

# Bulletin

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

August 4, 2006

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**SUBJECT:** Revised Selling and Servicing Requirements for Mortgages Affected by Hurricane Katrina and Hurricane Rita

Leveraging its own on-site visual assessments, damage reports from federal agencies and other resources, Freddie Mac is continuing to refine and adjust its temporary disaster relief requirements to more appropriately match the evolving needs of those areas affected by Hurricanes Katrina and Rita. As a result, with this *Single-Family Seller/Servicer Guide (Guide)* Bulletin we are announcing changes to our temporary selling and Servicing requirements for Mortgages secured by properties located in “eligible Disaster Areas.”

Eligible Disaster Areas are those areas comprised of counties or municipalities, including parishes, which have been declared by the President of the United States to be Major Disaster Areas where federal aid in the form of individual assistance was made available. These areas are identified by the Federal Emergency Management Agency (FEMA) on its Web site. In order to provide more specific instructions regarding Mortgages secured by properties in specific counties/parishes located in the eligible Disaster Areas, we established a three-zone methodology that applies to both servicing Mortgages owned by Freddie Mac and originating Mortgages for sale to Freddie Mac.

As a reminder, the three zones established by Freddie Mac are:

- Zone One: minimal to no damage
- Zone Two: moderate damage
- Zone Three: significant damage

The zone designations established by Freddie Mac may only be used by Servicers to service Mortgages owned by Freddie Mac and by Sellers to originate Mortgages pursuant to temporary requirements. They should not be used for any other purpose.

With this Guide Bulletin, we are amending temporary selling and Servicing requirements to:

- Move twenty counties/parishes from Zone Two to Zone One
- Move twelve counties/parishes from Zone Three to Zone Two
- Extend the expiration date for our temporary underwriting relief and flexibility for Borrower credit reputation and capacity, and our LTV/TLTV/HTLTV ratio limits from October 3, 2006 to December 31, 2006
- Require that Home Possible<sup>SM</sup> Mortgages secured by properties located in eligible Disaster Areas originated with Borrower income exceeding the applicable median income limits be delivered on or before March 31, 2008
- End the blanket foreclosure moratorium for Mortgages secured by properties located in Zone Three; however, Servicers may extend forbearance for up to an additional 90 days based on an individual assessment
- Provide requirements for resuming or initiating foreclosure proceedings in Zone Three

- Extend the expiration date for previously announced temporary Servicing requirements from September 1, 2006 to November 30, 2006

## **SELLING AND SERVICING REQUIREMENTS**

### **Moving counties/parishes to different zones**

We continue to evaluate information about the extent of damage in the eligible Disaster Areas. As a result, we are moving 32 counties/parishes to zones more commensurate with the property damage in those areas.

#### ***Zone One: minimal to no damage***

The counties/parishes listed below are being moved from Zone Two to Zone One:

- |                            |                     |
|----------------------------|---------------------|
| • Baldwin, AL              | • Forrest, MS       |
| • Clarke, AL               | • Greene, MS        |
| • Washington, AL           | • Lamar, MS         |
| • Jefferson Davis, LA      | • Marion, MS        |
| • Lafourche, LA            | • Perry, MS         |
| • St. Helena, LA           | • Walthall, MS      |
| • St. James, LA            | • Chambers, TX      |
| • St. John the Baptist, LA | • Liberty, TX       |
| • St. Mary, LA             | • Sabine, TX        |
| • Vermilion, LA            | • San Augustine, TX |

#### ***Zone Two: moderate damage***

The counties/parishes listed below are being moved from Zone Three to Zone Two:

- Mobile, AL
- Calcasieu, LA
- Cameron, LA
- Jefferson, LA
- Plaquemines, LA
- George, MS
- Pearl River, MS
- Stone, MS
- Jasper, TX
- Jefferson, TX
- Newton, TX
- Orange, TX

#### ***Zone Three: significant damage***

The 12 counties/parishes identified above are being moved from Zone Three to Zone Two.

A revised list of counties/parishes and their assigned zone numbers are identified on Attachment 1 of this Bulletin.

Please note, the zone designations identified in this Guide Bulletin are effective immediately for Sellers originating Mortgages pursuant to temporary requirements, but effective September 1, 2006 for Servicers servicing Mortgages owned by Freddie Mac pursuant to our temporary requirements.

## **SELLING REQUIREMENTS**

### **Effective date**

The changes to temporary selling requirements included in this Bulletin are effective immediately.

