



Servicing Alignment Initiative

Overview for Freddie Mac Servicers

Consistent requirements and processes for servicing delinquent mortgages

Working at the direction of, and in concert with, the Federal Housing Finance Agency (FHFA), Freddie Mac, and Fannie Mae will begin implementing a new set of consistent mortgage loan servicing and delinquency management requirements. The new requirements will streamline servicing processes to help Servicers contact delinquent borrowers, determine modification eligibility, and offer foreclosure alternatives to struggling homeowners more effectively. Freddie Mac believes that government-sponsored enterprise (GSE) alignment on loss mitigation activities will support our mutual goal of quality and responsible servicing.

Key Upcoming Features

- Borrower Contact
 - Earlier and more frequent borrower contact
 - New standards and timelines for borrower calls and call center activities
 - Aligned requirements for Quality Right Party Contact
- Delinquency Management
 - Consistent written communications, notification and response timelines, and borrower solicitation and response packages
 - Process for reviewing and escalating borrower disputes.
 - Encourages and fully supports Servicers who have or will implement single point of contact models for the purpose of achieving contact continuity throughout the delinquency process
- Loan Modifications
 - A new modification solution with aligned requirements, Trial Period, modification terms, and general requirements
- Foreclosure Timelines
 - Uniform timelines for processing of foreclosures from referral to attorney/trustee through the date of sale
 - Standardized requirements for assessment of compensatory fees for foreclosure timeline violations

Results and Outcomes

- We will announce complete requirements in a future Freddie Mac *Single-Family Seller/Servicer Guide* (Guide) Bulletin(s).
- We will implement changes with phased effective dates for the majority of components throughout Summer 2011.
- When fully implemented, Servicers will evaluate borrowers simultaneously for the Home Affordable Modification program (HAMP), Home Affordable Foreclosure Alternatives (HAFA), and all other available foreclosure alternatives.
- Servicers will contact delinquent borrowers earlier and more frequently, and will be measured on results.
- There will be one GSE uniform borrower solicitation and response package for borrowers to request consideration for all workout or foreclosure avoidance solutions, including a HAMP modification, GSE-specific modification, short sale, or other solution.
- A new mortgage modification program will eventually replace our current non-HAMP mortgage modification, and it will include additional borrower eligibility and underwriting requirements for borrowers who are ineligible for HAMP.

BORROWER CONTACT

Quality Right Party Contact	<ul style="list-style-type: none">• Quality right party contact will occur when a Servicer identifies and discusses with a borrower, co-borrower, or trusted adviser, such as a housing counselor, the most appropriate options for delinquency resolution, and:<ul style="list-style-type: none">▪ Establishes rapport with the borrower, expressing empathy and a desire to help.▪ Determines the reason for the delinquency and whether it is temporary or permanent.▪ Determines whether the borrower has vacated or plans to vacate the property.▪ Determines the borrower's current perception of their financial circumstances and ability to repay the debt.▪ Sets payment expectations and educates the borrower on the availability of foreclosure alternative solutions.▪ Obtains a commitment from the borrower to either resolve the delinquency through traditional methods (paying the total delinquent amount) or engages in a foreclosure alternative solution.• Benchmarks will be established to measure and monitor effective quality right party contact.• Freddie Mac encourages and fully supports Servicers who have or will implement single point of contact models for the purpose of achieving contact continuity throughout the delinquency process.• Contact can be via telephone, email, Web portal, mail, or face-to-face.
Call Center Benchmarks and Collection Calls	<ul style="list-style-type: none">• To the extent a Servicer maintains a call center, uniform standards for contact method service levels, include:<ul style="list-style-type: none">▪ Speed to answer▪ Abandon rate▪ Blockage rate▪ Live chats▪ Email responses• Collection calls starting on day 3, with timelines for follow-up calls during the delinquency process.• Call campaigns continue until quality right party contact is established, the delinquency is cured, a borrower response is received, or the borrower enters a forbearance or repayment plan.
Borrower Solicitation Package	<ul style="list-style-type: none">• Uniform Borrower Solicitation package requirements for documentation that must be sent to a borrower, including:<ul style="list-style-type: none">▪ A Uniform Borrower Assistance Form, with a hardship affidavit.▪ A borrower checklist▪ A solicitation letter▪ An FAQ document▪ An important notices section▪ IRS Form 4506-T• Servicers will use this package to evaluate a borrower for all workout or foreclosure avoidance solutions, including a HAMP modification, GSE-specific modification, short sale, or other solution.

