

Bulletin

NUMBER: 2001-5

TO: All Freddie Mac Sellers and Servicers

July 9, 2001

**Freddie
Mac**

SUBJECTS

Requirements amended in this Bulletin:

- Selling and Servicing

Freddie Mac is:

- Reminding Seller/Servicers of the proper use of the Loan Prospector® Key Number
- Suspending the *Loan Prospector on the Internet* Reassignment Fee
- Revising Exhibit 18, Loan Prospector Price Structure, to reflect changes in Credit Reporting Companies' merged credit report fees
- Revising our requirements pertaining to workouts
- Updating our requirements regarding the use of a single law firm for bankruptcies and foreclosures
- Reminding Servicers of their obligation to comply with all applicable laws and regulations, including those regarding privacy and information security

EFFECTIVE DATES

All changes are effective immediately.

WHY WE'RE MAKING THESE CHANGES AND HOW THEY AFFECT YOU

Selling Changes

Use and Delivery of the Loan Prospector Key Number

Proper use of the Loan Prospector Key Number is critical to ensuring the accuracy and integrity of the data Loan Prospector uses to evaluate a Mortgage, and proper delivery of the Key Number is critical to identification and analysis of the Loan Prospector Mortgages that a Seller has sold to Freddie Mac.

As a reminder:

- The Key Number may be used to process *one* Mortgage only. Whether you sell the Mortgage to Freddie Mac, sell to an alternate investor, or hold the Mortgage in your portfolio, once the Mortgage is closed, you may not reuse its Key Number to process or originate subsequent Mortgages.
- If the Mortgage application is declined or withdrawn prior to closing, or remains in process for an extended period of time, you may resubmit the loan to Loan Prospector using the original Key Number as long as the final submission of the Mortgage to Loan Prospector is within six months of the date of the original application.
- You're required to deliver the Key Number for each Mortgage you evaluate using Loan Prospector, including Accept and Caution Mortgages. However, effective immediately, Freddie Mac no longer requires you to deliver the LP Key Number for Seasoned Mortgages. Nor are you required to deliver the Key Number for Mortgages that receive an evaluation status of invalid, ineligible or incomplete.

If you're a wholesale lender, please be sure to inform your brokers of Freddie Mac's policies regarding use of the Key Number.

We have revised Chapters 2, 17 and 36 to provide additional language regarding the use and delivery of the Key Number.

Suspension of *Loan Prospector on the Internet* Reassignment Fee for Brokers

As announced in the May 29th issue of *e-Power*, Freddie Mac is suspending the \$20 reassignment fee brokers pay to electronically transmit loan applications to wholesalers through *LP on the Internet*. This change, in response to lenders' requests and to encourage the full use of our technology, will help assure the data integrity of the loans Freddie Mac purchases. The fee suspension will continue as long as market conditions warrant. Please note that brokers still pay the \$20 loan evaluation fee, but when a loan is reassigned electronically through *LP on the Internet* to another wholesaler, no additional reassignment fee will be charged.

We have updated Exhibit 18, Loan Prospector Pricing Structure, to reflect this change.

Credit Reporting Company fees

Some of the Credit Reporting Companies providing merged credit reports through Loan Prospector have revised their fees. Changes have been made to the credit reporting fees for Fidelity National Credit , Equifax Mortgage Services, and Factual Data Corporation.

We have revised Exhibit 18, Loan Prospector Price Structure, to reflect these changes.

Acceptable Single-Family Mortgage Documents

In response to issues brought to our attention, Freddie Mac and Fannie Mae jointly undertook a review of the process and mechanics of using the 1/01 version of the New York Consolidation, Extension and Modification Agreement (Form 3172) to originate Mortgages secured by property located in New York State. As a result of this review, the Consolidation, Extension and Modification Agreement Form and related Instructions have been revised.

In addition, due to a change in the law for the District of Columbia, Freddie Mac and Fannie Mae have jointly made changes to the Uniform Security Instrument for the District of Columbia (Form 3009) in the Non-Uniform Covenants, Section 22.

In order to facilitate your identification of the revised Form 3172 and Form 3009, we have changed the tagline on each Form to 1/01 (rev. 5/01). Exhibit 4 of the Guide has been revised to incorporate these changes. In addition, the updated versions of the Form 3172 and Form 3009 have been posted on our web site at <http://freddiemac.com/uniform>. If you have not already done so, you must begin originating Mortgages using the revised version of the Forms immediately.

Authorized Changes to Notes, Riders and Security Instruments

As a result of the change to our rent loss insurance requirements for Investment Properties announced in Bulletin 2001-3, we are adding a permitted change to the 1-4 Family Rider, Form 3170. If rental income is not used to qualify the Borrower and the Mortgaged Premises is an Investment Property, originators may delete paragraph D (Rent Loss Coverage) from the 1-4 Family Rider.

Section 22.22.1 (c) of the Guide and Exhibit 5 have been updated to incorporate this change.

Servicing Changes

Workout Changes

From time to time we review our policies and processes to ensure that we remain current with changes and trends in the industry and to improve processes for you and us. We have revised several of our requirements pertaining to workouts. These revisions are part of our continuing effort to gain efficiencies and reduce the cost of servicing delinquent Mortgages.

We have updated Chapters 65, A65, B65, Form 1126, Form 1126SP and added Exhibit 78a, Modification Bankruptcy Disclosure Rider, to reflect these revisions.

