

# Industry Letter

October 1, 1999

The Freddie Mac logo consists of the words "Freddie" and "Mac" stacked vertically. Above the text is a thick black horizontal bar. Below the text are four thin horizontal lines.

**SUBJECT:** Year 2000 Preparation

**TO:** All Freddie Mac Sellers and Servicers

At Freddie Mac, Year 2000 Readiness is our number one corporate priority. We've dedicated substantial resources to our internal preparations, and we've made every effort to help you get ready for the century date change. As part of those efforts, we laid out our Business Continuity Plans (BCPs) in a March 22, 1999 Industry Letter. This letter expands on our BCP and provides additional updates on our preparations. We are also enclosing an update to the Exhibit contained in our March 22, 1999 Industry Letter reflecting changes to our Principal and interest remittance requirements.

For continuous updates on our Year 2000 Readiness efforts and systems status reports in the new year, subscribe to our e-mail news service, *Y2K Update*. You can sign up on our web site at [www.freddiemac.com/y2k](http://www.freddiemac.com/y2k).

## **Freddie Mac Support During the "Critical" Transition Period**

During the past few years, we have concentrated considerable effort to ensure that we are ready to serve you in the Year 2000 and beyond. In addition to our current and ongoing preparation in 1999, during the weekend of January 1 - 2, 2000, we will have teams from our various departments confirming that all of our systems and business processes are functioning properly. We fully expect to conduct business as usual on January 3, 2000, the first Business Day of the new year. To help you plan for your year-end activities, we've attached a calendar showing the availability of certain business areas during the critical Year 2000 transition period, December 24, 1999 - January 3, 2000.

If you wish to check the availability of our Servicer, Loan Prospector® and Mortgage Purchase functions, you may

- Call (800) FREDDIE to hear recorded updates
- Access our Year 2000 web site at [www.freddiemac.com/y2k](http://www.freddiemac.com/y2k)

**MIDANET® Upgrade Deadline**

By October 11, 1999, you must upgrade your MIDANET® for the PC software to version 98.01.38 or higher. After October 11, we will no longer accept deliveries or servicing reports from any version prior to 98.01.38.

We made our initial Year 2000 release of MIDANET in April 1998. Since then, we have issued several upgrades to address regular maintenance, improve functionality and add Year 2000 enhancements. All releases contain our initial Year 2000 updates and have been tested to ensure readiness. You will find details on MIDANET enhancements and our upgrade requirements on our web site, [www.freddiemac.com/y2k](http://www.freddiemac.com/y2k).

To help meet customer requests for stable systems environments in fourth quarter 1999, we plan to minimize MIDANET downloads for the remainder of the year. We released our final Exclusionary List download for the year on September 30, 1999. We'll resume offering the Exclusionary List via MIDANET download on January 28, 2000. In the interim, we are not waiving or altering the current representations and warranties surrounding checking the Exclusionary List.

During the fourth quarter, we'll distribute the Exclusionary List to Seller/Serviceers through a secured GoldWorks® page, e-mail or standard mail. If you do not currently have access to the Exclusionary List on GoldWorks, please call (800) FREDDIE for instructions on setting up an account.

Or, we can send you the Exclusionary List by e-mail or standard mail. If you prefer one of these methods, please send us a written request on company letterhead and signed by an officer or authorized representative of your company. Include the e-mail address or name and mailing address for the recipient. We can send only one Exclusionary List per Seller/Serviceer. Address your request to:

Freddie Mac  
ATTN: Maureen DeArmitt  
8200 Jones Branch Drive, Mailstop 263  
McLean, VA 22102

**Obtaining a Required Net Yield for a Balloon/Reset Mortgage**

One of the most critical and time-sensitive steps for completing the reset of a Balloon/Reset Mortgage is obtaining the Required Net Yield (RNY) as required in Sections 83.64 and 83.83 of the *Single-Family Seller/Serviceer Guide* (Guide). We require you to obtain the RNY when you receive the Borrower's election to reset the Balloon/Reset Mortgage, or when you approve an Ineligible Borrower for a reset. Standard procedures require you to then report the required rate lock disposition code via MIDANET for the PC or our automated commitment line, an interactive phone service. The commitment line, at (703) 761-7170, is open Monday through Friday, 10:00 a.m. to 4:30 p.m. Eastern time.

