

## Bulletin 2022-12

# Servicing

Issued 06/08/2022

**TO: Freddie Mac Servicers**

**SUBJECT: SERVICING UPDATES**

This Guide Bulletin announces:

- An update to [Resolve®](#) and the retirement of [Workout Prospector®](#)
- A requirement to perform a [non-standard note review on legacy London Interbank Offered Rate \(LIBOR\) loans](#)
- An increase in the [reimbursement of attorney fees for bankruptcy](#) legal services – **June 27, 2022**
- Temporary adjustments to the [reimbursement of property preservation costs](#) – **June 27, 2022**
- A clarification related to [BPO for unseasoned loans](#)
- A clarification related to [Freddie Mac approvals for foreclosure activity suspension](#)
- 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.

## RESOLVE UPDATE AND WORKOUT PROSPECTOR RETIREMENT

As part of our Reimagine Servicing® initiative, we have introduced Resolve—an integrated default management solution that delivers real-time and rules-based workout decisions. Servicers can access Resolve’s intuitive navigation and simple workflows through the user interface (UI) in [Servicing Gateway](#) or through Resolve’s suite of application programming interfaces (APIs) that allow direct connection with Resolve.

Resolve functionality is released iteratively to Servicers. Below is a summary of the projected release timeline.

Resolve Functionality	Availability
<b>Dashboard</b> — A comprehensive view of a Servicer’s workout requests and statuses for workouts done in Resolve (short sales, forbearance extensions and FHA/VA/RHS loans). This includes API submissions when applicable (see <a href="#">Bulletins 2020-46, 2021-18</a> and <a href="#">2021-35</a> ).	Currently available
<b>Short Sales</b> — Submit and manage all short sales through settlement (see <a href="#">Bulletin 2022-9</a> ).	Available beginning April 25, 2022. Servicers must adopt no later than July 31, 2022.
<b>Future Releases</b>	
<b>Retention Options</b> —Submit and manage all requests through resolution for forbearance plans, Payment Deferrals and Flex Modifications.	Projected to be available in Q4 2022. Details will be announced in a future Servicing Bulletin.
<b>Liquidation Options</b> —Submit and manage all requests through resolution for charge-off and deed-in-lieu of foreclosure (DIL) and report third-party sales.	Charge-off functionality is projected to be available in Q4 2022. DIL and third-party sale functionality is projected to be available in 2023. Details will be announced in a future Servicing Bulletin.
Non-workout transactions and access to reporting features.	Projected to be available in 2023. Details will be announced in a future Servicing Bulletin.

## Workout Prospector retirement

Once all existing retention and liquidation functionality is available in Resolve (APIs and UI), Freddie Mac will retire Workout Prospector and Bypass. At this time, we estimate retirement will occur in Q4 2023; additional details will be announced in a future Servicing Bulletin.

## Resolve APIs

One of the key focus areas of our Reimagine Servicing initiatives is transforming loss mitigation through business-to-business integration. Resolve APIs are the direct connection to the Resolve decision rules engine that provides real-time workout option eligibility and rationale without leaving your existing default management or loss mitigation platform. Servicers that are interested in Resolve APIs should review the information available on the [Resolve APIs](#) webpage.

## Access management

For users who have already been provisioned for Resolve access, no further action is required to begin using the new capabilities as they become available.

For users new to Resolve, Access Manager administrators should log into [Access Manager](#) to provision new users, modify roles and/or assign any additional administrators.

If you're an executive or primary elevated administrator, you may grant access to a primary or secondary administrator, and you can provision your primary and/or secondary administrators to grant access to Resolve to any new users across your organization at any time. Note that executive and primary elevated administrators can also provision the tool directly to the user as needed.

If you're a primary or secondary administrator, contact your executive or primary elevated administrators, who may grant you permission to provision user access to Resolve via Freddie Mac Access Manager.

Servicers that are not enrolled with Freddie Mac Access Manager administrators cannot get access to Resolve. Such Servicers must enroll in Access Manager by submitting the [Access Manager Get Started Form](#).

