

Bulletin

NUMBER: 2002-2

TO: All Freddie Mac Sellers and Servicers

February 7, 2002

Freddie
Mac

SUBJECTS

Requirements amended in this Bulletin:

- Selling and Servicing

Freddie Mac is:

- Announcing electronic versions of Forms 16SF and 1107SF for completion and submission via our web site
- Introducing a change to our payoff reporting requirements and a new, related performance measurement on the Investor Reporting Performance Profile

EFFECTIVE DATES

All of the changes are effective immediately with the following exception:

- **April 1, 2002:** date on or after which Servicers must report matured or prepaid payoffs by the second Business Day after they receive the payoff proceeds

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

Selling and Servicing Changes

Electronic Forms 16SF and 1107SF

Each year our Seller/Servicers must report information to Freddie Mac and certify compliance with certain Freddie Mac requirements via the Form 16SF, Annual Eligibility Certification Report. Form 1107SF, Seller/Servicer Change Notification Form, must be submitted whenever a Seller/Servicer has a change that the *Single-Family Seller/Servicer Guide* (Guide) requires be reported.

We are continuing our commitment to electronic commerce by creating electronic Forms 16SF and 1107SF for you to access and complete on our web site at:

- <http://fmds2.freddie.mac.com/singlefamily/eligibility.nsf/frmOpen16SF?OpenForm>
- <http://fmds2.freddie.mac.com/singlefamily/eligibility.nsf/frmOpen1107SF?OpenForm>

Electronic Form 16SF should be easier to complete than our paper version because the system will pre-populate many of the required fields using existing Freddie Mac data. You will need to verify this information and provide any needed updates before you submit the form. If you are required to submit attachments with Forms 16SF or 1107SF, you may submit them via the web, email, facsimile or U.S. mail (refer to submission instructions on the forms). And if you are a federally insured depository institution, you are no longer required to submit audited financial statements or auditor's reports on internal controls.

If you do not currently have Internet access, you may submit Form 16SF to us via facsimile for fiscal years ending on or before November 30, 2002. Form 1107SF may be submitted via facsimile through December 31, 2002.

As a reminder, Seller/Serviceicers may not engage in any electronic transaction affecting Freddie Mac unless the electronic transaction has been required or permitted by Freddie Mac.

We have revised Forms 16SF and 1107SF, Chapters 4 and 5 and Directories 1 and 10 to reflect these changes.

Electronic Transaction Acknowledgement and Consent

As a result of the increasing number of electronic transactions approved and provided for in the Guide, we are revising Section 1.3 of the Guide with respect to Seller/Serviceicers' duties and obligations when conducting electronic transactions with Freddie Mac, in particular their obligation to adopt and maintain security measures that are consistent with the risk associated with conducting electronic transactions.

Revised Sections 1.3(a) through (i) reflect these changes.

Servicing Changes

New Payoff Reporting Requirements and Performance Measurement on Investor Reporting Performance Profile

As announced in the December *NewsLink* (issue 28) and a letter to Serviceicers in January, we will now require Serviceicers to report matured or prepaid payoffs by the second Business Day after they receive the payoff proceeds. This new requirement is effective for all matured or prepaid payoffs received on or after April 1, 2002. The remitting

requirement for payoff funds is not changing. The change to our reporting requirements is due to the recent change in our PC prepayment accounting cycle, which is now based on a calendar month cycle to better align our securities with Mortgage-backed securities issued by other agencies.

As a result of this new reporting requirement, we are introducing a new performance measurement on the Investor Reporting Performance Profile. The new indicator of performance, "Payoffs Average # of Days to Report," will measure how well a Servicer reports payoffs. It replaces the "Late Reported Payoff" metric.

We've updated Chapters 76 and 78 to revise language regarding how and when to report payoffs.