### **Temporary selling requirements**

In our September 30, 2005 Bulletin we announced temporary selling requirements applicable to Mortgages with Note Dates on or after August 30, 2005 through October 3, 2006 (Hurricane Katrina) and Mortgages with Note Dates on or after September 25, 2005 through October 3, 2006 (Hurricane Rita), in certain circumstances.

With this Bulletin, we are announcing that the temporary underwriting relief and flexibility for Borrower credit reputation and capacity, and the LTV/TLTV/HTLTV ratio limits announced in our September 30, 2005 Bulletin (as amended by the October 7, 2005, November 8, 2005 and May 1, 2006 Bulletins) will now be effective for those Mortgages with Note Dates on or after August 30 or September 25, 2005, as applicable, through December 31, 2006. As a reminder, we removed the LTV/TLTV/HTLTV ratio limits for Mortgages secured by properties located in Zone One in our May 1, 2006 Bulletin.

The temporary special collateral requirements announced in our September 30, 2005 Bulletin, as modified in our May 1, 2006 Bulletin, remain in effect until further notice.

### **Temporary selling requirements for Home Possible Mortgages**

Effective with the June 26, 2006 Guide Bulletin, we removed the median income limits for Borrowers with Home Possible Mortgages secured by properties located in eligible Disaster Areas affected by Hurricane Katrina and Hurricane Rita with Note Dates of December 31, 2007 or earlier. With this Bulletin, we are announcing that Home Possible Mortgages originated with Borrower income limits exceeding the median income limit must be delivered to us on or before March 31, 2008.

As a reminder, Sellers may disregard the following feedback message in Loan Prospector<sup>®</sup> for Home Possible Mortgages secured by property located in eligible Disaster Areas:

*Borr(s) income does not meet Hm Poss income limits*

*Borr(s) income does not meet Hm Poss NHSol income limits*

### **Other selling requirements**

Except as set forth in the September 30, 2005 Guide Bulletin (and amended by this Bulletin and the October 7, 2005, November 8, 2005 and the May 1, 2006 Bulletins), all requirements in a Seller's Purchase Documents must be met for a Mortgage to be eligible for sale to Freddie Mac.

The selling requirement provisions of this Bulletin are Discretionary Provisions as defined in Guide Section 12.13 and Exhibit 26, Discretionary Provisions.

## **SERVICING REQUIREMENTS**

### **Effective date**

The changes to temporary Servicing requirements included in this Bulletin are effective for the period from September 1, 2006 through November 30, 2006, unless otherwise noted.

### **Temporary Servicing requirements**

With this Guide Bulletin, in addition to moving counties/parishes to zones more commensurate with the property damage in those areas, we are announcing that for Mortgages secured by properties located in eligible Disaster Areas we are:

- Ending the blanket foreclosure moratorium for Mortgages secured by properties located in Zone Three; however, Servicers may extend forbearance for up to an additional 90 days based on an individual assessment
- Providing requirements for resuming or initiating foreclosure proceedings for Mortgages secured by properties located in Zone Three
- Extending the requirement to obtain Freddie Mac prior approval to resume or initiate foreclosure proceedings for Mortgages secured by properties located in Zone Two
- Extending the requirement to obtain Freddie Mac prior approval for any lender-initiated property preservation activities in Zone Two and Zone Three
- Extending the existing temporary credit reporting requirements
- Extending the expiration date for streamlined underwriting requirements for loan modifications
- Extending the previously announced temporary requirements for short payoff approval

### **Ending blanket foreclosure moratorium for Zone Three**

Effective September 1, 2006, Freddie Mac is removing the blanket foreclosure moratorium for Zone Three. If after making every effort to assist a Borrower with a Mortgage secured by a property located in a Zone Three county/parish in retaining homeownership, a Servicer determines there is no viable alternative to foreclosure, then the Servicer may resume or initiate foreclosure proceedings in accordance with the requirements of this Bulletin.

Servicers must obtain prior Freddie Mac approval on the Form 105, Multipurpose Loan Servicing Transmittal, before resuming or initiating foreclosure proceedings for Mortgages secured by property located in Zone Three. When submitting a request, Servicers must provide the same documentation that is required for resuming or initiating foreclosure in Zone Two. For more information and complete requirements for obtaining Freddie Mac approval to resume or initiate foreclosure proceedings, please see our February 10, 2006 Guide Bulletin under “Zone Two-moderate damage.”