Upon submission, a Freddie Mac representative will respond within two Business Days to assist with getting the organization set up and ready to access Resolve.

## Resources

With Resolve, Servicers have the option to adopt the UI and/or APIs. Follow the [Resolve Onboarding Checklist](#) for helpful guidance and recommended steps to successfully adopt the tool and transition from Workout Prospector. As new Resolve functionality becomes available, training will be available through Freddie Mac Learning. Currently, Servicers may access training resources (reference tools, videos, webinars etc.) via the [Resolve®: Training webpage](#).

## LIBOR

### Legacy LIBOR non-standard Note review

**For Freddie Mac LIBOR ARMs using Notes without standard index replacement language or language recommended by the Alternative Reference Rates Committee (ARRC) with interest rate adjustments based on a lookback date after June 30, 2023:**

In anticipation of LIBOR cessation on June 30, 2023, Freddie Mac Servicers must complete a review of their LIBOR ARM Notes that do not contain the index replacement language recommended by the ARRC. Servicers must notify Freddie Mac by September 9, 2022 of variations of Notes in their portfolio that contain non-standard index replacement language or do not have replacement language.

The ARRC announced ARM LIBOR index replacement language in November 2019. In [Bulletin 2020-18](#), Freddie Mac required Sellers to use ARM Notes and riders with the ARRC replacement language for Mortgages with Note Dates on and after June 1, 2020.

Most Freddie Mac LIBOR ARM Notes without ARRC replacement language contain standard index replacement language stating, "If the Index is no longer available, the Note Holder will choose a new index which is based upon comparable information."

However, some Notes may have either non-standard index replacement language or no index replacement language.

Notes that are more likely to have non-standard language are anticipated to be (a) found in older origination vintages (pre-2009), (b) from Transferor Servicers who are no longer in business, or (c) originated at a time when policies and procedures did not require the use of uniform Notes with standard replacement index language.

In preparation for the transition to the new index, Servicers must review all LIBOR ARM Notes that they service for Freddie Mac and identify each variation of Notes that contain:

- Non-standard index replacement language or no index replacement language, and/or
- Language that may require Servicing data changes as a result of the implementation of a replacement Index (*e.g.*, changes to Margin)

Servicers must notify Freddie Mac of each identified variation by filling out the template in [Attachment A – Servicer LIBOR Note Review](#) and providing only one copy of a Note that is representative for each variation to [libor\\_transition\\_consumer\\_products@freddiemac.com](mailto:libor_transition_consumer_products@freddiemac.com) by September 9, 2022. Servicers may provide responses during the course of the review rather than providing them all at once. On behalf of its Master Servicer, a Servicing Agent may complete the attached template and provide the responses directly to Freddie Mac with a copy as may be required by its Master Servicer.

## Legacy LIBOR replacement index update

The federal Adjustable Interest Rate (LIBOR) Act requires the Board of Governors of the Federal Reserve System (Federal Reserve Board) to publish regulations identifying a Board-selected benchmark replacement based on SOFR. The Act provides that the Board-selected benchmark replacement will automatically apply to any contract that does not contain a specific fallback provision for LIBOR or contains a fallback provision that identifies neither a specific replacement index nor a person with authority to select a replacement index. The Act also provides a safe harbor for the use of the Board-selected benchmark replacement in contracts that allow a person to choose a replacement index.

We will share more information about the transition after the announcement of the Federal Reserve Board-selected benchmark replacement index.

To learn more about the LIBOR transition, please visit the [Freddie Mac Reference Rate web page](#), [LIBOR FAQs](#) and [LIBOR Playbook](#).

## REIMBURSEMENTS OF ATTORNEY FEES

**Effective for all reimbursement claims submitted in the PAID (Payments Automated Intelligent and Dynamic) System on or after June 27, 2022**

### Bankruptcies

We are increasing Servicer reimbursement amounts for attorney fees associated with specific bankruptcy services and providing new expense codes for the reimbursement of attorney fees and costs related to bankruptcies. These changes to the PAID System will assist Freddie Mac's management of default-related legal services reimbursement, creating a more streamlined review.

