

Bulletin

NUMBER: 2001-4

TO: All Freddie Mac Sellers and Servicers

June 7, 2001

Freddie
Mac

SUBJECTS

Requirements amended in this Bulletin:

- Selling and Servicing

Freddie Mac is:

- Increasing the maximum loan-to-value (LTV) ratio for Freddie Mac-owned Affordable Gold® 5 and 3/2 streamlined refinance Mortgages
- Updating the default management criteria in our Servicer Performance Profiles

EFFECTIVE DATES

All changes are effective immediately with the following exceptions:

- July 1, 2001 – Revised criteria for Servicer Performance Profiles and revisions to Exhibit 57

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

Selling Changes

Increased LTVs for Streamlined Refinance Affordable Gold Mortgages

In Bulletin 2001-2, we announced an increase in the maximum loan-to-value (LTV) ratio for streamlined refinance Mortgages from 90 percent to 95 percent. We are bringing the requirements for Freddie Mac-owned Affordable Gold 5 and Affordable Gold 3/2 streamlined refinance Mortgages into alignment with our requirements for other streamlined refinance Mortgages by increasing the maximum LTV ratio for these Mortgages to 95 percent. This increase will provide you with additional flexibility to respond to market conditions and provide more refinance options to Borrowers with Mortgages owned by Freddie Mac.

Sections 34.2 and 34.3 have been revised to reflect this change.

Servicing Changes

Update to our default management criteria in performance profiles

Over the past three years, we have worked with you on our Profiles 2000 project concerning the default management category of your Servicer Performance Profile. Our Performance Profiles have become a valuable tool for you to use in:

- determining how well your staff meets Freddie Mac requirements
- pinpointing strengths and weaknesses in your servicing processes
- managing your investor reporting and default management functions effectively

As a result of enhancements to our evaluative tools and after discussions with our Default Advisory Group and Servicer Advisory Board, we further refined the default management category of our Performance Profile criteria and also made several adjustments to the performance measures. Our recently completed Pilot Phase included all Servicers and provided you with “side by side” comparisons of your current Profile and your “new” Profile so you could see the impacts of these changes on your performance.

After a review of the Pilot, we have determined the final criteria for the Servicer Performance Profiles that will become effective July 1, 2001. Refer to your Performance Profile for the specific criteria in each of the default management categories.

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 17, 22, 27, 34, 37, 51, 61, 65 and 78
- Exhibits 22, 57, 60, and 79
- The Directory
- The Glossary

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 2001-4 incorporates changes to the following Chapters, Exhibits, Forms, Directory, and Glossary of the *Single-Family Seller/Servicer Guide* (Guide).

- **Chapter 17 – Mortgage Delivery and Settlement Processing** – Revises Section 17.12 to include the requirement moved from the Glossary that for pooling purposes Prepayment Protection Mortgages are considered such even after the premium period has expired.
- **Chapter 27 – Mortgage Insurance, Late Charges and Prepayment Charges** – Removes Section 27.4 since requirements for purchase of Prepayment Protection Mortgages are now stated in Chapter B33 of the Guide.
- **Chapter 34 – Special Eligibility Requirements for Affordable Gold® Mortgages** – Increases LTV ratios in Sections 34.2(b) and 34.3(b) for Freddie Mac-owned streamlined refinance Affordable Gold 5 and 3/2 Mortgages.
- **Chapter 51 – General Freddie Mac Policies** – Updates Freddie Mac servicing requirements for Prepayment Protection Mortgages.
- **Chapter 61 – Mortgage Insurance** – Updates collateral requirements for cancellation of mortgage insurance to reflect changes to Chapter 44 of the Guide announced in Bulletin 2001-3.
- **Chapter 65 – Loss Mitigation** – Revises default management performance standards and compensation program relating to workouts settled.

Exhibits

We have revised the following exhibits:

- **Exhibit 22 – Form of Additional Supplement** – Revises the date reference for the Offering Circular.
- **Exhibit 57 – 1-4 Unit Property Approved Expense Amounts** – Revises information for the State of North Carolina. We have updated the costs and fees we will reimburse Servicers if they must re-start a foreclosure due to a delay, such as bankruptcy.
- **Exhibit 60 – Loan-Level Reporting Data Description** – Removes prepayment penalty section.

- **Exhibit 79 – Designated Litigation Counsel/Trustees** – Revises mailing addresses, e-mail addresses and company names.

Directory

We have revised the following Directory page:

- **Page 10** – Revised to require geographically-based fax numbers for submission of Form 1034S (Custodian Certification Schedule Summary) to Freddie Mac. The old fax number (732-623-6116) has been discontinued.

Glossary

We have revised the definition of the following term by removing some language from the definitions and moving that language into Chapter 17 as a delivery requirement.

- **5-year Prepayment Protection Mortgage**
- **Nonstandard Prepayment Protection Mortgage**
- **3-year Prepayment Protection Mortgage**