



TO: Freddie Mac Servicers

April 10, 2019 | 2019-8

SUBJECT: SERVICING UPDATES

(We are reissuing Bulletin 2019-8 on April 12, 2019 to clarify the changes in the [Property Insurance Loss Settlements](#) section are effective on July 1, 2019, but may be implemented immediately. No other changes have been made to the Bulletin.)

This Guide Bulletin announces:

Reimbursements

- Changes to approved Servicer [reimbursement amounts](#) – **April 18, 2019**

Property insurance loss settlements

- Updated requirements for [insurance loss settlements](#) – **July 1, 2019**

Partial release of a lien or grant of an easement

- New required form to request a [partial release of a lien or grant of an easement](#) – **August 1, 2019 (New)**

Investor Reporting Change Initiative

- Changes and reminders related to the [Investor Reporting Change Initiative](#) – **May 1, 2019**

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.

REIMBURSEMENTS

Effective for reimbursement claims submitted in the Freddie Mac Reimbursement System on and after April 18, 2019

We are revising our attorney fee reimbursement amounts and certain Servicer requirements related to:

- Uncontested foreclosures
- Bankruptcy services
- Other legal expense items

Uncontested foreclosures

We are increasing the approved Servicer reimbursement amounts for attorney fees associated with uncontested foreclosures in the States listed in Guide Exhibit 57A.

Bankruptcy services

In response to numerous changes made when Servicing Mortgages where the Borrower has filed for bankruptcy protection, we are increasing the approved Servicer reimbursement amounts for attorney fees associated with certain bankruptcy services as follows:

Bankruptcy attorney fee(s)	Current maximum reimbursement amount	New maximum reimbursement amount
Bankruptcy Chapter 7		
Motion for Relief (up to two hearings)	\$750	\$950
Additional Hearings (up to two hearings)	\$250	\$500
Bankruptcy Chapters 11 and 12		
POC	\$750	\$950
Motion for Relief (up to two hearings and order)	\$850	\$1,050
Amended Plan (up to two occurrences)	\$150	\$300
Additional Hearings (up to two hearings)	\$250	\$500
Bankruptcy Chapter 13		
POC	\$650	\$950
Motion for Relief (up to two hearings and order)	\$850	\$1,050
Payment Change Notifications (up to two notifications)	\$100	\$200
Amended Plan (up to two occurrences)	\$150	\$300
Additional Hearings (up to two hearings)	\$250	\$500
Notice of Fees, Expenses and Charges (up to two notifications)	\$100	\$200

Other legal expense items

We are increasing the limit for expense code 600021 (Skip Trace/Investigative Report) from \$90 to \$160.

Reminder on reasonable and customary fees and costs

As a reminder, Servicers must verify that legal fees and costs incurred are reasonable and customary for the area in which the Mortgaged Premises is located. For reimbursement of expenses that exceed the current expense limits in Exhibit 57A, Servicers must request Freddie Mac's approval prior to incurring the expense.

Guide impacts

We are updating Exhibits 57A and 74 to reflect these changes.

PROPERTY INSURANCE LOSS SETTLEMENTS

Effective July 1, 2019 but Servicers may implement immediately

In Bulletin 2017-25, we expanded our requirements for Borrowers impacted by an Eligible Disaster who need assistance with insurance proceeds to repair or rebuild their homes. We are now including these requirements in Guide Section 8202.11 to expedite the release of loss settlement funds without limiting it to losses caused by an Eligible Disaster. Additionally, we are clarifying that "Mortgage status at the time of loss" means the Mortgage status as of the date the damage for which the insurance claim is based.

Guide impact: Section 8202.11

PARTIAL RELEASE OF A LIEN OR GRANT OF AN EASEMENT

Effective August 1, 2019, but Servicers may implement earlier if they are ready to do so

Previously, to request a partial release of a lien or grant of an easement, Servicers were required to e-mail Freddie Mac the information listed in Section 8401.1(a). To streamline the partial release of a lien or grant of an easement process, remove any uncertainty about what must be submitted and ensure that Servicers are sending all information necessary to execute a partial release or easement, we have created new Guide Form 715, *Borrower Application for Partial Release or Easement*.

