

Bulletin

To: Freddie Mac Servicers

August 9, 2023 | 2023-17

SUBJECT: SERVICING UPDATES

This Guide Bulletin announces:

- **COVID-19 temporary servicing guidance**
 - The phased retirement of [temporary servicing guidance related to COVID-19](#)
- **Expense reimbursement for preservation and maintenance of vacant properties**
 - An increase in the reimbursable [expense limits for certain expense codes](#)
- **Reimbursements for legal costs**
 - An increase in approved Servicer [reimbursement amounts for attorney fees](#)
 - A clarification related to [reimbursements for filing costs](#)
- **Contract noncompliance and contract change compensatory fee**
 - Updates to the circumstances when the [contract noncompliance and contract change compensatory fee](#) is charged
- **Additional Guide updates**
 - Further updates as described in the [Additional Guide updates](#) section of this Bulletin

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

UPDATES TO TEMPORARY SERVICING GUIDANCE RELATED TO COVID-19

Effective November 1, 2023

Throughout the COVID-19 pandemic, Freddie Mac has supported Servicers' efforts to assist Borrowers who have experienced a hardship resulting from COVID-19. Under FHFA direction and in alignment with Fannie Mae, Freddie Mac provided temporary Servicer guidance for various Servicing requirements, including:

- Delinquency reporting and COVID-19 hardships
- Quality right party contact (QRPC)
- COVID-19 forbearance plans
- COVID-19 Payment Deferral and Flex Modifications

With this Bulletin and following the expiration of the [National Emergency Declaration](#) on April 10, 2023, we are announcing the phased retirement of the temporary COVID-19-related requirements listed above. Some requirements, such as COVID-19 forbearance plans and extensions and the use of Default Reason Code 032 for COVID-19 hardships in the reporting of new delinquencies, will be retired on November 1, 2023. Others, such as evaluations for COVID-19 Payment Deferral and COVID-19 Flex Modification, will be retired later to allow Borrowers with an ongoing COVID-19-related hardship to transition to the related COVID-19 loss mitigation option.



Delinquency reporting and COVID-19 hardships

Beginning with new hardships identified on or after November 1, 2023, Servicers must discontinue use of default reason code 032 for reporting new delinquencies related to COVID-19 and instead use the applicable default reason code for the underlying hardship (e.g., unemployment).

If a Servicer has been reporting a Borrower's hardship as a COVID-19-related hardship under default reason code 032 prior to November 1, 2023, the Borrower must continue to be reported delinquent using default reason code 032 as long as the COVID-19 hardship continues.

NOTE: As delinquency and hardship reporting generally occurs the month after identification of the hardship reason, for instances where a new delinquency is identified in October 2023, then the Servicer may report an 032 for a COVID-19-related hardship within the first three Business Days of November 2023, as required.

Quality right party contact (QRPC)

Effective November 1, 2023, for all evaluations requiring QRPC, the Servicer must achieve QRPC as defined in Guide Section 9102.3. The "limited QRPC" described in Bulletin 2020-10 that was accepted for certain COVID-19 loss mitigation evaluations will no longer be applicable.

COVID-19 forbearance

COVID-19 forbearance requirements will be retired for all forbearance evaluations with an evaluation date on or after November 1, 2023, including evaluations for new forbearance plans and evaluations for extensions to existing COVID-19 forbearance plans. On and after November 1, 2023, all Borrowers who meet the requirements for forbearance must be evaluated in accordance with Guide Chapter 9203 for all eligible hardships and Chapter 8404 if the hardship is the result of an Eligible Disaster.

Any active COVID-19 forbearance that was agreed to before November 1, 2023 will remain in place in accordance with the terms of the forbearance agreement.

As a reminder, if, after Servicer evaluation, a Borrower is found to be ineligible for a forbearance plan, but the Servicer still believes that based on the Borrower's individual circumstances, a forbearance plan is in the Borrower's best interest, the Servicer may submit an exception request to Freddie Mac for review.

Borrower outreach and solicitation

At least 30 days before the end of a COVID-19 forbearance period, the Servicer must begin attempts to establish QRPC with the Borrower following the requirements in Section 9102.3(b) to evaluate the Borrower for a forbearance plan extension under forbearance requirements described in Chapter 9203, if applicable.

If the Borrower is ready to transition to a permanent solution, the Servicer must evaluate the Borrower in accordance with the eligibility requirements described in Bulletins 2020-15, 2021-8 and 2021-35, the evaluation hierarchy requirements described in Bulletin 2020-15 and the QRPC requirements described in this Bulletin. If the Servicer is unable to establish QRPC before the end of the forbearance plan, the Servicer must evaluate for a proactive offer for a COVID-19 Payment Deferral or under the COVID-19 provisions for a Flex Modification, as described in Bulletin 2021-8.

