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Bulletin 2015-18: Servicing (10/14/15)

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TO: Freddie Mac Servicers

SUBJECT: SERVICING UPDATES

This *Single-Family Seller/Service Guide* ("Guide") Bulletin announces:

State foreclosure time lines and compensatory fees

- Increased State foreclosure time lines in 34 jurisdictions
- Extension of the temporary suspension of the assessment and billing of State foreclosure time line compensatory fees announced in Bulletin 2014-19
- Adjustments to the State foreclosure time line compensatory fee billing methodology for Mortgages referred to foreclosure prior to October 1, 2011 – **January 1, 2016**

Mortgage modifications

- Updates to our notification requirements for the Home Affordable Modification Program (HAMP®) Year Six "Pay for Performance" incentive
- Expansion of our simultaneous assumption and modification options to include all eligible hardships
- Updates in response to the Freddie Mac Streamlined and MyCity Modification eligibility change announced in Bulletin 2015-15 – **March 1, 2016**

Lender-Placed Insurance

- A deductible requirement for Lender-Placed Insurance policies – **July 1, 2016 (New)**

Reimbursement

- A revision to our mortgage insurance premium reimbursement requirements – **January 1, 2016**
- Updates to our bankruptcy attorney fee reimbursement limits – **December 1, 2015**

EFFECTIVE DATE

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

STATE FORECLOSURE TIME LINES AND COMPENSATORY FEES

As announced in our Single-Family News Center article dated September 3, 2015, we are increasing State foreclosure time lines in certain jurisdictions and extending the temporary suspension of the assessment and billing of State foreclosure time line compensatory fees announced in Bulletin 2014-19.

Additionally, we are adjusting our State foreclosure time line performance assessment.

State foreclosure time lines**Effective for all foreclosure sales completed on or after August 1, 2015**

At the direction of the Federal Housing Finance Agency (FHFA) and in response to our periodic review, Freddie Mac and Fannie Mae are increasing the State foreclosure time lines in 34 of the 55 jurisdictions listed in Guide Exhibit 83.

Based on the data collected from foreclosure sales during the first half of 2015, we have determined that the State foreclosure time lines will remain unchanged in the following 16 jurisdictions: Alabama, Guam, Indiana, Iowa, Minnesota, Mississippi, Missouri, Montana, Nebraska, North Carolina, North Dakota, Ohio, South Carolina, Utah, Virgin Islands and Virginia.

Servicers should review Exhibit 83 in its entirety for the revised requirements.

Guide impact: Exhibit 83

Extension of the temporary suspension of the assessment of compensatory fees

At the direction of FHFA, Freddie Mac and Fannie Mae are extending the temporary suspension of the assessment and billing of State foreclosure time line compensatory fees announced in Bulletin 2014-19 in the following jurisdictions:

- District of Columbia
- Massachusetts
- New York (including New York City)
- New Jersey

As a result of a review of foreclosure time line performance data from foreclosure sales occurring between January 1, 2015 and June 30, 2015 we have determined the temporary suspension will continue, at a minimum, for foreclosure sales occurring on or before **December 31, 2015**. At the completion of the State suspension, we will review and update our published State foreclosure time lines in the respective jurisdictions based on the data collected from foreclosure sales completed during the suspension period.

Adjustments to State foreclosure time line performance assessment

Effective for all foreclosure time line compensatory fees on foreclosure sales completed on or after January 1, 2016

In an effort to create operational efficiencies for Servicers, we will adjust the State foreclosure time line compensatory fee billing methodology for Mortgages referred to foreclosure prior to October 1, 2011 to align with the methodology applied for Mortgages referred to foreclosure on or after October 1, 2011.

Current requirements

For Mortgages referred to foreclosure prior to October 1, 2011, Freddie Mac annually assesses Servicers a \$30 compensatory fee for each day that a Servicer exceeds Freddie Mac's State foreclosure time lines.

Revised requirements

For Mortgages referred to foreclosure prior to October 1, 2011, the following changes will apply to the billing of State foreclosure time line compensatory fees for foreclosure sales occurring on or after January 1, 2016:

- All Mortgages subject to State foreclosure time line compensatory fees will be billed on a monthly basis regardless of the foreclosure referral date
- Aggregate monthly compensatory fee netting will be done on an intra-State basis
- In an effort to avoid a potential negative impact to our Servicers, the daily compensatory fee will be assessed by using the lesser of either:
 - \$30 per day; or
 - The outcome of the current per diem calculation used for Mortgages referred to foreclosure on or after October 1, 2011:

$$\frac{(\text{Unpaid Principal Balance (UPB)} \times \text{Accounting Net Yield (ANY)})}{365 \text{ days}}$$

We are not making any changes to the calculation or billing processes for Mortgages referred to foreclosure on or after October 1, 2011.

Guide impacts: Guide Section 66.44.2 and Exhibits 83A and 96

MORTGAGE MODIFICATIONS

HAMP Year Six Pay for Performance incentive notification

We are updating our Borrower notification requirements for the HAMP Year Six Pay for Performance incentive to provide additional flexibility for Servicers that wish to begin soliciting potentially eligible Borrowers earlier than the 150th day prior to the fifth anniversary of the HAMP Modification Effective Date.