We are creating the following individual expense codes for FORM 410A Review:

- 011054 (Chapter 7 - Form 410A Review)
- 011057 (Chapter 11- Form 410A Review)
- 011060 (Chapter 12- Form 410A Review)
- 011063 (Chapter 13- Form 410A Review)

We are unbundling the "Proof of Claim Preparation, Plan Review and Plan Negotiations" expense code and dividing it into the following new individual expense code categories:

- 011055 (Chapter 11 - Plan Review)
- 011056 (Chapter 11 - Plan Negotiations)
- 011058 (Chapter 12 - Plan Review)
- 011059 (Chapter 12 - Plan Negotiations)
- 011061 (Chapter 13 - Plan Review)
- 011062 (Chapter 13 - Plan Negotiations)

We are creating the following bankruptcy-specific updates for Response to Objections Expense Codes:

- 011065 Chapter 11 (Response to Objections)
- 011066 Chapter 12 (Response to Objections)
- 011067 Chapter 13 (Response to Objections)

We are creating the following bankruptcy-specific Mediation Expense Codes:

- 041003 (Chapter 11 - Bankruptcy Mediation Hearing -1st Hearing)
- 041004 (Chapter 11 - Bankruptcy Mediation Hearing -2nd Hearing)
- 041005 (Chapter 12 - Bankruptcy Mediation Hearing -1st Hearing)
- 041006 (Chapter 12 - Bankruptcy Mediation Hearing -2nd Hearing)
- 041007 (Chapter 13 - Bankruptcy Mediation Hearing -1st Hearing)
- 041008 (Chapter 13 - Bankruptcy Mediation Hearing -2nd Hearing)

<b>Bankruptcy Attorney Fees</b>	
<b>Chapter</b>	<b>Allowable Fee</b>
<b>Chapter 7</b>	
Proof of Claim Preparation	\$300
Form 410A Review	\$350
Motion for Relief from Stay (up to two hearings and order)	\$1,050
<b>Chapter 11 and 12</b>	
Proof of Claim Preparation	\$300
Plan Review	\$350
Plan Negotiations	\$300
Form 410A Review	\$350
Objection to Plan (up to two hearings)	\$550
Response to Objections	\$550
Motion for Relief from Stay (up to two hearings and order)	\$1,150
Agreed Order; Court Certification of Default/Stay Terminated	\$200
Agreed Order; Notice of Default/Stay Termination (NOD filed cured or not cured)	\$250
Amended Plan Review (up to two occurrences)	\$500
Bankruptcy Mediation Hearing (1st Hearing)	\$700
Bankruptcy Mediation Hearing (2nd Hearing)	\$375
<b>Chapter 13</b>	
Proof of Claim Preparation	\$300
Plan Review	\$350
Plan Negotiations	\$300
Form 410A Review	\$350
Objection to Plan (up to two hearings)	\$550
Response to Objections	\$550
Motion for Relief from Stay (up to two hearings and order)	\$1,150
Agreed Order; Court Certification of Default/Stay Terminated	\$200
Agreed Order; Notice of Default/Stay Termination (NOD filed cured or not cured)	\$250
Payment Change Notifications (up to two notifications)	\$300
Notice of Fees, Expenses and Charges (up to two notifications)	\$300

<b>Bankruptcy Attorney Fees</b>	
<b>Chapter</b>	<b>Allowable Fee</b>
Response to Final Cure Payment for Agreed Response	\$125
Response to Final Cure Payment for Dispute	\$550
Amended Plan Review (up to two occurrences)	\$500
Bankruptcy Mediation Hearing (1st Hearing)	\$700
Bankruptcy Mediation Hearing (2nd Hearing)	\$375
<b>Chapters 7, 11, 12 and 13</b>	
Multiple Filing Litigation	\$600
Additional Hearings (up to two hearings)	\$500