Freddie Mac continues to encourage Servicers to extend mortgage relief to borrowers with Freddie Mac loans on a case-by-case basis regardless of whether the Mortgaged Premises are located in Zone One, Zone Two or Zone Three.

### **Extending forbearance in Zone Three**

Based on individual assessment, Servicers may extend forbearance for up to an additional 90 days on a Mortgage secured by a property in Zone Three without Freddie Mac approval.

### **Foreclosure proceedings in Zone Two**

Servicers must continue to obtain prior Freddie Mac approval on the Form 105 for resuming or initiating foreclosure proceedings for Mortgages secured by properties located in Zone Two through November 30, 2006.

### **Obtaining prior Freddie Mac approval for lender-initiated property preservation work in Zone Two and Zone Three**

Servicers must continue to obtain prior Freddie Mac approval on Form 105 for commencement of any lender-initiated property preservation work, other than decisions on accessing an abandoned property for insurance claims, on properties located in Zone Two and Zone Three. For our requirements with respect to re-keying of properties without prior approval, please see our February 10, 2006 Guide Bulletin.

### **Credit reporting**

We are extending the credit reporting requirements announced in the February 10, 2006 Guide Bulletin through November 30, 2006. This will allow Servicers more time to work with affected Borrowers on resolving their delinquencies.

### **Streamlined underwriting requirements for loan modifications**

The streamlined loan modification requirements previously set to expire on August 31, 2006 are extended through November 30, 2006. Beginning December 1, 2006, Servicers must return to existing Guide requirements for submitting and approving workout loan modifications (see Guide Chapter B65, Workout Options).

### **Short payoff approval**

We are extending the requirements for short payoff approval through November 30, 2006. Originally announced in our October 7, 2005 Bulletin, these requirements allow Servicers to approve a short payoff of a Mortgage secured by a property in an eligible Disaster Area if all of the following requirements are met:

- At least 95% of the total debt is paid off
- The source of funds for the payoff is **all** proceeds from the Borrower's homeowners insurance or flood insurance or from a government agency and Borrower contribution if available
- The Servicer has verified that **all** available insurance claims have been filed and all proceeds from these claims have been received and will be applied toward the payoff

As announced in our May 1, 2006 Guide Bulletin, Servicers must use the charge-off path in Workout Prospector II to process these transactions and must release the lien on the property.

If the above requirements are not met, Servicers must contact their Freddie Mac Loss Mitigation Specialist for direction. Servicers must comply with all other requirements in Guide Sections B65.35 and B65.41.

### **Reminder: Assessment of prepayment premiums**

Servicers are reminded of our existing requirement to waive prepayment premiums pursuant to Guide Sections B33.4 and 51.19 if the Mortgage payoff is received in connection with a workout or Security Instrument default. We encourage Servicers to consider waiving the premium in all other situations for Mortgages secured by properties located in eligible Disaster Areas.

### **Existing Guide Servicing requirements**

Servicers are also reminded that they must continue to adhere to the temporary requirements announced with the February 10, 2006 and May 1, 2006 Guide Bulletins, except as they are amended by the temporary requirements contained in this Bulletin.

In addition, Servicers are still required to adhere to the Guide requirements for managing distressed properties found in Guide Sections 58.11 and 67.27 through 67.29, except as they are amended by the temporary requirements contained in this Bulletin and the February 10, 2006 and May 1, 2006 Guide Bulletins.

**Replacement pages to the Guide will not be issued to include the selling and Servicing requirements of this Bulletin. Seller/Servicers should retain a copy of this Bulletin to ensure compliance with our requirements.**

### **CONCLUSION**

As we approach the one-year anniversary of both Hurricane Katrina and Hurricane Rita, we continue to appreciate the efforts of our Seller/Servicers in providing relief to affected Borrowers.

The information provided by our Seller/Servicers and others in the industry has been key to our efforts to provide solutions for Borrowers affected by these disasters. The latest requirements announced with this Guide Bulletin build on our commitment to provide ongoing assistance for borrowers in the worst disaster areas, while resuming normal business operations where appropriate.

Please note, both selling and Servicing requirements for Hurricane Katrina and Hurricane Rita are available on FreddieMac.com at

[http://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, Freddie Mac Seller/Servicers should contact their Freddie Mac representative or call (800) FREDDIE.

Sincerely,

A handwritten signature in black ink, appearing to read "James J. Cotton". The signature is fluid and cursive, with a prominent loop at the end.