With this change, the Servicer is no longer required to wait until the 150th day prior to the fifth anniversary of the HAMP Modification Effective Date to send the required notification to a potentially eligible Borrower. If the Servicer chooses to begin solicitations earlier than required, it is authorized to send a single notice or multiple notices at its discretion, at any time leading up to the 150th day prior to the fifth anniversary of the HAMP Modification Effective Date. If the Borrower responds to the Servicer's notice(s) by submitting an executed Guide Form 720 or Dodd-Frank Certification (DFC), then the Servicer is not required to send any additional notifications concerning the HAMP Year Six Pay for Performance incentive to the Borrower. However, if by the 150th day before the fifth anniversary of the HAMP Modification Effective Date an executed Form 720 or DFC has not been received, the Servicer must take the following actions:

| If at least one incentive notification... | Then the Servicer must provide... |
|--|---|
| Has been sent | At least one additional notice no later than 60 days prior to the fifth anniversary of the HAMP Modification Effective Date |
| Has not been sent | At least two written notices as early as the 150 th day and no later than the 60 th day prior to the fifth anniversary of the HAMP Modification Effective Date. NOTE: These two written notices, if applicable, must be sent at least 30 days apart. |

Guide impact: Section C65.9

Also, as a reminder, the Servicer may, but is not required to, include Form 720 when mailing the Home Affordable Modification Agreement to the Borrower when converting the Borrower to a permanent modification as part of the HAMP modification process, in accordance with Section C65.7(d). To emphasize this point, we have also added this guidance to Section C65.9.

Simultaneous assumption and modification

Previous Guide requirements limit simultaneous assumptions and modifications to situations where all Borrowers on the Note are deceased.

Recent Servicer feedback has informed us of situations in which:

- All Borrowers on the Note are experiencing eligible hardships and unable to continue to meet their Mortgage obligations and
- The Borrowers have identified persons with a legal or beneficial interest in the Mortgaged Premises who, with a modification of the terms, could assume the Mortgage and continue to make the monthly mortgage payment or a modified monthly mortgage payment

In response to this feedback, we are updating and expanding the options for a simultaneous assumption and modification to include all eligible hardships. Servicers should refer to Section B65.28 for full simultaneous assumption and modification requirements.

Guide impact: Section B65.28

Freddie Mac Streamlined and MyCity Modification eligibility

Effective March 1, 2016

In Bulletin 2015-15, we announced the expansion of our eligibility requirements for a Streamlined or MyCity Modification to a Mortgage/Borrower, which had required, among other things, an evaluation of a Borrower's FICO[®] score. Subsection B65.12.1(b) sets forth Servicer requirements for determining the FICO score for Streamlined and MyCity Modification eligibility. With the elimination of the FICO score evaluation requirement, we are also deleting subsection B65.12.1(b), effective March 1, 2016.

Guide impact: Section B65.12.1

LENDER-PLACED INSURANCE POLICY DEDUCTIBLES

The requirements below are effective for new Lender-Placed Insurance (LPI) policies issued and LPI policies renewing with an effective date on and after July 1, 2016; however, Servicers are encouraged to implement them immediately.

FHFA has directed Freddie Mac and Fannie Mae to reduce expenditures related to LPI. As a result, Freddie Mac will require deductibles for LPI policies which will be based on the policy's dwelling coverage amount, as shown below:

| Dwelling coverage | Deductible |
|---|-------------------|
| Less than \$100,000 | \$1,000 |
| \$100,000 up to and including \$250,000 | \$2,000 |
| Greater than \$250,000 | \$2,500 |

These new deductible requirements impact only LPI policies as described in Section 58.12.

Guide impact: Section 58.12

REIMBURSEMENT

Mortgage insurance premiums

Effective January 1, 2016

In response to Servicer inquiries, we are revising our mortgage insurance reimbursement requirements.

Current requirements

Section 71.15 states the mortgage insurance premiums **paid** after the Due Date of the Last Paid Installment (DDLPI) and before the Real Estate Owned (REO) acquisition date are reimbursable.

Revised requirements

We are updating Section 71.15 to state that mortgage insurance premiums **incurred** after the DDLPI and before the REO acquisition date are reimbursable. This revised language more accurately reflects the period within which the Servicer is obligated to advance mortgage insurance premiums as a mortgage insurance premium is incurred once the MI has provided the corresponding coverage.

Guide impact: Section 71.15

Reminder

Servicers seeking reimbursement for mortgage insurance premiums are subject to the claim submission time frames outlined in Section 71.13.

Bankruptcy attorney fees

Effective December 1, 2015

Effective December 1, 2015, Federal Rule of Bankruptcy Procedure 3001 requires a Mortgage Proof of Claim Attachment (Official Form 410A), which sets forth a statement itemizing interest, fees, expenses and charges in the claim and/or the amount necessary to cure any default, to be filed with the Proof of Claim (Official Form B410) if a security interest is claimed in property that is the debtor's principal residence.

As a result, Freddie Mac is updating the approved attorney fee amount for which we will reimburse Servicers for certain bankruptcy services. If Official Form 410A must be filed with Official Form B410, Servicers can be reimbursed up to an additional \$300 for the following 104SF bankruptcy expense codes:

- 011014 (Chapter 7 – Proof of Claim Preparation) (from \$300 to \$600)
- 011018 (Chapter 11 – Proof of Claim, Plan Review and Plan Negotiations) (from \$750 to \$1,050)
- 011029 (Chapter 12 – Proof of Claim, Plan Review and Plan Negotiations) (from \$750 to \$1,050)
- 011040 (Chapter 13 – Proof of Claim, Plan Review and Plan Negotiations) (from \$650 to \$950)

Until the Freddie Mac Reimbursement System can be updated accordingly, Servicers must obtain Freddie Mac's written pre-approval for the additional reimbursement by submitting a request for pre-approval (RPA) via the RPA functionality in the Reimbursement System for the above listed bankruptcy expense codes.

Guide impacts: Section 67.7 and Exhibit 57A

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 2015-18 (Servicing) Guide Updates Spreadsheet available at

http://www.freddiemac.com/singlefamily/guide/docs/bll1518_spreadsheet.xls

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call Customer Support at (800) FREDDIE and select "Servicing."

Sincerely,

Yvette W. Gilmore

Vice President

Servicer Performance Management