COVID-19 Payment Deferral and Flex Modification

Effective November 1, 2024, all requirements pertaining to the COVID-19 Payment Deferral and to COVID-19 provisions for the Flex Modification as described in the associated Bulletins (e.g., Bulletins 2020-7, 2020-15, 2021-8, etc.) will be retired. For all loss mitigation evaluations conducted on or after November 1, 2024, the Servicer must evaluate the Borrower in accordance with Payment Deferral and Flex Modification requirements as described in the Guide.

Eligibility for a COVID-19 Payment Deferral or a Flex Modification is contingent upon the following:

- The Mortgage must have been reported with default reason code 032 in November 2023 (for October activity) for a hardship identified prior to November 1, 2023 and continue to be reported as 032 until the evaluation date,
- The evaluation date must be before November 1, 2024, and
- All COVID-19 Flex Modifications must have an effective date on or before May 1, 2025



Other COVID-19 requirements

Other COVID-19 requirements announced in previous Bulletins that are not addressed here (e.g., MI cancellation requirements, disbursement of insurance proceeds, foreclosure suspension resulting from a Homeowner Assistance Funds (HAF) evaluation, etc.) will remain in effect for ongoing COVID-19 hardships that meet our delinquency reporting requirements described above.

EXPENSE REIMBURSEMENT FOR PRESERVATION AND MAINTENANCE OF VACANT PROPERTIES

We have increased the reimbursable expense limits for the following expense codes associated with the preservation and maintenance of abandoned Mortgage Premises:

Reimbursable expense limits for abandoned properties	Current reimbursement limit	New reimbursement limit
<i>Yard Maintenance/Preservation</i>		
090020 (Securing) (Slider Locks)	\$50.00	\$75.00
090021 (Securing) (Window Locks)	\$50.00	\$100.00
093004 (Initial Yard Maintenance) (Greater than 10,001 sqft)	\$405.00	\$525.00
093005 (Initial Yard Maintenance) (Lots up to 10,000 sqft)	\$255.00	\$450.00
094013 (Yard Maintenance) (Greater than 10,001 sqft)	\$255.00	\$450.00
094016 (Yard Maintenance) (Lots up to 10,000 sqft)	\$185.00	\$270.00
<i>Property Inspections</i>		
404005 (Exterior Property Inspection)	\$20.00	\$30.00
404007 (Interior Property Inspection)	\$25.00	\$45.00
404016 (Ordinance inspection) (Weekly)	\$20.00	\$30.00
404017 (Ordinance inspection) (Bi-Weekly)	\$20.00	\$30.00
<i>Miscellaneous</i>		
191035 (Discoloration)	\$400.00	\$500.00
200000 (Roof Repair/Replacement)	\$1,000.00	\$1,150.00

Other reimbursement system updates

Unit Price adjustments

Unit Price adjustments have been made to the following expense codes:

- 093004 (Initial Yard Maintenance)
- 093005 (Initial Yard Maintenance)
- 094016 (Yard Maintenance) (Lots of up to 10,000 square feet)



- 094013 (Yard Maintenance) (Lots larger than 10,000 square feet)

Expense code description revisions

Generated debris should be factored in with the bid and not submitted separately for the following expense codes:

- 093004 (Initial Yard Maintenance)
- 093005 (Initial Yard Maintenance)
- 094014 (Trimming (Shrubs))
- 094015 (Trimming (Trees))
- 191019 (Fence Repair)
- 200000 (Roof Repair/Replacement)

The following Yard Maintenance expense code descriptions have been revised to reflect “Full Yard Maintenance includes full yard grass cuts, weed removal, vine removal, sapling removal or desert landscaping, as applicable, during the calendar year and Generated debris should be factored in with the bid and not submitted separately”:

- 094016 (Yard Maintenance) (Lots of up to 10,000 square feet)
- 094013 (Yard Maintenance) (Lots larger than 10,000 square feet)

Guide impacts: Exhibits 57 and 74

REIMBURSEMENTS FOR LEGAL COSTS

Reimbursement of attorney fees for uncontested foreclosures

We have increased the approved Servicer reimbursement amounts for attorney fees associated with uncontested foreclosures in the following jurisdictions:

- Colorado
- Delaware
- Florida
- Montana
- New York
- New York City
- North Dakota
- Washington
- Wyoming

Exhibit 57A, *Approved Attorney Fees and Title Expenses*, has been updated to reflect these changes for all reimbursement requests submitted in the PAID (Payments Automated Intelligent and Dynamic) System.