We are also making the following updates to existing expense codes:

- Renaming the expense description: "Agreed Order; Notice of Default/Stay Termination" to "Agreed Order; Notice of Default/Stay Termination (NOD filed cured or not cured)". This will apply to expense codes 011022 - Chapter 11, 011033 - Chapter 12 and 011044 - Chapter 13.
- Renaming the expense description: "Proof of Claim Preparation, Plan Review and Plan Negotiations" to "Proof of Claim Preparation". This will apply to expense codes 011018 - Chapter 11, 011029 - Chapter 12 and 011040 - Chapter 13.

### Other reimbursement system updates

Servicers must obtain written pre-approval from Freddie Mac by submitting a request for pre-approval (RPA) via the PAID System for the newly created expense code for 011064 Chapter 13 (Preparation to file a Stipulation).

#### **Foreclosures**

We are creating a new expense code for the "Foreclosure" expense code category. The California legislature established a post-sale process requiring the trustee to review all upset bids received for compliance with the statute. Refer to Guide [Exhibit 74, Expense and Income Codes for Expense Reimbursement Requests](#), for the details on the use of this expense code.

- 010031 – (Upset Bid Review) Limited to California only Reimbursable @ \$250 per bid review, up to a maximum of \$750. Anything in excess requires pre-approval.

As a reminder, Servicers must verify that legal fees and costs incurred are reasonable and customary for the area in which the Mortgaged Premises is located. For reimbursement of expenses that exceed the current expense limits in [Exhibit 57A, Approved Attorney Fees and Title Expenses](#). Servicers must request Freddie Mac's approval prior to incurring the expense.

Guide impacts: [Exhibits 57A](#) and [74](#)

### REIMBURSEMENT OF PROPERTY PRESERVATION COSTS

**Effective for reimbursement expense requests submitted on or after June 27, 2022**

Freddie Mac is temporarily adjusting the reimbursable expense limits for certain property preservation expense codes due to the increase in the national average of fuel prices.

<b>Inspection Expense Limits</b>		
<b>Code</b>	<b>Current Cost</b>	<b>Temporary Adjustment</b>
404005 (Exterior Property Inspection)	\$15	\$20
404007 (Interior Property Inspection)	\$20	\$25
404017 (Ordinance Required Inspection Bi-Weekly)	\$15	\$20

<b>Inspection Expense Limits</b>		
404016 (Ordinance Required Inspection - Weekly)	\$15	\$20
<b>Yard Maintenance Expense Limits</b>		
<b>Code</b>	<b>Current Cost</b>	<b>Temporary Adjustment</b>
093004 (Initial Yard Maintenance -Greater than 10,001 sqft)	\$400	\$405
093005 (Initial Yard Maintenance -Lots up to 10,000 sqft)	\$250	\$255
094013 (Yard Maintenance -Greater than 10,001 sqft)	\$250	\$255
094016 (Yard Maintenance -Lots up to 10,000 sqft)	\$180	\$185

These changes will be updated in the PAID System to accommodate the temporary increases. However, Exhibit 57, 1- to 4-Unit Property Approved Expense Amounts, will not be updated. We will announce an end date to these increases in a future Servicing Bulletin.

### **Other reimbursement system updates**

We are changing the name of expense item “Mold Treatment” to “Discoloration” and changing the description to “Abatement of interior discoloration with non-primer or non-paint-based chemicals intended for such use (e.g., bleach). A bid to mitigate discoloration may be submitted if treatment is not expected to abate further damage.” This will apply to expense code 191035.

