



TO: Freddie Mac Servicers

April 20, 2017 | 2017-5

SUBJECT: SERVICING UPDATES

This Guide Bulletin announces:

Certificate of incumbency

- [Certificate of incumbency](#) (COI) requirements for Servicers – **June 1, 2017 (New)**

Freddie Mac Flex ModificationSM

- [Instructions for submitting data relating to Flex Modification Trial Period Plans](#) to Freddie Mac via Workout Prospector® – **May 1, 2017**

Reimbursement

- Requirements for requesting reimbursement for expenses associated with [clear boarding broken windows](#) – **New**
- Updates to provide greater detail of the process for requesting reimbursement of [unrecoverable expenses](#) – **June 5, 2017**
- Revisions to our attorney fee reimbursement amounts related to:
 - [Uncontested foreclosures](#)
 - [Bankruptcy services](#)
 - [Mediation](#)
 - [Bulk trials](#) in New York to accelerate foreclosure actions

Condominium Project and Planned Unit Development insurance

- The elimination of certain insurance coverage requirements for Condominium Projects that are reviewed under the [Detached Condominium Project review type](#)
- Updates to [Common Elements insurance requirements for Planned Unit Developments \(PUDs\)](#)

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.

CERTIFICATE OF INCUMBENCY

We are updating Guide Forms 988SF-1, 988SF-2 and 989SF and the addenda to those forms, Forms 988ASF and 989ASF (collectively, the “COI forms”), to make them applicable to Servicers as well as Sellers. The updated COI forms have been revised to identify employees authorized to provide Wire Transfer Instructions (as described in Guide Section 2201.1) in connection with the sale of Mortgages to and/or the Servicing of Mortgages for Freddie Mac in Part (A) and Part (B), respectively. Each Servicer must submit the necessary COI forms, together with a resolution of the Servicer’s board of directors or other governing body (the “Resolution”) identifying the Servicer’s employees authorized to provide Wire Transfer Instructions (“Authorized Employees”) solely in connection with the Servicing of Mortgages.

Servicers may, and are encouraged to, begin submitting the applicable COI forms, Resolution and any other required forms and documents described in Section 2201.1 to Freddie Mac on and after **June 1, 2017**. Servicers that are not also approved Freddie Mac Sellers must submit COI forms and documents, and those documents must be accepted by Freddie Mac, no later than **December 31, 2017**.

Seller/Servicers that have already submitted COI forms to authorize employees to provide Wire Transfer Instructions to Freddie Mac do not need to submit new COI forms at this time, *unless* they otherwise need to submit a new COI form or their renewal COI is due. **Any COI renewal required on and after June 1, 2017 and/or any COI changes on and after June 1, 2017 must be submitted on the new Seller/Servicer COI form(s) announced in this Bulletin.**

Exhibit 98, *Expense Reimbursement/Incentive Payment Authorization Agreement for ACH Credits*

As announced in Bulletin 2016-2, Servicers must be set up to receive reimbursement of expenses and payment of incentives via Automated Clearing House (ACH) credit entries into their commercial checking accounts. As part of that setup, a Servicer must execute and submit Exhibit 98.

Effective **January 1, 2018**, any new Exhibit 98 must be executed by a Servicer employee who is an Authorized Employee on Part B of the updated COI form(s). Servicers required to submit COI forms and documents by December 31, 2017 that have already submitted an Exhibit 98 should review that Exhibit 98 to confirm that the payee signer is an Authorized Employee on Part B of the updated COI form(s).

Form 1132, *Authorization for Automatic Transfer of Funds through the Automated Clearing House (ACH)*

We have updated the instructions to Form 1132 to reflect the requirement for a Servicer Authorized Employee to provide ACH authorization and instructions for performing loans and nonperforming loans invoices. Effective **January 1, 2018**, any new Form 1132 for purposes of providing ACH authorization and instructions for performing loans and nonperforming loans invoices must be executed by a Servicer employee who is an Authorized Employee on Part B of the updated COI form(s).

Guide impacts

Sections 2101.12, 2201.1, 2201.2, 2405.1, 9102.1 and 9204.6, Exhibit 98 and Forms 988SF-1, 988SF-2, 988ASF, 989SF, 989ASF and 1132 are being updated to reflect these COI requirement changes.

FREDDIE MAC FLEX MODIFICATION

As announced in Bulletin 2017-1, Servicers must submit all Flex Modification Trial Period Plan data to Freddie Mac via Workout Prospector, beginning May 1, 2017.