As a reminder, Servicers must ensure that the legal fees and costs incurred are reasonable and customary for the area in which the property is located. If amounts exceed current expense limits in Exhibit 57A, Servicers must request Freddie Mac’s approval prior to incurring the expense. See Sections 9701.11 and 9701.15 regarding reimbursable expenses incurred during legal proceedings and non-reimbursable expenses.

Guide impact: Exhibit 57A

Reimbursements for filing costs associated with legal proceedings

We have updated the Guide to clarify that we will reimburse Servicers for filing costs for paper and e-filing, including costs associated with third-party vendors, unless the option to file electronically can be done without vendor-related costs.



Guide impact: Section 9701.11

CONTRACT NONCOMPLIANCE AND CONTRACT CHANGE COMPENSATORY FEE

We have updated the circumstances when the contract noncompliance and contract change compensatory fee may be assessed and are introducing a grace period during which Servicers may submit certain corrections without being subject to the compensatory fee. The amount of the fee remains unchanged.

Except as set forth in Section 6303.3, Freddie Mac may assess the contract noncompliance or contract change compensatory fee based on any of the following circumstances:

- Post-fund data corrections submitted more than 60 days after the close of the Accounting Cycle in which the loan was funded;
- Post-settlement data correction requests more than 60 days after the close of the settlement of the loss mitigation workout;
- Loan-level reporting corrections submitted more than 60 days after the close of the applicable Accounting Cycle

Freddie Mac drafts contract noncompliance and contract change compensatory fees on the last Business Day of the month in which the Servicer received the Performing Loans monthly Servicer Billing Statement and/or the Non-Performing Loans Monthly Servicer Invoice.

Guide impacts: Section 8303.43 and Exhibit 96

ADDITIONAL GUIDE UPDATES

Single loan exception for an assumption

If the Servicer is unable to approve a transfer of ownership or assumption in accordance with Guide requirements and believes that approval is in the Borrower's and Freddie Mac's best interest, then the Servicer must send the request for approval to Freddie Mac. All such requests must be sent to ShortSales@FreddieMac.com.

Guide impact: Section 8406.7

Updates from Bulletin 2023-16

Seller/Servicer eligibility – annual liquidity plan

Effective March 31, 2024

As announced in Bulletin 2022-19, each Large Non-Depository Institution must submit a capital and liquidity plan, annually on or before March 31, 2024, that describes how the Seller/Servicer intends to manage its capital and liquidity consistent with Freddie Mac requirements. These plans must be sent to [CCRM Mortgage Bank@FreddieMac.com](mailto:CCRM_Mortgage_Bank@FreddieMac.com) and, as a reminder, must at a minimum:

- Include a description of the Seller/Servicer's corporate governance over the capital and liquidity planning process, such as oversight responsibilities of Senior Management and its board of directors, and a discussion of the Seller/Servicer's risk management framework
- Describe processes to monitor and measure liquidity risks, such as business activity reports and financial forecast and cashflow projections
- Contain capital and liquidity contingency funding plans and provide for testing and reaffirmation of such plans at least annually
- Provide for an annual liquidity stress test, including a stress test of the value of Servicing Contract Rights in an adverse scenario developed by the Seller/Servicer, prescribed by Freddie Mac or both. The Servicing Contract Rights stress test may be conducted either in-house or using a third-party vendor.
- Require notice to Freddie Mac within five (5) Business Days following any material change to or material deviation from the plan. During times of stress, material changes must require immediate notification within one (1) Business Day.



Guide impacts: Section 2101.4 and Directory

Updates to “Claims Event” and “Freddie Mac’s Claims” Glossary definitions

We made updates to the definition of “Claims Event” to include events related to bankruptcy and insolvency and notification of intent to disqualify or suspend a Seller or Servicer under Section 2301.3. We are also making certain clarifying changes to the term “Freddie Mac’s Claims,” also now referred to as “FRE Claims,” and adding a new Glossary definition for the term “Unauthorized Servicing Transfer.” Finally, we are making conforming changes related to these definitions throughout the Guide and in Exhibit 104, *Collateral Pledge Agreement*.

Guide impacts: Sections 1101.2, 1101.3, 2301.4, 3601.1, 7101.2, Glossary and Exhibit 104

Data incident notification template

We have updated Section 1302.2 to state that Seller/Servicers are required to report Non-critical Privacy Events (as defined in Section 1302.2) to Freddie Mac on a quarterly basis using new Exhibit 130, *Non-critical Privacy Incident Reporting Template*.

Guide impacts: Section 1302.2 and Exhibit 130 **(new)**

GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, access the Bulletin 2023-17 (Servicing) Guide Updates Spreadsheet via the Download drop-down available at

<https://guide.freddiemac.com/app/guide/bulletin/2023-17>.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call the Customer Support Contact Center at 800-FREDDIE.

Sincerely,

Bill Maguire

Vice President, Servicing Portfolio Management