In the event of an unexpected Year 2000 systems failure affecting this standard procedure, you should use MIDANET or the automated commitment line as the backup for your usual means of transmitting the rate lock. Use this BCP for the period January 1 through March 31, 2000.

In addition, if neither MIDANET nor the commitment line is available, you should contact our Investor Accounting Balloon/Reset Mortgage team (Balloon Team) to obtain RNYs. Please do not contact a Commitment Services Representative. The Balloon Team will be available for rate locks between 10:00 a.m. and 4:30 p.m., Eastern time, Monday through Friday. If you receive an election to reset from a Borrower outside the regular hours of the automated commitment line or the Balloon Team, you should lock the rate as soon as the commitment line or Balloon Team representative becomes available. Look on our web site at [www.freddiemac.com/y2k](http://www.freddiemac.com/y2k) to find your Balloon Team contact.

If the Balloon segment of MIDANET is not operational, we will initiate our plan for you to transmit and receive Form 1074, Freddie Mac Reset Mortgage Confirmation, and Form 1034B, Custodian Certification Schedule - Balloon Loan Modification. We'll let you know via (800) FREDDIE, our e-mail newsletter, *Y2K Update*, or MIDANET if other segments of the system are working.

#### **Requesting Notes from our Document Custodial Services**

If MIDANET for the PC is not available due to an unexpected Year 2000 systems failure, and you need to request the release of a Note, you may use one of the following alternate processes:

- Fax your Note request to (732) 623-6116
- E-mail your request to: [fmmdm@freddiemac.com](mailto:fmmdm@freddiemac.com)
- Mail your request to:

Freddie Mac  
Attn: Document Release  
21550 Beaumeade Circle  
Ashburn, VA 20147

Whether you fax, e-mail or mail your request, you must use Form 1036, Request for Release of Documents, or include all the information required on that form. Form 1036 is available in the Guide, on our web site at [www.freddiemac.com/forms](http://www.freddiemac.com/forms), or on GoldWorks at [www.goldworks.com/newspub/forms](http://www.goldworks.com/newspub/forms).

You may use one Form 1036 provided that you clearly indicate each loan number and the reason for the request, and provided that all Notes that you are requesting are being released for the same purpose (e.g., all are for foreclosures). If you are requesting the release of Notes for several circumstances, you must use a separate request form for each

reason (e.g., assumption, conversion, deed-in-lieu of foreclosure, foreclosure.) If you have questions about requesting the release of documents, call (703) 724-3000.

### **Using Investor Accounting Trial Balance Reports**

In addition to preparing BCPs so that you're ready to react to business problems, we encourage you to take the proactive measure of requesting a trial balance from us to assist you during the Year 2000 date change. You can use the trial balance to identify Freddie Mac Mortgages for prepayment activity. For example, if you know your loan number, but are unable to determine if it is a Freddie Mac Mortgage, then the trial balance may be of help to you. If you have included the loan number from your servicing system in your monthly reporting to us, the trial balance will list that number next to the Freddie Mac loan number.