Completed forms should be sent to Distressed_property@freddiemac.com. Servicers must begin using Form 715 no later than August 1, 2019.

Guide impacts: Section 8401.1 and Form 715

INVESTOR REPORTING CHANGE INITIATIVE

Effective May 1, 2019

Investor reporting requirements for biweekly Mortgages

The Investor Reporting Change Initiative (Initiative) will result in changes to Freddie Mac's remittance cycles and reporting requirements for single-family Mortgages. Freddie Mac has determined that certain loan-level reporting requirements for Mortgages originated and delivered to Freddie Mac with a biweekly payment schedule in accordance with Section 4201.9 ("biweekly Mortgages") must be modified. ***These modified requirements do not apply to Mortgages where the Servicer and Borrower agree to a biweekly payment plan in accordance with Section 8104.2 after the Mortgage has been sold to Freddie Mac.***

Servicers must service biweekly Mortgages in accordance with the following requirements:

- **Reporting monthly principal and interest:** Servicers must report the biweekly contractual principal and interest payment as stated on the Note. If a Servicer reports more than one payment in an Accounting Cycle, then the cumulative principal received and forecasted scheduled interest for that Accounting Cycle must be reflected in each reported loan-level transaction.
- **Reporting DDLPI:** Once the Initiative is implemented, Servicers must report the DDLPI for each biweekly installment. However, if the Due Date falls on the first day of the month, Servicers must report that DDLPI as the second day of the month.

- Reporting inactivation of biweekly Mortgages:** Do not inactivate a biweekly Mortgage that becomes 120 days delinquent as ordinarily required by Section 8303.21. Instead, Servicers must report \$0 principal and \$0 scheduled interest, and not advance the DDLPI until at least one full biweekly payment is collected from the Borrower.

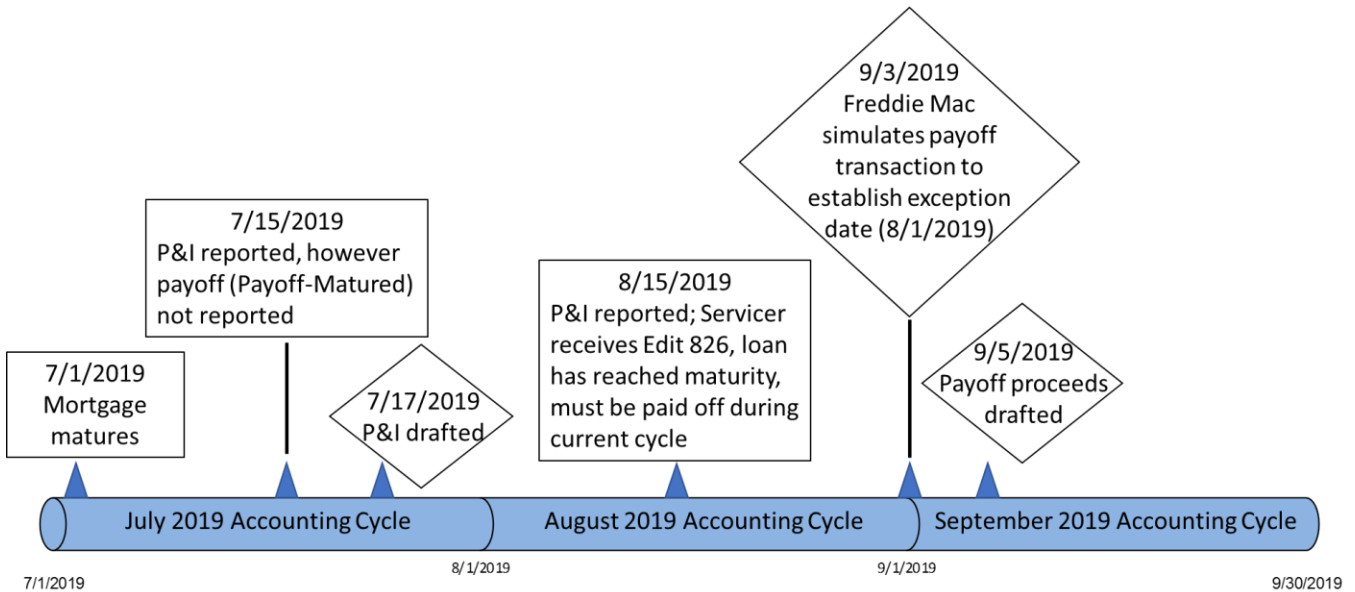
Note: If a Servicer attempts to inactivate a biweekly Mortgage that becomes 120 days delinquent by selecting “inactivation” in the Freddie Mac Service Loans application or reporting Loan Level Reporting exception code 40 (Inactivation), it will receive an edit. To clear the edit, Servicers must report \$0 principal and \$0 scheduled interest and not advance the DDLPI until at least one full biweekly payment is collected from the Borrower.