DELINQUENCY MANAGEMENT

Disclosures and Written Communications	<ul style="list-style-type: none">• There will be a uniform requirement for Servicers to consistently acknowledge certain events to borrowers at specified time periods, including receipt of a borrower's Borrower Response Package. Acknowledgement will include notices to borrowers about the evaluation process and timeline, explanation of the foreclosure process, and instances where foreclosure actions may not be halted.• There will be uniform content and timing requirements for the following:<ul style="list-style-type: none">▪ Late notices and reminder letters▪ Notifying borrowers of receipt of incomplete or missing information▪ Evaluation notices, which provide the decision to the borrower▪ Breach letters▪ Solicitation during the foreclosure process
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DELINQUENCY MANAGEMENT, CONTINUED

Delinquency Timeline	<ul style="list-style-type: none"> • Consistent requirements will be applied for managing delinquency, including: <ul style="list-style-type: none"> ▪ Collection calls ▪ Late notices and reminder letters ▪ Property inspections ▪ Borrower solicitation ▪ Disclosures and written communications ▪ Evaluation notices ▪ Pre-referral and pre-foreclosure sale account review ▪ Foreclosure referral
Case Escalation	<ul style="list-style-type: none"> • There will be a unified structure and requirement to develop and implement a process for reviewing and responding to borrower complaints that rise to the level of an escalated case, including uniform: <ul style="list-style-type: none"> ▪ Definition of an escalated case. ▪ Requirements for Servicers to develop and implement a process for reviewing borrower inquiries and complaints, and escalating disputes. ▪ Requirements that Servicer staff providing resolution on an escalated case are independent from the personnel that initially handled/processed the original borrower decision. ▪ Timelines for review and response, including acknowledging to the borrower of receipt of an escalated case within 3 business days, and adhering to a 30-day maximum total time to resolve an escalated case. ▪ Requirements for information to be included in the acknowledgement of a case and other written communication with the borrower. • Freddie Mac will require that escalated case activity be reported monthly.

LOAN MODIFICATIONS

A New Modification Solution	<ul style="list-style-type: none"> • There will be unified structures for implementing a new non-HAMP modification solution that will include a three-month trial period: <ul style="list-style-type: none"> ▪ The modification will target borrowers ineligible for HAMP, or borrowers who have defaulted on a HAMP Trial Period Plan or permanent modification under certain circumstances. • This new modification will eventually replace our current mortgage modification requirements in Guide Chapter B65.
Documentation	<ul style="list-style-type: none"> • A uniform Borrower Assistance Form and associated documentation will be used to solicit and evaluate borrowers for all available modifications. • All borrowers must provide a signed and completed IRS Form 4506-T and required income and hardship documentation as part of their Borrower Response Package returned to the Servicer. • New borrower solicitation documentation will eventually replace the current solicitation documentation used for HAMP.
Benchmarks	<ul style="list-style-type: none"> • Benchmarks will be established for the following: <ul style="list-style-type: none"> ▪ Completed Borrower Response Packages ▪ Quality Right Party Contact ▪ Call Center performance

FORECLOSURE TIMELINES

Uniform Timelines for Referrals to Foreclosure and Foreclosure Sales	<ul style="list-style-type: none"> • Foreclosure timelines will cover the time from the due date of last paid installment (DDLPI) through the date of sale. • An overall Performance Maximum number of days for a foreclosure will be established for each jurisdiction that covers the period from foreclosure referral through the foreclosure sale date. • Foreclosure timelines will be published.
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FORECLOSURE TIMELINES, CONTINUED

<p>Standardized Exceptions</p>	<ul style="list-style-type: none"> • There will be uniform standards for allowing additional time delays due to: <ul style="list-style-type: none"> ▪ Bankruptcy ▪ Probate ▪ Military indulgence ▪ Contested foreclosure ▪ Loans under HAMP review or in HAMP Trial Period Plans • Specific time periods will be provided in the Guide.
<p>Designated Counsel</p>	<ul style="list-style-type: none"> • Servicers are responsible for timelines even if a firm in our Designated Counsel Program conducts the foreclosure.