You can obtain a trial balance through Investor Accounting Manager<sup>SM</sup> on GoldWorks. If you do not have access to GoldWorks, and want to have a trial balance available for the Year 2000 date change, you should make your request to your Freddie Mac Investor Accounting Analyst between December 16 and December 26, 1999. We will not charge you a fee for a December 1999 trial balance. We will generate the trial balance after the close of the monthly accounting process on December 30, 1999, and send it to you via your preferred method:

- GoldWorks
- e-mail
- diskette

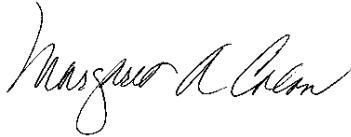
### **Transfers of Servicing**

As we suggested in Bulletin 98-8, dated November 24, 1998, if you anticipate buying or selling Servicing portfolios in the near future, we encourage you to complete those transactions early to avoid the complexity of merging portfolios immediately before or after the century date change. Additionally, we encourage you to avoid processing Subsequent Transfers of Servicing during December 1999 and January 2000 to further mitigate any risk resulting from the Year 2000 date change. We will process Concurrent Transfers of Servicing during December and January as usual.

Please refer to the attached exhibit, originally included in our March 22, 1999 Industry Letter, regarding Alternative Reporting Methods if you find that you must complete a Transfer of Servicing near the century date change. You can find the Industry Letter on our web site at [www.freddiemac.com/y2k](http://www.freddiemac.com/y2k).

Please call your Freddie Mac account manager, servicer representative or (800) FREDDIE if you have any questions.

Sincerely,



Margaret A. Colon  
Senior Vice President  
Servicer Division



John D. Fisk  
Executive Vice President  
Single-Family Securitization Group



## Freddie Mac Service Availability Calendar

Key Dates from December 24, 1999 to January 3, 2000

All times listed are Eastern time.

(800) FREDDIE Support For:							
Date	Mortgage Purchase	Loan Prospector	SS & TG*	Servicer	Mortgage Purchase	Loan Prospector	Servicing
Dec. 24** Friday	Closed	8a.m -5p.m.	Closed	Closed	Closed	Closed	Closed
Dec. 25 Saturday	Closed	Unavailable	Closed	Closed	Closed	Closed	Closed
Dec. 26 Sunday	Closed	Regular Hours	Closed	Closed	Closed	Closed	Closed
Dec. 31** Friday	9a.m.-3p.m. Delivery only *** No Commitment services	8a.m.-5p.m.	9a.m.-2p.m.	Closed	8a.m.-5p.m. MIDANET Technical Support	8a.m.-5p.m.	Closed
Jan. 1 Saturday	Closed	Unavailable	Closed	Closed	Closed	Closed	Closed
Jan. 2 Sunday	Closed	Regular Hours	Closed	Closed	Closed	11a.m.-8p.m.	Closed
Jan. 3 Monday, onward	Regular Hours	Regular Hours	Regular Hours	Regular Hours	Regular Hours	Regular Hours	Regular Hours

\* Securities Sales & Trading Group

\*\* Corporate holiday

\*\*\* You may transmit loan deliveries on December 31, 1999, but since it is a corporate holiday, we will not process them until the next Business Day.

### **For status information:**

- Call (800) FREDDIE and select the status line option to hear recorded updates for Servicer, Loan Prospector®, GoldWorks or Mortgage Purchase
- Check our Year 2000 web site, [www.freddiemac.com/y2k](http://www.freddiemac.com/y2k)
- Subscribe to our e-mail newsletter, *Y2K Update*, through our Year 2000 web site

# Exhibit

Industry Letter, March 22, 1999

Revised October 1, 1999

This exhibit sets forth processes and solutions designed to meet your needs and ours in the event of a Year 2000 related systems disruption. In the event of actual Year 2000 problems, some of these processes would be mandated, while others would be options which you could elect to implement. We've included detail that you will need for Year 2000 business continuity planning for the following processes:

- Contracting
- Mortgage Purchase
- Payoff Reporting
- Principal and Interest Remittance Instructions
- Calculating Principal and Interest Cash Remittances Due Freddie Mac
- Alternative Reporting Methods (Investor Reporting, Default Reporting and Transfer of Servicing)

## Contracting

Your Freddie Mac Account Manager will negotiate contracts in 1999 to ensure coverage and minimize changes to terms of business in January 2000.