Effective **May 1, 2017**, we are updating the [Workout Prospector Users' Guide](#) with instructions for generating terms for a Flex Modification and submitting Flex Modification Trial Period Plan data to Freddie Mac. Flex Modification data for all Mortgages except those with a post-modification mark-to-market loan-to-value (MTMLTV) ratio greater than 100% must be submitted to Freddie Mac following the instructions in the Workout Prospector Users' Guide.

Prior to **June 5, 2017**, Servicers must temporarily submit Flex Modification data for Mortgages with a post-modification MTMLTV ratio greater than 100% via the exception path in Workout Prospector. When submitting the data via the exception path, the Servicer must clearly communicate in the comments section of Workout Prospector that it is submitting a request for approved Trial Period Plan terms for a Flex Modification Trial Period for a Mortgage with a post-modification MTMLTV ratio that exceeds 100%. Freddie Mac will generate the terms of the Trial Period Plan and respond to the Servicer.

Effective June 5, 2017, Servicers must submit Flex Modification data for all Mortgages, regardless of the MTMLTV ratio, following the instructions in the Workout Prospectors' User Guide.

Servicers are encouraged to visit the [Freddie Mac Learning Center](#) for information on Workout Prospector training for the Flex Modification, which is coming soon.

REIMBURSEMENT

Expenses for clear boarding broken windows

We are updating our pre-foreclosure sale property preservation reimbursement requirements to reimburse Servicers for expenses associated with clear boarding broken windows, where needed and as required by local ordinances, on vacant and abandoned properties securing a Freddie Mac-owned or guaranteed Mortgage. These revisions support Freddie Mac's continued commitment to fight neighborhood blight.

The clear boarding must be:

- Made of a polycarbonate material or one of at least the same strength
- At least 3/16" thick; and
- Properly installed

The reimbursement limits for use of clear boarding are up to \$2.25 per united inch, with a maximum amount of \$2,000.

The Freddie Mac Reimbursement System will be updated in the future to reflect a clear boarding expense code and the maximum reimbursement amount.

Until the Reimbursement System is updated with the new expense code, Servicers must submit the following in the Reimbursement System to receive reimbursement for the costs associated with clear boarding:

- Expense code 090030 (Boarding (Broken Windows))
- A request for pre-approval (RPA) via the RPA functionality for reimbursement of costs in excess of \$900

We will notify Servicers in a future Bulletin when the Reimbursement System is updated to reflect these changes.

Guide impacts: Exhibits 57 and 74

Unrecoverable expenses

Effective for reimbursement claims submitted in the Reimbursement System on and after June 5, 2017

We are providing greater detail and clarity to our reimbursement request requirements for expenses (e.g., legal fees and/or legal costs) considered unrecoverable from the Borrower under applicable federal, State or local law upon reinstatement or payoff of the Mortgage, or upon completion of a mortgage modification.

In accordance with Section 9701.5(f), Freddie Mac will reimburse Servicers for certain unrecoverable expenses as set forth in Exhibit 74 on a "Non-REO w/o GA" claim submission type or a "Loan Modification" claim submission type (described further in Sections 9701.5(a) and 9701.5(e)), as applicable.

For any other expense a Servicer believes to be unrecoverable from the Borrower under applicable federal, State or local law, the Servicer must obtain written pre-approval from Freddie Mac. The request must be submitted via the RPA functionality in the Reimbursement System to be reimbursed by Freddie Mac on a "Non-REO w/o GA" claim submission type or a "Loan Modification" claim submission type.

Guide impacts: Sections 9203.7, 9206.15, 9701.5 through 9701.7 and 9701.11 and Exhibit 74

Attorney fees

Effective for reimbursement claims submitted in the Reimbursement System on and after March 31, 2017

Uncontested foreclosures

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

Guide impact: Exhibit 57A

Bankruptcy services

We are increasing the approved Servicer reimbursement amounts for attorney fees associated with the following bankruptcy services (refer to Exhibit 57A for complete details):

Bankruptcy attorney fee(s)	Maximum reimbursement amount
Bankruptcy Chapters 7, 11, 12 and 13	
Multiple Filing Litigation	\$600
Additional Hearings	\$250
Bankruptcy Chapters 11, 12 and 13	
Objection to Plan (up to two hearings)	\$550
Agreed Order; Notice of Default/Stay Termination	\$100
Bankruptcy Chapter 13	
Payment Change Notifications	\$100
Response to Final Cure Payment for Agreed Response	\$100

