impact: Section 9202.19

UPDATES FROM PREVIOUS BULLETINS

Guide updates from Bulletin 2023-8

Payment Deferrals

Effective in Resolve® October 1, 2023, but Servicers are encouraged to begin implementation using Resolve as early as July 1, 2023

In Bulletin 2023-8, we announced updates to Payment Deferral requirements, including Disaster Payment Deferrals. With this Bulletin, we are updating the Guide, including adding new Exhibit 1105, *Payment Deferral Post-Repayment Plan Solicitation Cover Letter*, and retiring Exhibit 1101, *Disaster Payment Deferral Agreement*.

Guide impacts: Sections 8404.6, 9203.9, 9203.14, 9203.18, 9203.20 through 9203.23, 9203.25, 9203.26, 9206.5, Exhibits 1100, 1101, 1102, 1105 (**new**) and 1145

Correction

In addition, we are correcting an error from Bulletin 2023-8, which incorrectly stated that when soliciting for a Disaster Payment Deferral, the Borrower must make a payment during the month of solicitation and/or the processing month if the Mortgage is 6 months delinquent or if the cumulative number of payments deferred would exceed 12. The disaster requirements should have stated that the payment must be made only if the Borrower is 12 months delinquent. The updated Section 9203.26 includes the correct requirements.

Submission of Payment Deferrals in Resolve

Effective August 31, 2023

We are updating Section 9203.24 to reflect submission of Payment Deferral terms and settlement in Resolve.

Guide impact: Section 9203.24

Low interest-bearing balance loans with a non-interest bearing UPB

Effective October 1, 2023, but Servicers are encouraged to begin implementation as early as July 1, 2023

As announced in Bulletin 2023-8, we have created new outreach requirements for Mortgages that have a low interest-bearing UPB and an outstanding non-interest bearing UPB that are either approaching the Mortgage maturity date or projected payoff date of the interest-bearing UPB. With this Bulletin, we are updating the Guide, including creating new Guide Chapter 8504 and new Exhibit 1104, *Borrower Notification – Non-Interest Bearing Balance*.

Guide impacts: Chapter 8504 (**new**) and Exhibit 1104 (**new**)



Other Guide updates

Effective October 1, 2023, but Servicers are encouraged to begin implementation as early as July 1, 2023

We are updating Exhibit 1191, *Flex Modification Solicitation Cover Letter*, and Exhibit 1191A, *Flex Modification Post-Disaster Forbearance Cover Letter*, by adding language regarding traditional sales in the section covering other options to avoid foreclosure.

Guide impacts: Exhibits 1191 and 1191A

Updated information and security and privacy requirements

Effective July 3, 2023

In Bulletin 2023-6, we announced that we are updating Chapter 1302 to enhance our information security and privacy requirements to be more consistent with industry standards. These updates include, but are not limited to, the following:

- Revisions to our information security minimum requirements, including the addition of new requirements related to:
 - Incident management
 - Mobile computing
 - Auditing, logging and monitoring of activities and actions within information systems
- New requirements related to notifications of unauthorized access to or acquisition of computing resources or any other information security incident that may compromise the security, confidentiality, availability or integrity of Freddie Mac information
- Updates related to Seller/Servicers' business continuity planning, including the ability to maintain and restore retained information and the proper destruction of both electronic and hard-copy records
- An update confirming that information security program and business continuity plan requirements apply to the Protected Information retained by Seller/Servicers following the termination of the Seller/Servicer's right to sell or service Mortgages

Seller/Servicers must have a written agreement in place with all third parties that store, process, access or transmit Freddie Mac Protected Information that satisfies the minimum security requirements.

Additional information will be announced in a future Guide Bulletin to provide Seller/Servicers direction on how to report Non-Critical Privacy Events (as defined in Section 1302.2) and how to obtain information on specific relationships Freddie Mac may have with Related Third Parties.

Guide impacts: Section 1301.2 and Chapter 1302

Correspondent XChange operational bifurcation agreement

Servicing-Released XChange is Freddie Mac's suite of executions that provides market liquidity for Servicing Contract Rights and helps Sellers easily engage in a Transfer of Servicing to an approved Transferee Servicer. In Bulletin 2023-6, to provide greater transparency, we added to the Guide Correspondent XChange, one of the executions available under Servicing-Released XChange.