Guide impacts: Sections 4201.9, 8303.15 and 8303.21 and Exhibit 60

Matured payoffs

Based on Servicer feedback, we are clarifying requirements when a Mortgage matures and the Servicer fails to report a payoff transaction (Payoff – Matured) in the month in which the Mortgage matures. Freddie Mac will simulate a payoff transaction at the end, plus one Business Day, of the Accounting Cycle following the maturity date, which will establish the Payoff Date as the first calendar day of the month following the maturity date. The proceeds will post to the Draft Report and will be drafted on the second Business Day after Freddie Mac simulates the matured payoff transaction.

The following example illustrates how Freddie Mac will simulate a payoff transaction and draft payoff proceeds when a Mortgage matures and the Servicer does not report a payoff transaction in the month it matures.



Guide impact: Section 8303.3

Prepayments following a recast

In Bulletin 2019-6, we stated that to avoid a 910E edit when processing a recast following a partial prepayment (curtailment), Servicers must report Loan Level Reporting exception code 91 (Recast) in the Accounting Cycle containing the Due Date of the new Mortgage principal and interest (P&I) monthly payment. We are now clarifying that if all contractual payments with the pre-modified P&I constant have previously been reported, then the recast exception code, the modified P&I constant, and the modified Mortgage P&I payment may be reported in the Accounting Cycle prior to the Due Date of the modified Mortgage P&I payment.

Guide impact: Section 8103.7

Servicer notice of change of service bureau

Currently, Freddie Mac provides limited responses to loan-level transactions prior to processing the data and comparing it to Freddie Mac's databases. As a result, Servicers are not required to notify Freddie Mac of the service bureau they use.

After the Initiative is implemented, Freddie Mac will provide a more robust response that will include loan-level details after loan-level reporting files are processed that include, but are not limited to, the daily [Business-to-Business Response File](#) and the [Business-to-Business Draft File](#). These reports will be made available to Servicers via the Service Loans application or the business-to-business interface used by self-reporting Servicers or service bureaus.

Freddie Mac will identify Servicers that use a service bureau for data reporting based on reporting activity during the April 2019 Accounting Cycle.

To ensure these files are sent to the correct entity, on and after May 1, 2019, Servicers must notify Freddie Mac at least 45 days prior to the effective date via e-mail to Servicing_Ops_App_Support_IR@freddiemac.com if they change or begin using a new service bureau or would like Freddie Mac to send these files to a specific service bureau. The e-mail must include the Seller/Servicer number(s), point of contact, phone number, current and future service bureau with its contact information and the effective date of the change. The Servicer acknowledges and agrees that Freddie Mac will send reports, data and information on these Mortgages to the service bureau identified by the Servicer.

Guide impacts: Sections 4201.9, 8301.10 and 8301.15

Initiative retired reports reminder

In Bulletins 2017-4 and 2017-15, we announced the following reports would be retired in the Service Loans application once the Initiative is implemented:

- Remittance Detail
- Seller/Servicer Remittance Analysis (will be retired after the May reporting cycle closes, June 3, 2019)
- Remittance Analysis Amount Due Drilldown
- Remittance Analysis Amount Received Drilldown

Archived copies of these reports from prior Accounting Cycles will not be retained in the Service Loans application. Servicers who wish to retain copies of these reports must download copies prior to May 11, 2019.