## Mortgage Purchase

We've created proactive tactics, alternative data delivery methods and back-up systems for the Mortgage purchase process, including obtaining loan numbers, data delivery and receipt and Note certification. We created these alternatives and tactics to meet our customers' needs, so that the mortgage purchase process can continue uninterrupted in the event of a Year 2000 related problem. Just as we do today, we have redundant systems in place, including:

- If MIDANET® for the PC is inoperable, Sellers may use MIDANET for Tape/CPU or the Year 2000 BCP manual processes outlined below.
- If Gold Connection® for Cash or the Automated Cash Commitment System is inoperable, Sellers may call the Commitment Services line at (703) 761-7170 to obtain Cash Commitments.

### **Loan Numbers**

Freddie Mac loan numbers are assigned by MIDANET for the PC. If MIDANET for the PC is inoperable or there is a problem receiving loan numbers, Sellers may obtain loan numbers by calling our Commitment Services line at (703) 761-7170.

### **Data Delivery and Receipt**

We will implement our business continuity plan to accept and send data via alternative mechanisms if a Year 2000 problem occurs. Sellers are requested to send "clean" Mortgage delivery data so that we can provide optimal levels of service while operating in BCP mode. We are requesting clean deliveries because we may experience timing constraints and processing variations during the implementation of our BCP. We may differentiate service levels based on submission quality. As referenced in Freddie Mac's Settlement Date Schedule, "clean" data means that the delivery documentation must be complete and must not contain any errors or any other information that would affect the processing of the Mortgage. (The completeness or accuracy of the Delivery Documentation will be determined by Freddie Mac in its sole discretion.)

The following actions may be offered to you or taken by Freddie Mac ONLY in the event of a Year 2000 related problem. Please ensure that your BCP plans can support these alternative mechanisms:

### **Data Delivery to Freddie Mac**

- Loan data can be sent via E-mail or diskette and must be in the same format as the electronic Form 11, Mortgage Submission Schedule and Form 13SF, Mortgage Submission Voucher.
- In addition, we will accept fax and paper-copy delivery data for a limited number of loans.
- Paper copies of the following documents must be sent:
  - Contract Delivery Summary (Form 381)
  - Security Settlement Information and Delivery Authorization (Form 939)
  - Wire Transfer Authorization for a Cash Warehouse Delivery (Form 987)
  - Warehouse Lender Release of Security Instrument (Form 996)

### **Receipt of Data from Freddie Mac**

- If Sellers cannot receive data as usual, or Freddie Mac applications cannot be fully utilized, we will send the Contract Confirmations, Loan Purchase Statement (Form 15) and Funding Detail data via alternative means.
- Form 15 and Funding Detail data sent from our back-up system, will include all regular data except Accounting Group Information, Seller Address and Buyup/Buydown Ratio and Proceeds. Data received from Freddie Mac in this alternate format will be available, in its entirety, at a later time from MIDANET.

### **Note Certification**

If the Seller is unable to generate the Custodial Certification Schedules (Forms 1034, 1034A and 1034B) via MIDANET for the PC due to our failure, we will generate this form for you. We will send this form to the Seller via fax, who will then send it, with the notes, to the Custodian.

### **Payoff Reporting**

Obtaining accurate payoff information from you is essential so that we can calculate and publish accurate security balances. For that reason, Servicers must have BCPs to ensure they have the capability and capacity to manually process and report payoffs to us, as required in Chapter 78 of Freddie Mac's *Single-Family Seller/Servicer Guide* (Guide).

Without providing specific requirements in this area, because each Servicer operates differently, we will be requiring Servicers to be able to process payoffs manually and report them to Freddie Mac. This may include having a process in place to distinguish payoffs from other payments, determine if the payoff is for a Freddie Mac loan, and obtain the data to report the payoff to Freddie Mac in a manual mode. Please refer to the reporting communication alternatives section for available alternatives.

