

Document Custody General Training Session 2007

Freddie Mac



Agenda

- ✓ Initial Certification
- ✓ Recertification
- ✓ Transfer Requirements
- ✓ Custodian Audits
- ✓ Q & A Session



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Initial Certification

Selling System - primary delivery and certification system

- ❖ Custodian reviews system data to the Note, resolves discrepancies and notifies Freddie Mac that certification is complete by entering the certification in the system
 - For Guarantor deliveries, the certification status must be updated in the system no later than 8:00 PM eastern time on the Final Delivery Date
 - For Cash deliveries, the certification status must be updated in the system no later than 8:00 PM the day prior to the requested Funding Date or, if there is no date, by 8:00 PM the day prior to the contract expiration date

MIDANET® Deliveries - primarily for negotiated bulk deals

- ❖ Custodian reviews data from the Form 1034 or 1034A to the Note
 - Form 1034S or 1034SM delivered to Freddie Mac by 12:30 PM eastern time
 - On the Business Day before the Settlement Cycle is scheduled to begin for Guarantor deliveries
 - On the day prior to the requested Funding Date for Cash



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Certified for All Products:

- ❖ Freddie Mac loan number
- ❖ Borrower name
- ❖ Co-borrower name
- ❖ Property Address
- ❖ Property City
- ❖ Property State
- ❖ Property Zip
- ❖ Original Note Date
- ❖ Original Loan Amount
- ❖ Interest Rate
- ❖ First P&I Date
- ❖ Maturity Date
- ❖ P&I Amount
- ❖ Modification Date

Additional Fields for ARMs:

- ❖ First Interest Rate Adjustment
- ❖ Mortgage Margin
- ❖ Percent Rounded
- ❖ Periodic Cap
- ❖ Life Rate Cap
- ❖ Convertibility
- ❖ Index
- ❖ First Adjustment Minimum Rate
- ❖ First Adjustment Maximum Rate
- ❖ Lookback Period

Initial Interest Specific:

- ❖ First P&I Date is the date of the first Interest Only Payment stated in the Note
- ❖ P&I Amount is the amount of the first interest only payment stated in the Note
- ❖ Modification/Conversion Date is the Due Date of the first amortizing P&I Payment, determined by adding the number of months of the Interest Only period to the Due Date of the first monthly payment stated in the Initial Interest Note



- ❖ Note is Original
- ❖ Note is on a Uniform Instrument
- ❖ Endorsement Chain is complete from the original Payee on the Note to the Seller and there is an endorsement in blank from the Seller
 - Custodian may certify if Seller uses a facsimile signature stamp endorsement
 - Allonges must:
 - Be permanently affixed to the Note
 - Reference the Borrower Name, Property Address and Original Principal Balance
- ❖ Assignment Chain is complete from the Original Mortgagee to MERS or to the Seller unless delivery is a concurrent TOS (CTOS); if CTOS assignment is to the Servicer
 - Assignments to blank and Assignments with facsimile signatures are not allowed
- ❖ MERS MOM Loans require no Assignments
- ❖ Power of Attorney is Original
- ❖ Original Modification, Conversion, Assumption, Addendum, etc.
- ❖ Name Affidavit needed only if borrower signature is illegible and there is no typed name or the signature is not consistent with the typed name below the signature line.
- ❖ Borrower initialed any changes to data (return Note to Seller to obtain borrower initials if necessary)

- ❖ Original Consolidated Note has the following verbiage inserted at the top of the document (Fixed Rate, Adjustable Rate and Balloons):
 - This Note amends and restates in their entirety, and is given in substitution for, the Notes described in Exhibit A of the New York Consolidation, Extension and Modification Agreement dated the same date as this note.
- ❖ NY CEMA, Form 3172 may be a certified copy of the original sent for recording
- ❖ Exhibit A – Obligations Being Consolidated, Modified and Extended.
 - All Notes, security instruments, assignments, consolidations agreements and related agreements that modify, consolidate or extend prior underlying obligations and which predate the current NY CEMA must be listed separately in Exhibit A.
- ❖ Exhibit B – Property Description
 - Copy of Schedule A to the New York Mortgage may be used but should be marked as Exhibit B to identify it as a NY CEMA exhibit.
- ❖ Exhibit C – Consolidated Note Copy
 - Complete with any applicable addenda, with fixed-rate, adjustable-rate or Balloon Note language inserted at the top of the first page. Borrower signatures are not required.
- ❖ Exhibit D – Form 3033 (NY Single-Family Uniform Security Instrument)
 - All blanks completed and any applicable riders attached. Borrower signatures are not required. May be a copy.



Recertification

- ❖ Recertification required for:
 - Transfer of Servicing with a change of custodian
 - Transfer of Custody
 - Termination of Custodian
- ❖ Transferor moves files within 30 Days of transfer effective date
- ❖ Transferee recertifies the following data and documentation within 180 days of the transfer effective date
 - Freddie Mac Loan Number
 - Borrower Name
 - Property Address
 - Endorsement Chain
 - Assignment Chain
 - Note is original
- ❖ No electronic system for Recertification – Deliver Form 1034T to Freddie Mac when certification is complete



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Custodian Audits

- ❖ Frequency
 - Large Custodian - Annually
 - Small and Mid Size Custodian - 12 to 24 months
- ❖ Length of Audit - 1 to 1-1/2 days.
- ❖ Common Issues
 - Inadequate Policies and Procedures
 - Inadequate Business Continuity Planning
 - Inadequate Note Tracking System
- ❖ Tips
 - Designate one audit contact
 - Have “experts” available
 - Ensure availability of requested documents
 - Prepare to discuss your largest risk
 - Discuss your “wish list”
 - Address recent changes or future plans



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Q&A



Q & A Session