Guide impact: Exhibit 57A

Mediation

We are increasing the approved Servicer reimbursement amounts for attorney fees associated with mediation when pre-foreclosure mediation is required by State or local law. In accordance with Section 9701.11, Servicers must submit an RPA and receive prior written approval from Freddie Mac to receive reimbursement for the following:

Mediation attorney fee(s)	Maximum reimbursement amount
Attendance and appearance at the initial mediation hearing or conference when Freddie Mac determines that applicable law requires participation in a pre-foreclosure mediation program	\$425
Additional mediation hearings or conferences , if required	\$300 per occurrence, for up to two additional mediation hearings or conferences

As a reminder, in accordance with Section 9701.11, Servicers must submit an RPA in order to receive prior written approval from Freddie Mac for reimbursement for mediation attorney fees and court costs, as well as fees charged by a mediation manager or coordinator for participation in a pre-foreclosure mediation program.

Guide impact: Section 9701.11

Expedited foreclosures in New York

Bulletin 2014-9 announced Servicer reimbursement of up to a maximum of \$1,750 for claims submitted through the Reimbursement System for additional attorney fees associated with the New York Foreclosure Inquest Program, an alternative foreclosure process established to accelerate foreclosure actions in New York.

We are updating Section 9301.22 to reference bulk trials and to provide that attorney fees associated with bulk trials in New York will also be reimbursed up to a maximum of \$1,750 for claims submitted through the Reimbursement System.

Guide impact: Section 9301.22

CONDOMINIUM PROJECT AND PLANNED UNIT DEVELOPMENT (PUD) INSURANCE

In response to Seller/Servicer feedback, we have evaluated and are revising our Condominium Project and PUD insurance requirements.

Detached Condominium Project review type

For Condominium Projects that are reviewed under the Detached Condominium Project review type, Seller/Servicers are no longer required to determine the existence or adequacy of:

- Fidelity or employee dishonesty insurance coverage
- Liability insurance for Condominium Projects

Guide impacts: Sections 8202.5 and 8202.6

Common Elements of PUDs

We are no longer requiring insurance on Common Elements of a PUD, when the insurable value of the PUD's Common Elements is minimal or does not exist.

Guide impact: Section 8202.2

ADDITIONAL GUIDE UPDATES AND REMINDERS

Subservicing Agreements

We are clarifying Freddie Mac's rights, powers and prerogatives regarding the contractual right to service a Freddie Mac Mortgage. Specifically, we are providing additional explanation regarding Freddie Mac's rights to terminate or transfer Servicing without regard to any provisions set forth in a Subservicing Agreement. This includes any provision that purports to restrict Freddie Mac's rights including, without limitation, any purported rights of first offer, rights of first refusal, or other similar rights in favor of the Servicing Agent or any other third party with respect to, in whole or in part, the contractual rights to service the Mortgages subject to the Subservicing Agreement for Freddie Mac.

Guide impact: Section 8102.1

Servicer Success Scorecard

We have revised the definition for the "Transition from 30 to 60+" Servicer Success Scorecard metric to reflect that Mortgages in foreclosure are included in the numerator. The calculation for this metric remains unchanged, and therefore this revision has no impact to a Servicer's rank in the "Transition from 30 to 60+" metric nor overall ranking within their rank group in the default management category, as applicable.

Training and reference documents, including the [Freddie Mac Servicing Success Program Reference Guide](#), have been updated to reflect this revision.

Reminder: Electronic Signatures will be required when signing Form 981, *Agreement for Subsequent Transfer of Single-Family Mortgages*

As announced in Bulletin 2017-1, effective April 3, 2017, if the Transferor and Transferee Servicer are both able to sign Form 981 with an Electronic Signature and transmit it as an Electronic Record, they **may** begin utilizing the new form and submit the form to Freddie Mac via e-mail at transferofservicing@freddiemac.com.

Effective with Subsequent Transfer of Servicing requests submitted on and after **June 1, 2017**, both the Transferor and Transferee Servicer **must** sign the new Form 981 with Electronic Signatures and submit the form to Freddie Mac via e-mail at transferofservicing@freddiemac.com.

When signing Form 981 with an Electronic Signature, the Transferor and Transferee Servicer must follow the [Form 981 Electronic Signature Process](#).

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 2017-5 (Servicing) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bll1705_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.

Sincerely,

A handwritten signature in black ink, appearing to read "Yvette W. Gilmore". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Yvette W. Gilmore
Vice President
Servicer Performance Management