### **Principal and Interest Remittance Requirements**

Freddie Mac will provide Seller/Servicers alternative means for successfully initiating their required principal and interest (P&I) and payoff remittances if the current methods are not operational on or after the century date change. The current methods used today to initiate remittances, as noted in Chapter 77 of the Guide, to Freddie Mac through our vendor, NDC eCommerce (NDC), formerly known as Global Payment Systems are:

- GoldWorks® Internet interface via Investor Accounting Manager<sup>SM</sup>
- NDC Touch-Tone Audio Response System
- Calling the NDC Operator

In the event of a Year 2000 failure with any of the interfaces listed above, the following processes will be substituted to allow you to complete the remittance process.

If...	Then...
GoldWorks Internet interface to <u>NDC</u> is not operational	Servicers may use the Touch-Tone Telephone systems or call the <u>NDC</u> Operator at (800) 944-2020
Touch-Tone Telephone System are not operational	Established users may access GoldWorks Internet interface to <u>NDC</u> or, if not an established user, call the <u>NDC</u> Operator
GoldWorks Internet interface to <u>NDC</u> , Touch-Tone telephone system and <u>NDC</u> operators are ALL not operational	After one Business Day, remittances must be made via wire transfer to our bank account using the specified wire instructions provided in the following section

Freddie Mac will require Seller/Servicers to ensure funds are available for our use on the scheduled due date. However, we will allow your organization one additional Business Day if a failure occurs where ALL current interfaces are not operational and the wire transmission process would be used as an alternative means of remittance.

The funds must be wired directly to our account at the First National Bank of Chicago. This option is not available for other funds that may be due Freddie Mac, such as fees, and is available only if our standard remittance interfaces are not operational. Freddie Mac will notify Servicers when to stop sending wire transfers and resume normal business operations.

You must prepare and send a wire transmission to the Freddie Mac account established at the First National Bank of Chicago. Please note that Freddie Mac will not accept wire remittances for reasons other than the failure of our customer interface. The wire instructions need to be stated as follows:

First National Bank of Chicago (FNBC), Chicago IL  
 FNBC ABA# 0710-0001-3  
 Credit Account No. 5163404 of Freddie Mac P&I Collections  
 Ref.: \_\_\_\_\_.

## Industry Letter (10/1/99)

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The following information must be included on the wire reference line: Seller/Servicer name, Freddie Mac Seller/Servicer number and the remittance type (P&I and/or payoff). You may combine P&I and payoffs into one wire to reduce costs. If you do this, please indicate the remittance type of the P&I.

Each wire should represent only one Seller/Servicer number to facilitate the accurate posting to your Seller/Servicer Remittance Analysis. Do not remit payments for multiple Seller/Servicer numbers on one wire. Please note that this bank account will not be operational until January 2000 and its use is restricted to the terms set forth in this letter.

After completion of the wire remittances, please fax or mail a copy of the confirmation/receipt, including your federal reference number, to your Performing Loans Portfolio Representative at Freddie Mac:

Address: Freddie Mac  
Attn: PL Y2K BCP  
8609 Westwood Center Drive  
Vienna, VA 22182-5000

Fax numbers will be provided on the Freddie Mac Year 2000 web site ([www.freddiemac.com/y2k](http://www.freddiemac.com/y2k)).

### **Calculating Principal and Interest Cash Remittances Due Freddie Mac**

In the event the Servicer does not have the information/reports available to know the amount of funds due to Freddie Mac on their remittance dates, Servicers should estimate and remit funds to us as provided in Chapter 78 of the Guide. This applies to all P&I remittance dates (1st Tuesday, ARC and Super ARC).

Servicers should use their prior month Cash Amounts Due Freddie Mac on the applicable due date and provide an estimate for the current month that is either the same as, or 2.5% less, than the prior month.