James J. Cotton  
Vice President  
Single-Family Marketing

**ATTACHMENT 1**

<b>ZONE ONE—88 COUNTIES/PARISHES</b>		
<b>Minimal to no damage</b>		
<b>State</b>	<b>County / Parish</b>	<b>Zone</b>
AL	BALDWIN	1
AL	CHOCTAW	1
AL	CLARKE	1
AL	GREENE	1
AL	HALE	1
AL	MARENGO	1
AL	PICKENS	1
AL	SUMTER	1
AL	TUSCALOOSA	1
AL	WASHINGTON	1
LA	ALLEN	1
LA	ASCENSION	1
LA	EAST BATON ROUGE	1
LA	EAST FELICIANA	1
LA	EVANGELINE	1
LA	IBERVILLE	1
LA	JEFFERSON DAVIS	1
LA	LAFAYETTE	1
LA	LAFOURCHE	1
LA	LIVINGSTON	1
LA	POINTE COUPEE	1
LA	SABINE	1
LA	ST. HELENA	1
LA	ST. JAMES	1
LA	ST. JOHN THE BAPTIST	1
LA	ST. LANDRY	1
LA	ST. MARTIN	1
LA	ST. MARY	1
LA	VERMILION	1
LA	VERNON	1
LA	WEST BATON ROUGE	1
LA	WEST FELICIANA	1
MS	ADAMS	1
MS	AMITE	1
MS	ATTALA	1
MS	CHOCTAW	1
MS	CLAIBORNE	1
MS	COPIAH	1
MS	COVINGTON	1
MS	FORREST	1
MS	FRANKLIN	1
MS	GREENE	1
MS	HINDS	1
MS	HOLMES	1

<b>ZONE ONE (continued)</b>		
<b>State</b>	<b>County / Parish</b>	<b>Zone</b>
MS	HUMPHREYS	1
MS	JEFFERSON	1
MS	JEFFERSON DAVIS	1
MS	KEMPER	1
MS	LAMAR	1
MS	LAUDERDALE	1
MS	LAWRENCE	1
MS	LEAKE	1
MS	LINCOLN	1
MS	LOWNDES	1
MS	MADISON	1
MS	MARION	1
MS	NESHOBA	1
MS	NEWTON	1
MS	NOXUBEE	1
MS	OKTIBBEHA	1
MS	PERRY	1
MS	PIKE	1
MS	RANKIN	1
MS	SCOTT	1
MS	SIMPSON	1
MS	SMITH	1
MS	WALTHALL	1
MS	WARREN	1
MS	WILKINSON	1
MS	WINSTON	1
MS	YAZOO	1
TX	ANGELINA	1
TX	BRAZORIA	1
TX	CHAMBERS	1
TX	FORT BEND	1
TX	GALVESTON	1
TX	HARRIS	1
TX	LIBERTY	1
TX	MONTGOMERY	1
TX	NACOGDOCHES	1
TX	POLK	1
TX	SABINE	1
TX	SAN AUGUSTINE	1
TX	SAN JACINTO	1
TX	SHELBY	1
TX	TRINITY	1
TX	TYLER	1
TX	WALKER	1

<b>ZONE TWO—25 COUNTIES/PARISHES</b>		
<b>Moderate damage</b>		
<b>State</b>	<b>County / Parish</b>	<b>Zone</b>
AL	MOBILE	2
LA	ACADIA	2
LA	ASSUMPTION	2
LA	BEAUREGARD	2
LA	CALCASIEU	2
LA	CAMERON	2
LA	IBERIA	2
LA	JEFFERSON	2
LA	PLAQUEMINES	2
LA	ST. CHARLES	2
LA	TANGIPAHOA	2
LA	TERREBONNE	2
LA	WASHINGTON	2
MS	CLARKE	2
MS	GEORGE	2
MS	JASPER	2
MS	JONES	2
MS	PEARL RIVER	2
MS	STONE	2
MS	WAYNE	2
TX	HARDIN	2
TX	JASPER	2
TX	JEFFERSON	2
TX	NEWTON	2
TX	ORANGE	2

<b>ZONE THREE—6 COUNTIES/PARISHES</b>		
<b>Significant damage</b>		
<b>State</b>	<b>County / Parish</b>	<b>Zone</b>
LA	ORLEANS	3
LA	ST. BERNARD	3
LA	ST. TAMMANY	3
MS	HANCOCK	3
MS	HARRISON	3
MS	JACKSON	3