



# Bulletin

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**TO:** All Freddie Mac Sellers and Servicers

November 30, 2005

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**SUBJECT:** Extension of the Foreclosure Suspension Period and Additional Servicing Requirements for Mortgages Affected by Hurricane Katrina and Hurricane Rita

Freddie Mac appreciates the understanding and consideration its Servicers have extended to all Borrowers impacted by these unprecedented disasters, and urges its Servicers to continue their efforts to offer the most appropriate relief measures.

In our October 7, 2005, *Single-Family Seller/Servicer Guide* (Guide) Bulletin, Freddie Mac announced servicing relief measures for Mortgages affected by Hurricane Katrina and Hurricane Rita, and reminded Servicers of special relief measures previously announced for all Borrowers whose properties are located in “an eligible Disaster Area.” Eligible Disaster Areas are those areas comprised of counties or municipalities, including parishes, that have been declared by the President of the United States to be Major Disaster Areas where federal aid in the form of individual assistance is being made available. These areas are named by the Federal Emergency Management Agency (FEMA) on its web site.

With this Bulletin, Freddie Mac is announcing that for Mortgages secured by properties in eligible Disaster Areas, we are:

- Extending our foreclosure suspension period through February 28, 2006
- Suspending the Guide requirement to collect Borrower documentation to determine eligibility for long-term forbearance
- Requiring that Servicers not report any delinquencies to credit repositories through February 28, 2006
- Requiring that Servicers obtain prior Freddie Mac approval for initiation and resumption of foreclosure proceedings upon expiration of the foreclosure suspension period or the forbearance, whichever is later
- Requiring that Servicers obtain prior Freddie Mac approval for commencement of any lender-initiated property preservation work

**Foreclosure suspension period extended to February 28, 2006**

Effective September 7, 2005, for Mortgages secured by properties located in eligible Disaster Areas as a result of Hurricane Katrina, and September 27, 2005, for Mortgages secured by properties located in eligible Disaster Areas as a result of Hurricane Rita, Freddie Mac required Servicers to suspend all foreclosure proceedings, including foreclosure referrals, through November 2005, even if a Mortgage was in default prior to Hurricane Katrina or Hurricane Rita.

In response to the unprecedented devastation and hardship caused by the Hurricanes, and to assist Borrowers who may still be displaced from their homes and are experiencing financial hardships, Freddie Mac is extending the suspension period on foreclosure proceedings through February 28, 2006.

### **Suspension of the Guide requirement to collect Borrower documentation for long-term forbearance**

In our October 7, 2005, Guide Bulletin we announced the suspension of payments through November 2005 for Mortgages secured by properties located in eligible Disaster Areas. Beginning December 1, 2005, Servicers should perform an assessment to determine if forbearance in the form of a suspension or reduction of payments for up to a total of 12 months should be extended. A Servicer is not required to collect the Borrower documentation identified in Guide Section A65.23 to determine eligibility for an extension of the forbearance.

If a Servicer believes forbearance beyond a total of 12 months is warranted, the Servicer should make that recommendation to Freddie Mac for consideration. Servicers may also use existing workout options to reinstate Borrowers who are ready to resume Mortgage payment responsibilities.

### **Suspension of delinquency reporting to credit repositories**

For Borrowers with single-family Mortgages secured by property located in an eligible Disaster Area, Freddie Mac Servicers must not report any delinquencies to credit repositories through February 28, 2006.

### **Freddie Mac approval required for initiation and resumption of foreclosure proceedings**

If, after making every effort to assist a Borrower in retaining homeownership, a Servicer determines that there is no viable option to foreclosure, then upon expiration of the foreclosure suspension period, or forbearance, as applicable, Servicers must obtain Freddie Mac's written approval before initiating or resuming foreclosure proceedings on any Mortgage secured by property located in an eligible Disaster Area, in accordance with the requirements of this Bulletin.

### **Instructions for obtaining Freddie Mac approval**

To initiate a foreclosure, Servicers must submit a written request to Freddie Mac by the later of:

- 120 days from the Due Date of Last Paid Installment (DDLPI) (90<sup>th</sup> day of Delinquency), or
- Within five Business Days of a Borrower failing to fulfill a workout option, or
- Within five Business Days of a forbearance period ending, or
- Within five Business Days of the expiration of the foreclosure suspension period

If the Borrower has abandoned the property, Servicers must submit the request to initiate foreclosure proceedings within five Business Days of the expiration of the foreclosure suspension period, or the notification of the abandonment, whichever is later.

To resume a foreclosure proceeding that was suspended, a Servicer must submit a written request to Freddie Mac by the later of:

- Within five Business Days of a Borrower failing to fulfill a workout option, or
- Within five Business Days of a forbearance period ending, or
- Within five Business Days of the expiration of the foreclosure suspension period

If the Borrower has abandoned the property, Servicers must submit the request to resume foreclosure proceedings within five Business Days of the expiration of the foreclosure suspension period, or the notification of the abandonment, whichever is later.

Servicers must complete the written request on the Freddie Mac Form 105, Multipurpose Loan Servicing Transmittal, and must send it to the Servicer's Freddie Mac foreclosure representative with the following information:

- The Servicer's recommendation regarding foreclosure
- A copy of the distressed property inspection (pursuant to the Bulletin dated October 7, 2005), if applicable
- Total debt figures
- Current broker price opinion (BPO) value, if available
- Insurance adjuster's report with estimate or claim denial, if applicable
- FEMA claim results, if applicable
- Listing of all lender-initiated property preservation work requested, if applicable

Once a foreclosure sale has been scheduled, Freddie Mac will prepare the bidding instructions for all Mortgages secured by Mortgaged Premises in the eligible Disaster Area. A Servicer must contact its Freddie Mac foreclosure representative at least 30 days prior to the scheduled foreclosure sale date to obtain the bidding instructions. If the Mortgage was referred for foreclosure to one of our Designated Counsel, then the Designated Counsel will issue the bidding instructions according to their normal practices.

### **Property preservation**

Effective immediately, Servicers must submit a written request for approval to Freddie Mac on the Form 105 with the documentation described above before commencing any lender-initiated property preservation work for properties in eligible Disaster Areas.

Servicers must comply with the requirements set forth in this Bulletin, as well as those currently outlined in Guide Sections 67.27 and 67.29.

Replacement pages to the Guide will not be issued to include the requirements of this Bulletin. Freddie Mac Servicers should retain a copy of this Bulletin to ensure compliance with our requirements.

### **CONCLUSION**

Freddie Mac applauds its Servicers for the assistance they have provided to Borrowers impacted by the Hurricanes and encourages Servicers to continue to extend the highest level of understanding to Borrowers coping with Hurricane Katrina- and Hurricane Rita-related hardships. Freddie Mac will continue to work with its Servicers to determine the most effective solutions for Borrowers affected by these disasters.

Both Selling and Servicing requirements for Hurricane Katrina and Hurricane Rita are available at [www.FreddieMac.com/corporate/about/how\\_we\\_help/katrina.html](http://www.FreddieMac.com/corporate/about/how_we_help/katrina.html).

For answers to questions about the requirements contained in this Bulletin, Servicers should call their Freddie Mac Account Manager or (800) FREDDIE.

Sincerely,



James J. Cotton  
Vice President  
Single-Family Marketing