**Alternative Reporting Methods (Investor Reporting, Default Reporting and Transfer of Servicing)**

Servicers are required to report the following data to us: Investor Accounting, Default Reporting and Transfers of Servicing as noted in Chapters 56, 58, 64, A65, 66 and 67 of the Guide. Investor accounting data is made up of interim and monthly reporting. Interim transactions include payoffs (payoffs or prepayments), third-party foreclosure sales, short payoffs, make-whole preforeclosure sales, charge offs and repurchases. They must be reported within 5 Business Days, except repurchases which can be reported within 30 days of being required or approved. Monthly transactions include inactivations, P&I for active loans, newly funded loans, reinstatements, principal balance corrections, deed-in-lieu of foreclosure (DIL), FHA/VA foreclosures, Real Estate Owned (REO) and the reporting status of all inactive loans. Monthly transactions must be reported by the 5th Business Day after the accounting cycle cutoff.

Default Reporting is made up of Electronic Default Reporting (EDR) and Foreclosure Sale/DIL Reporting. Default data includes reports on any loans which are 30 days delinquent or loans that were in bankruptcy the previous month. Delinquency data is due within the first 3 business days of each month. If a Servicer does not have any loans to report, it must transmit "no activity to report."

Transfer of Servicing data is comprised of a list of the loans being transferred from one Servicer to another. The Transferor Servicer is required to report this through MIDANET for the PC at least 30 days prior to the transfer date.

Servicers who use service bureaus are required to work with them to determine who will be responsible for reporting should connectivity be lost between a Servicer and its service bureau. Servicers should also work with their service bureau(s) to determine how they will implement the BCP options should phone lines, a service bureau system or MIDANET for the PC be unavailable. Depending on the reporting method you currently use, the type of transaction being reported and the volume of transactions reported, you may select one of the following BCP alternatives. You are expected to report to Freddie Mac within the required time frames as stated in the Guide.

Additional reporting documentation has been posted on Freddie Mac's Year 2000 web site ([www.freddiemac.com/y2k](http://www.freddiemac.com/y2k)) providing file formats, E-mail and mailing addresses and sample reports and files. If you find that you need to use an alternative reporting mechanism, we expect that you will simultaneously be working to resume your normal reporting operations as quickly as possible.

We will allow the following alternative reporting methods from January 2000 through March 2000.

<b>Transaction Type</b>	<b>BCP Options</b>	<b>Limitations</b>	<b>Further Information</b>
Monthly Investor Accounting Reporting	tape	No limit	See Freddie Mac's Year 2000 web site ( <a href="http://www.freddiemac.com/y2k">www.freddiemac.com/y2k</a> ) or call (800) FREDDIE
	diskette/e-mail file	10,000 loans or less	
	paper copy	1,000 loans or less and if other options are not available	
Interim Reporting (Payoffs)	diskette/ e-mail file	Servicers that process more than 50 payoffs per month	
	paper copy	Servicers that process 50 or less payoffs per month	
Default Reporting (EDR data only) *	diskette/ e-mail file	N/A (However, if you are required to report more than 10,000 loans you should consider using multiple diskettes)	
	paper copy	1,000 loans or less and if other options are not available	
Default Reporting (Foreclosure Sale/DIL Data)	paper copy	No limit	Fax to Freddie Mac at (703) 760-2715 a copy of Form 1076 or a document with the same information as on Form 1076. No special format required.
Transfer of Servicing (partial) **	diskette/ e-mail file	No limit	See Freddie Mac's Year 2000 web site ( <a href="http://www.freddiemac.com/y2k">www.freddiemac.com/y2k</a> ) or call (800) FREDDIE
	paper copy	1,000 loans or less and only if other options are not available	
Transfer of Servicing (full) **	paper copy	No limit	Send a letter along with the Form 981 and request Freddie Mac to execute the transfer in MIDANET. Send this letter to 8609 Westwood Center Drive, Vienna, VA 22183, MS C63

\* If you don't have delinquency data to report, you should fax Freddie Mac at (703) 760-2715 indicating no delinquency data for the current reporting cycle.

\*\* As communicated to you in Bulletin 98-8, we encourage Servicers to not plan any Transfers of Servicing.