Guide impacts: Exhibits 57 and 74

### **BPO CLARIFICATIONS FOR UNSEASONED LOANS**

Recently, Freddie Mac has observed a considerable increase in the number of BPOs ordered to support Borrower-requested cancelation of Borrower-paid mortgage insurance for unseasoned loans (i.e., loans originated less than 2 years ago) where significant improvements have increased the current value of the Mortgaged Premises. We are clarifying that significant improvements include, but are not limited to:

- Significant structural alterations (including addition of square footage)
- Construction requiring permits
- Adding new components/appliances that previously didn’t exist (e.g., adding a bathtub, hardwood flooring, central air conditioning)
- Replacing components/appliances with energy-efficient versions

Repairs made to keep the Mortgaged Premises maintained and fully functional (e.g., replacing roofing/flooring/appliances with same materials) are not considered substantial improvements.

To increase efficiency when ordering BPOs to support these requests, we are reminding Servicers of the need, prior to ordering the BPO, to obtain a list of substantial improvements from the Borrower and forward this list to [bpod\\_escalations@freddiemac.com](mailto:bpod_escalations@freddiemac.com) when ordering a BPO through [BPOdirect®](#).

If the Servicer is unable to obtain this information from the Borrower, or otherwise believes the information provided does not support a substantial improvement of the Mortgaged Premises (e.g., expenses that maintain the existing property), the Servicer should not order a BPO as the request will not meet the requirements of Guide Chapter 8203.

Servicers may refer to Chapter 8203 for requirements related to processing Borrower requests to cancel Borrower-paid mortgage insurance. Servicers should direct questions regarding Borrower requests to cancel mortgage insurance on unseasoned loans to 800-FREDDIE.

Guide impacts: Sections 8203.2 and 8203.3

## FREDDIE MAC APPROVAL FOR FORECLOSURE ACTIVITY SUSPENSION BEYOND 60 DAYS FOR MORTGAGE ASSISTANCE PROGRAMS

As outlined in [Section 9212.1](#), Servicers must request prior approval from Freddie Mac when postponing foreclosure activity if they are notified that the Borrower is participating in a mortgage assistance program and they have a good-faith belief that the participation with the program will cure the Borrower's delinquency.

With this update, we are clarifying that the Servicer must send the approval requests for suspension of foreclosure activity to [foreclosures@freddiemac.com](mailto:foreclosures@freddiemac.com).

Guide impacts: [Sections 8601.26](#), [9212.1](#), [9301.1](#) and [9301.4](#)

### ADDITIONAL GUIDE UPDATES

#### Updates from Bulletin 2022-11

##### *Certificate of incumbency, wire and automated clearing house (ACH) instructions*

We have added language to the Certificate of Incumbency, Wire Transfer Authorization and Automated Clearing House (ACH) Transfer Authorization forms to indicate that:

- Wire Instructions (as defined in the forms) that have been inactive for two years or more will be expired, and
- ACH instructions in which the ABA routing number and bank account number have been inactive for more than two years will be expired

New Wire Instructions or ABA routing number and bank account number will be required to provide new instructions.

Additionally, we are updating the guide to specify that a Seller/Servicer must require each of its Related Third Parties that are to be paid by Freddie Mac to sign and complete [Guide Form 99V](#), [Certificate of Incumbency for Vendors](#).

[Form 98](#), [Authorization for the Automatic Transfer of Funds for Vendors](#), has also been updated to specify that vendors are permitted to authorize wire transfers as well as ACH transactions. In order for a vendor to receive expense reimbursements and incentive payments, the vendor must complete [Form 99V](#) and meet the certificate of incumbency requirements. All forms and documents must be accepted by Freddie Mac before the Related Third Party may submit [Form 98](#) to receive reimbursement.

Guide impacts: [Sections 2201.1](#), [2405.7](#), [Forms 98](#), [99V](#), [483](#), [987E](#), [988SF](#), [988SF – HFA](#), [989SF](#), [990SF](#), [1132](#) and [1132A](#)

##### *Pledged collateral*

We have updated the Guide to specify that a Seller/Servicer may be required, under certain circumstances, to pledge collateral to Freddie Mac as a condition to or in connection with its business relationship with Freddie Mac.

Guide impact: [Section 2101.2](#)

### 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 2022-12 (Servicing) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2022-12>.

### 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