Freddie Mac-approved Sellers that originate Freddie Mac-eligible Mortgages ("Originators") use the Third Party Transaction Services functionality in Loan Selling Advisor[®] to transfer their Mortgage data to aggregators with whom they have an agreement to sell Mortgages for cash. Aggregators accept the transferred Mortgage data in Loan Selling Advisor and then sell the Operational Bifurcated Mortgages to Freddie Mac. Currently, two approved aggregators participate in our operational bifurcation Correspondent XChange executions, known as CorrAdvantage for Truist Bank and Easy D for U.S. Bank, National Association ("U.S. Bank"). For Operational Bifurcated Mortgages, the "Origination and Sale" representations and warranties and "Servicing" representations and warranties are bifurcated by Freddie Mac as provided in new Exhibit 29, *Correspondent XChange[®] Operational Bifurcation Multi-Party Agreement*.

For existing Correspondent XChange Originators, we are consolidating existing agreements into the new multi-party agreement as described in the [effective dates](#) section below.



We have added new Chapter 6306, which provides an overview of the Correspondent XChange options available through Loan Selling Advisor, and are updating existing Guide provisions to include information about Correspondent XChange, including adding the term “Operational Bifurcated Mortgages” to the Glossary.

Freddie Mac must approve Sellers to participate in Correspondent XChange. For more information or if you have questions about the new multi-party agreement, Sellers should reach out to their Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE.

Effective dates

For Sellers that are newly approved to participate in Correspondent XChange on and after March 1, 2023, the new multi-party agreement will be effective as of their Freddie Mac approval date.

For Sellers already participating in Correspondent XChange as of March 1, 2023, the new multi-party agreement will, as of May 3, 2023, supersede the existing agreements among Freddie Mac, each Originator, and Truist Bank or U.S. Bank, as applicable. Any Sellers that wish to terminate their participation in their respective program must notify Freddie Mac and Truist Bank or U.S. Bank, as applicable, in writing prior to May 3, 2023, in accordance with the termination provisions of their existing program agreements.

Guide impacts: Chapter 6306 (**new**), Sections 7101.9, 7101.15, Exhibit 29 (**new**) and Glossary

Grant of security interest

Effective November 1, 2022

In Bulletin 2022-20, we announced a requirement governing each Seller/Servicer’s grant to Freddie Mac of a security interest in that Seller/Servicer’s Servicing Contract Rights and language concerning partial release of our Lien (as defined in Section 1101.2). In Bulletin 2023-9, we announced our revision to Section 1101.2(c)(vii) to clarify that the entirety of our Lien on the Freddie Mac Collateral (as defined in Section 1101.2) related to a Transfer of Servicing will automatically be released upon the Effective Date of Transfer for a Freddie Mac-approved Transfer of Servicing. Our Lien on the Freddie Mac Collateral will remain in place with respect to any unauthorized Transfer of Servicing and any Collateral not involved in an authorized Transfer of Servicing. We are making this change retroactive to ensure that our Lien is released with respect to all authorized Transfers of Servicing that have occurred since November 1, 2022 in addition to future authorized Transfers of Servicing.

In addition, we revised Section 1101.2(c)(vi)(g) to clarify that Exhibit 105, *Pledge and Security Agreement*, is required only if specifically requested by Freddie Mac.

Guide impact: Section 1101.2

Mortgage file language

Effective August 1, 2023

In Bulletin 2023-9, we announced that we are updating the Guide to state that all documents in the Mortgage file related to the origination of the Mortgage must be in English or translated into English.

Guide impacts: Sections 1201.9 and 5102.3

Reminders for existing Guide requirements

Freddie Mac Exclusionary List

In Bulletin 2021-20, we streamlined our [Exclusionary List](#) screening requirements. As a reminder, Seller/Servicers must ensure that the buyer of a short sale property is not on the Exclusionary List.

Also, Seller/Servicers must use the Exclusionary List to ensure that none of the Seller/Servicer’s own employees, and any third parties to whom these roles are outsourced or assigned, engaged in the sales, quality control or Servicing of Freddie Mac Mortgages are on the Exclusionary List.

The Exclusionary List is considered “Freddie Mac confidential information” for the purposes of Section 1201.8.

Fraud prevention, detection and reporting



We are reminding Seller/Serviceicers of their obligation (as specified in Section 3201.3) to cooperate with Freddie Mac to prevent and investigate fraud and other Suspicious Activity. Cooperation includes providing and assisting Freddie Mac, when permitted by law, in obtaining all information, documentation and records requested by Freddie Mac.

Please visit our [fraud prevention web page](#) for more information.

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 2023-10 (Servicing) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2023-10>.

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