Use of the Same Attorney for Bankruptcy and Foreclosure

Having a single law firm handle a Mortgage in foreclosure and bankruptcy increases efficiency and effectiveness and reduces costs and handoffs that cause controllable delays. Therefore, we are requiring that you use the same attorney to process a foreclosure and bankruptcy. We have revised Chapters 53, 66, 67 and 71 to reflect this requirement.

Changes to the Designated Counsel Program in the State of California

We are revising our Designated Counsel Program in the State of California. We are in the process of designating three firms for the entire State. We will update Exhibit 79 in our September 10th Bulletin to notify you of the identity of our new firms.

Also, effective with foreclosure and bankruptcy referrals initiated on or after September 15, 2001, the California program will work like the programs in all of the other designated States: you will use the same firm to handle both the foreclosure and bankruptcy.

Please note that files that are referred to the current designated counsel or trustees prior to September 15, 2001 must remain with those firms.

Privacy and Security of Information

Consistent with Freddie Mac's long-standing commitment to protect the privacy of Borrowers' confidential information, we are reminding Servicers of their obligations to comply with all applicable laws and regulations, including laws and regulations regarding privacy and information security. We have updated the Guide to ensure that Servicers protect confidential information concerning the Borrower and Mortgage Premises and maintain the information in a secure manner.

We have also updated the Guide to emphasize and reinforce requirements for Servicers that transfer file information to Custodians. Servicers must ensure that Custodians maintain confidential information concerning the Borrower and Mortgaged Premises in a secure manner.

We have revised Chapters 18, 52 and 53 to reflect these changes.

REVISIONS TO THE *SINGLE-FAMILY SELLER/SERVICER GUIDE*

Descriptions of all new or revised Guide chapters are located in Exhibit A of this Bulletin. The revisions include:

- Chapters 2, 17, 18, 22, 36, 44, 52, 53, 65, A65, B65, 66, 67, and 71
- Exhibits 4, 5, and 18 and new Exhibit 78A
- Forms 1126 and 1126SP
- The Directory

We've highlighted the changes on these pages by placing an arrow in the margin and double underscoring the revised text. Please follow the instructions on the page before the replacement pages so that you can update your Guide correctly.

CHANGE OF ADDRESS

We want to ensure that our Guide Bulletins and Industry Letters are being received by those who need them and that you are receiving the correct amount of copies. If there has been a change in your address, Guide point of contact or in the number of copies you need, please visit our website at: <http://www.freddiemac.com/sell/single/getguide.htm> or call (800) FREDDIE.

CONCLUSION

We believe that these changes support Freddie Mac's commitment to making the Mortgage finance process simpler and more efficient. If you have any questions about the changes announced in this Bulletin, please call your Freddie Mac account manager or (800) FREDDIE.

Sincerely,



Paul T. Peterson
Executive Vice President, Single-Family Group

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Exhibit A

Highlights of the Revisions in this Package

Bulletin 2001-5 incorporates changes to the following Chapters, Exhibits, Forms, and the Directory of the *Single-Family Seller/Servicer Guide* (Guide).

- **Chapter 2 – General Freddie Mac Policies** – Revises language regarding the use and delivery of the Loan Prospector Key Number.
- **Chapter 17 – Mortgage Delivery and Settlement Processing** – Revises language regarding the delivery of the Loan Prospector Key Number.
- **Chapter 18 – Document Custody** – Revises language regarding the confidentiality and security of file information.
- **Chapter 22 – General Mortgage Eligibility** – Revises language regarding authorized changes to the 1-4 Family Rider, Form 3170 for Investment Property Mortgages.
- **Chapter 36 – Special Eligibility Requirements for the Purchase of Seasoned Mortgages** – Revises language regarding the delivery of the Loan Prospector Key Number.
- **Chapter 52 – Mortgage File Retention** – Revises language regarding the confidentiality and security of file information.
- **Chapter 53 – Servicer Agreements** – Revises language regarding the use of a single law firm for foreclosures and bankruptcies. Adds language regarding the confidentiality and privacy of information.
- **Chapter 65 – Loss Mitigation** – Revises language regarding delinquencies and our compensation program for settled workouts.
- **Chapter A65 – Reinstatements And Relief Options** – Revises language regarding full and partial reinstatements and repayment plans.
- **Chapter B65 – Workout Options** – Revises language regarding modified Mortgage conditions (including reference to Bankruptcy Disclosure Rider, new Exhibit 78a), expenses and delinquent amounts.
- **Chapter 66 – Foreclosure** – Revises language regarding the use of a single law firm for foreclosures and bankruptcies.

- **Chapter 67 – Adverse Matters** – Revises language regarding the use of a single law firm for foreclosures and bankruptcies.
- **Chapter 71 – Reimbursement of Expenses** – Revises language regarding the reimbursement of foreclosure related expenses.

Exhibits

We have revised the following exhibits:

- **Exhibit 4 – Currently Acceptable Single-Family Mortgage Documents** – Revises the taglines on Form 3172 and Form 3009 to 1/01 (rev. 5/01)
- **Exhibit 5 – Authorized Changes to Notes, Riders and Security Instruments** – Adds a permitted change to the 1-4 Family Rider, Form 3170
- **Exhibit 18 – Loan Prospector® Price Structure** – Removes assignment fee and associated language and revises Credit Reporting Companies’ merged credit report fees.

We have added the following exhibit:

- **Exhibit 78A – Modification Bankruptcy Disclosure Rider**

Forms

We have revised the following forms:

- **Form 1126 – Borrower Financial Statement**
- **Form 1126SP – Forma Financiera Del Prestatario**

Directory

- We have revised **Directory 1** to update phone and fax numbers.