Freddie Mac Servicing Update

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A ***Better*** Freddie Mac

…and a ***better*** housing finance system

For families

...innovating to improve the liquidity, stability and affordability of mortgage markets.

For customers

...competing to earn their business.

For taxpayers

...reducing their exposure to mortgage risks.

Freddie Mac Servicing – CFPB Related Policy Updates

Freddie Mac Bulletin 2017-6 addressed all necessary updates to comply with CFPB's Amendments to the Mortgage Servicing Rules, published in August of 2016

- **Borrower Communication**
  - » Updated borrower outreach requirements so that the Servicer must discontinue contact with the borrower 60 days prior to a judicial foreclosure sale date or 30 days prior to a non-judicial sale date, unless the Servicer is required to continue contact attempts by applicable law.
  - » Revised requirements pertaining to acknowledgment of receipt of a Borrower Response Package
    - Servicers now required to acknowledge to the borrower that a previously incomplete Borrower Response Package has been completed within five business days of receiving all required documentation.
- **Definition of "First Complete Borrower Response Package"**
  - » Term now refers to the first complete Borrower Response Package submitted in relation to any period of continuous delinquency as opposed to in relation to the life of the mortgage.
- **Repayment Plans**
  - » Adjusted requirements pertaining to:
    - when a complete Borrower Response Package is required
    - When the repayment plan must be in writing
  - » In addition, we made other updates to repayment plans that were not directly related to CFPB's amendments to the Mortgage Servicing Rules

Freddie Mac Servicing – Top of Mind

- Key Announcements from 2017
  - Replacing the Uniform Borrower Assistance Form (UBAF) with the new Mortgage Assistance Application (MAAp)
  - Announced details of the Investor Reporting Change Initiative (IRCI)
  - Retiring the Imminent Default Indicator (IDI) and replacing it with a rules based approach to determining imminent default when a borrower is current or in the early stages of delinquency
  - Increased expense reimbursement limits for legal work in all states, and certain property preservation expenses, including for clearboarding
  - Conducted a mortgage servicing market survey in conjunction with Fannie Mae
  - Implemented the Flex Modification
  - Disaster relief policy updates
- 2018 Servicing Areas of Focus
  - Continuing the ongoing “Future State of Loss Mitigation” initiative
    - Implementation of the MAAp and the new imminent default criteria
    - Updates to Forbearance Plans, Short Sales and Deeds-in-Lieu of Foreclosure
    - Revised Model Letters
  - Evaluate early stage delinquency Counseling
  - Revising Foreclosure Timeline State Standards and Compensatory Fee Structure
  - Servicing Market Analysis phase 2

Disaster Provisions

- Forbearance
- Suppression of credit reporting and late charges
- Property inspections and maintenance
- Insurance disbursements
- Foreclosure and eviction suspension
- Property inspections
- Transition from Forbearance

Disaster Provisions- Loan Modification Comparison Chart

	Program Goal	Pros	Cons
Extend Modification	For borrowers who are able to resume contractual payment amount, this option brings the borrower current with minimal impact to the mortgage terms	• No interest charged on top of delinquent interest • Term only extended by number of months missed • On a Fixed Rate Mortgage, borrower essentially resumes making monthly payments with remaining P&I schedule identical to what was remaining prior to the disaster event	• Overall monthly payments likely to increase for first five years due to repayment of escrow advanced by the Servicer (amounts disbursed) and escrow shortages • On an ARM or Step-Rate Mortgage the post-modified P&I payment is likely to increase as a result of the interest rate adjustment
Capitalization and Extension Modification for Disaster Relief	For borrowers who are able to resume contractual payment amount, this option brings the borrower current with minimal impact to the mortgage terms	• Post-modified monthly P&I payment amount is always equal to or slightly less than the pre-modified P&I • Capitalization allows for escrow advanced by the Servicer (amounts disbursed) be rolled into the UPB and does not result in an increase to the borrower's monthly payment amount	• Capitalization rolls delinquent interest into the UPB, resulting in "interest charged on top of interest" • Escrow shortages, if applicable, cannot be capitalized and will result in an increased monthly payment amount for a five-year period. • Term extension can be for additional months in addition to the number of payments missed in order to establish a P&I payment amount equal to the pre-modified P&I
Flex Modification	Provide payment relief for borrowers who are unable to resume contractual payment amount	• Provides significant payment reduction, targeting a 20% decrease to P&I • May provide interest rate relief • May provide forbearance to create a non-interest bearing UPB balance • An informed borrower can reduce the 40-year term by controlling their own payment schedule, further enhancing the benefit of the interest rate reduction and non-interest bearing UPB	• Extends the term to 40 years, which is not appropriate for all borrowers • Forbearance balloon due at the earlier of payoff or maturity

Questions?