Custodial Account reconciliation

To make the transition to the Initiative as smooth and efficient as possible, Freddie Mac will utilize an extended 45-day cutover Accounting Cycle, from April 16, 2019 through May 31, 2019. During this extended cycle, a Monthly Account Statement (MAS) will not be produced, Custodial Accounting reconciliation will be suspended, and Servicers will not be required to complete Forms 59 or 59E. However, Servicers are still required to maintain their bank statements and monthly summary of cash collection and provide them to Freddie Mac upon request.

In June 2019, Freddie Mac will provide Servicers with their beginning June MAS balance via e-mail. To maintain continuity in their Custodial Accounts, Servicers may use the Draft Report, available through Service Loan application, to reconcile loan-level transactions for the extended May 2019 cycle to the June MAS beginning balance amount.

Beginning in July 2019, Freddie Mac will resume production of the MAS (which will reflect June 2019 activity) and provide a loan-level detail report to the Servicer's investor reporting representatives via e-mail on an ongoing basis. More details on the new report will be provided on FreddieMac.com prior to the implementation of the Initiative.

ADDITIONAL GUIDE UPDATES AND REMINDERS

Disaster-related requirements for current Mortgages

Previously, in the event of an Eligible Disaster, Servicers were required to ascertain the number of Mortgages impacted and the extent of damages caused to each Mortgaged Premises, which Servicers may determine through discussions with the Borrower and/or a property inspection. This requirement may be unnecessarily burdensome in situations where a Mortgage was current or no more than 30 days delinquent at the time of the Eligible Disaster and does not become more than 30 days delinquent following the event.

To provide flexibility for Servicers so they can focus their efforts on assisting Borrowers who are or become more than 30 days delinquent, Servicers may, but are no longer required to, determine the extent of damages caused to the Mortgaged Premises where the Mortgage was current or 30 or fewer days delinquent at the time of the Eligible Disaster. However, should such a Mortgage subsequently become more than 30 days delinquent, Servicers must initiate collection efforts in accordance with Guide Chapters 9101 and 9102 and order property inspections as required by Section 9202.12.

Guide impact: Section 8404.2

Exhibit 57 updates

In Bulletin 2018-26, we announced that Servicers could maintain and execute winterization and yard maintenance without seasonal time frame restrictions.

In response to Servicer inquiries, we are revising Exhibits 57 and 74 to simplify the winterization and yard maintenance expense amount descriptions.

Guide impacts: Exhibits 57 and 74

Single Security Initiative

In Bulletin 2019-7, we updated the Guide to reflect updated requirements to the Note Rate to Coupon spreads and a reduction in the maximum Servicing Spread for Mortgages serving as collateral for Uniform Mortgage-Backed Security and Mortgage-Backed Security (MBS), effective for Mortgages sold under Freddie Mac's fixed-rate Guarantor or MultiLender Swap program with Settlement Dates on or after June 3, 2019.

Additionally, we revised Guide sections related to the sale of fixed-rate Mortgages with annual- and monthly-premium lender-paid mortgage insurance to reflect the 50 basis points maximum Minimum Contract Servicing Spread for Mortgages sold under the fixed-rate Guarantor and MultiLender Swap programs.

As a reminder, the FHFA has instructed Freddie Mac and Fannie Mae to monitor the Weighted Average Coupon (WAC) of MBS and take actions as appropriate such that MBS WAC would be generally consistent with historical WAC levels. The FHFA, Freddie Mac and Fannie Mae are working to determine an appropriate target MBS WAC, such as 80 basis points or slightly higher (given current guarantee fees and minimum servicing levels).

Guide Form 1077

In Bulletin 2019-7, Freddie Mac announced the extension of the mandatory usage date for the revised Form 1077, *Uniform Underwriting and Transmittal Summary*. While Sellers/Servicers may begin to use the revised form sooner if they choose, they must use the revised form for Mortgages with Application Received Dates on or after February 1, 2020, which aligns with the previously announced requirement for mandatory use of revised Form 65, *Uniform Residential Loan Application*.

We have updated Form 1077 to reflect this change.

Document Custody Procedures Handbook

Based on comments and questions received and as part of our annual review, on March 13, 2019, we updated the Document Custody Procedures Handbook to add clarification around Note exceptions regarding affidavits, powers of attorney, and to make other revisions and clarifications.

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 2019-8 (Servicing) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bl1908_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,

Yvette W. Gilmore
Vice President
Servicer Relationship and Performance Management