SERVICER INCENTIVES AND COMPENSATORY FEES

<p>Borrower Response Package Incentives, Benchmark, and Compensatory Fees</p>	<ul style="list-style-type: none"> • We will announce revised incentives and compensatory fees that will appropriately: <ul style="list-style-type: none"> ▪ Compensate eligible Servicers for meeting quality benchmarks for receipt of complete Borrower Response Packages. ▪ Assess compensatory fees for Servicer failures to meet defined loss mitigation metrics and foreclosure timelines. ▪ Freddie Mac strongly urges Servicers to work closely with HUD-approved housing counseling organizations, including paying appropriate incentives and compensation to housing counselors for their role in delivering complete Borrower Response Packages. • Incentives will be paid to eligible Servicers for exceeding benchmarks for completed Borrower Response Packages: <ul style="list-style-type: none"> ▪ Greater than or equal to 60 percent benchmark for receiving completed Borrower Response Packages from the Servicer’s population of borrowers who are 60+ days delinquent or become current or less delinquent during the collection period. ▪ \$500 incentive for each completed package if Servicer meets or exceeds the 60 percent benchmark. • Compensatory fees will be assessed to Servicers for not meeting completed Borrower Response Package benchmarks: <ul style="list-style-type: none"> ▪ Less than 50 percent benchmark for receiving completed Borrower Response Packages from the population of borrowers who are 60+ days delinquent or become current or less delinquent during the collection period. ▪ \$500 compensatory fee will be assessed for each package not received that would have brought Servicer to the 50 percent benchmark. • Servicers will not receive an incentive or be assessed a compensatory fee if the percentage for completed Borrower Response Packages for 60+ delinquent borrowers fall between the 50 percent and less than 60 percent benchmarks.
<p>Workout Incentives and Compensatory Fees</p>	<ul style="list-style-type: none"> • Servicers will continue to receive incentives for settled workouts: <ul style="list-style-type: none"> ▪ Non-HAMP modifications, with amounts depending on the term of delinquency when the Trial Period Plan starts: <ul style="list-style-type: none"> - \$1,600 for each settled workout for mortgages that are less than or equal to 120 days delinquent (less than or equal to 150 days from DDLPI) - \$1,200 for each settled workout for mortgages that are 121-210 days delinquent (151-240 days from DDLPI) - \$400 for each settled workout for mortgages that are greater than 210 days delinquent (greater than 240 days from DDLPI) ▪ Settled workout incentives for HAMP modifications, HAFA and non-HAFA Short Sales, HAFA and non-HAFA Deeds-in-Lieu, and Repayment Plans remain unchanged. • Modification incentives will be paid provided that the modification settles within 60 days of a completed Trial Period Plan. • Incentives will be paid out monthly. • Additional requirements and information will be published in a future Guide Bulletin.

SERVICER INCENTIVES AND COMPENSATORY FEES, CONTINUED

Compensatory fees for Foreclosure Timeline Violations	<ul style="list-style-type: none">• Standardized requirements will apply for determining whether compensatory fees will be assessed, and if so, calculating compensatory fees due to failure to comply with foreclosure timeline standards.• Servicers will be subject to compensatory fee assessments for delayed foreclosure sales even if conducted by designated counsel.• Netting will not be allowed; foreclosure sales completed under the foreclosure timeline cannot offset loans exceeding the timeline.• Servicers will be allowed to submit data to correct reporting discrepancies. However, no adjustment will be made to compensatory fees.• Compensatory fees will not be issued if a Servicer's aggregate amount of monthly compensatory fees is below a minimum amount.
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FREDDIE MAC IMPLEMENTATION

Requirements	<ul style="list-style-type: none">• We are finalizing our requirements, which we will provide to all Servicers in one or more Guide Bulletin(s) in the coming months.
Systems and Operational Changes	<ul style="list-style-type: none">• We are finalizing our necessary systems and operational changes, including any necessary changes to our servicing technology tools and investor reporting processes.• We will communicate systems and operational changes as part of our full requirements rollout.
Effective Dates	<ul style="list-style-type: none">• We will determine aggressive yet realistic effective dates through this summer, and where possible, institute a phased set of effective dates to ensure efficient implementation by all Servicers.
Support	<ul style="list-style-type: none">• We will provide training resources to assist you in implementing new requirements.

For More Information:

- Contact your Freddie Mac representative.
- Call 800-FREDDIE.

Servicer understands that this document may not incorporate every requirement under, and is not to be relied on as a replacement or substitute for, the information contained in the Single-Family Seller/Servicer Guide (Guide) or Guide Bulletin. Servicer is responsible for complying with the requirements of the Guide and relevant Guide Bulletins(s), notwithstanding the extent to which they may be inconsistent with this document.