Requirements for Servicing a Mortgage for a Service Member

In light of the events of September 11th and the current military mobilization, Freddie Mac issued Bulletin 2001-8 to assist Seller/Servicers in originating and servicing Mortgages for Borrowers who are service members.

With this Bulletin (2002-2), we are updating Chapters 66 and 82 to provide more detailed information for servicing a Mortgage for a service member.

As a reminder, some of the purchase and underwriting exceptions, as well as the application of SSCRA provisions, discussed in Bulletin 2001-8 apply only to service members on active duty in support of Operations Enduring Freedom and Noble Eagle, and are not applicable to Mortgages for all service members.

Therefore, in addition to inserting the replacement pages included in this Bulletin, you must also retain Bulletin 2001-8 for future reference. If you need a copy of Bulletin 2001-8, please call (800) FREDDIE.

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 1, 2, 4, 5, 17, 18, 25, C33, 36, 44, 46, 50, 53, 66, 76, 78 and 82
- Exhibit 19
- Forms 16SF, 104SF, and 1107SF
- Directory
- 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

Exhibit A

Highlights of the Revisions in this Package

Bulletin 2002-2 incorporates changes to the following Chapters, Exhibits, Forms, Glossary and the Directory of the *Single-Family Seller/Servicer Guide* (Guide).

- **Chapter 1 - Introduction** - Removes language regarding written notice and revises language regarding acknowledgment and consent to electronic transactions.
- **Chapter 2 - General Freddie Mac Policies** - Revises language regarding notice to Freddie Mac and notices from Freddie Mac to Seller/Servicer.
- **Chapter 4 - Seller/Servicer Institutional Eligibility** - Adds language regarding the electronic submission of Forms 16SF and 1107SF by Seller/Servicer.
- **Chapter 5 - Disqualification or Suspension of a Seller/Servicer** - Adds language permitting Seller/Servicers to submit notice of intent to terminate voluntarily as a Freddie Mac-approved Seller or Servicer via email or facsimile.
- **Chapter 25 - Secondary Financing and Other Financing Agreements** - Adds language regarding no assessment of a secondary financing postsettlement delivery fee for Mortgages delivered with Affordable Seconds.
- **Chapter 50 - Introduction** - Removes language regarding written notice and revises language regarding acknowledgment and consent to electronic transactions.
- **Chapter 53 - Servicer Agreements** - Revises language regarding notice to Freddie Mac and notices from Freddie Mac to Seller/Servicer.
- **Chapter 66 - Foreclosure** - Adds language requiring Servicers to obtain Freddie Mac's permission to initiate foreclosure when the Borrower is a service member.
- **Chapter 76 - Basics of Investor Accounting** - Revises language to require Servicers to report payoffs-matured or prepaid by the second Business Day after they receive the payoff proceeds.
- **Chapter 78 - Reporting and Remitting Requirements** - Revises language to require Servicers to report payoffs-matured or prepaid by the second Business Day after they receive the payoff proceeds.
- **Chapter 82 - Special Servicing and Reporting Requirements for SSCRA-Capped Mortgages** - Updates language regarding servicing a Mortgage for a service member.

Exhibits

We have revised the following exhibit:

- **Exhibit 19 - Postsettlement Delivery Fees**

Forms

We have revised the following forms:

- **Form 16SF - Annual Eligibility Certification Report**
- **Form 104 - Statement of Loan, Workout and REO Expenses and Income**
- **Form 1107SF - Seller/Service Change Notification Form**

Directory

- **Directory 1** - Revises the “Attention line” and telephone and fax numbers for Sections 2.10 and 53.9 and deletes Sections 1.2(j) and 50.2(j). Revises the fax number for Sections 4.1, 4.8 and 4.11. Revises the “Attention line” for Sections 2.15 and 51.10. Removes Sections 18.3, 18.4(b) and 18.7(b). Adds Sections 4.10, 4.12 and 5.3.1.
- **Directory 10** - Adds Sections 18.3, 18.4(b) and 18.7(b).