



# Servicing Transfer Best Practices

## I. Servicing Transfer Overview

There is an increasing volume of Transfers of Servicing of Freddie Mac mortgages between its Servicers. There are also heightened regulatory expectations governing such transfers. It is imperative in the face of increased volume and regulatory expectations that Freddie Mac ensures borrowers are not negatively impacted and its mortgage loans are properly serviced. Therefore it is important to ensure a transparent and effective Transfer of Servicing process.

Freddie Mac's objectives in assessing, managing, and monitoring include:

- Identifying and managing risk during the transfer of servicing.
- Ensuring Transferor Servicer's off-boarding processes and procedures are sound.
- Ensuring operational readiness and capacity of the Transferee Servicer, including sound on-boarding processes and procedures.
- Confirming appropriate and proactive coordination and communication occurs between all parties before, during, and after the Transfer of Servicing.
- Ensuring a smooth and timely borrower experience.

### Document Purpose

The purpose of this document is to share best practices on pre-transfer activity, activity during the execution of a transfer, and post-transfer activity. From our perspective, the smoothest transfers happen when Servicers **engage Freddie Mac early in the process**. Your Freddie Mac Servicing Account Manager or Customer Support (800-FREDDIE) can assist you in navigating the process and answer any questions you have about this document.

## II. Best Practices Framework

Freddie Mac created this document using the following framework:

1. We reviewed internal and external documentation to identify themes to be reused, reinforced, and newly defined.
2. The best practices were structured to support:
  - a. Aligning how information is presented externally today, including: pre, during, and post- Transfer of Servicing activities, including post Transfer of Servicing monitoring and review.
  - b. Incorporating lessons learned.
  - c. Centralizing key themes and practices currently existing across multiple internal and external Freddie Mac documents.



## Pre-Servicing Transfer

Process Step	Best Practice
<b>1. Send Notification</b>	<p>As soon as possible, both the Transferor and Transferee Servicer must notify Freddie Mac of their intention to make an acquisition or onboard new loans. The earlier the better, but no less than 45 days before the requested effective date of the transfer per <i>Single-Family Seller/Servicer Guide (Guide)</i> Section 56.3.</p>
<b>2. Initial Planning</b>	<p>Create a Transfer of Servicing Execution Plan to include the following:</p> <ul style="list-style-type: none"> <li>• Communications plan</li> <li>• Key contact information</li> <li>• Testing plan</li> <li>• Timeline with key milestones</li> <li>• Capacity plan</li> <li>• Escalation plan</li> </ul> <p>Share this plan with your Freddie Mac Servicing Account Manager, as soon as applicable.</p>
<b>3. Portfolio Review</b>	<p>Conduct a joint review with your Freddie Mac Servicing Account Manager about the loans being transferred or inform Customer Support (800-FREDDIE) of the nature of the portfolio being transferred.</p>
<b>4. Discuss Servicing Strategy and Ongoing Servicing of the New Portfolio</b>	<p>Provide your servicing strategy to your Freddie Mac Servicing Account Manager. At a high level, the servicing strategy should identify if the transferred loans will be:</p> <ul style="list-style-type: none"> <li>• Serviced under an existing Seller/Servicer number.</li> <li>• Serviced under its own family or Seller/Servicer number.</li> <li>• Serviced using the number of a Servicing Agent engaged by a Transferee Servicer.</li> </ul>
<b>5. Complete an Analysis of Servicing Provisions (TOBs)</b>	<p>If the transferred portfolio will be subserviced by a Servicing Agent, the Transferee Servicer should discuss delegated and mandatory servicing provisions held by the Subservicer that could be applied to the newly transferred portfolio. Additionally, the Subservicer may need to request Freddie Mac's consent to apply those terms to the subserviced portfolio.</p>
<b>6. Requesting System Access</b>	<p>Using the relevant Transfer of Servicing Checklist on <a href="http://www.freddiemac.com">Freddiemac.com</a>, <a href="http://www.freddiemac.com/singlefamily/service">http://www.freddiemac.com/singlefamily/service</a>, apply for system access to the portfolio you are acquiring. Contact Customer Support (800-FREDDIE) for guidance if needed.</p>
<b>7. Issue Resolution, Closure</b>	<p>Schedule and execute post-Transfer of Servicing meetings with your Freddie Mac Servicing Account Manager or with Customer Support (800-FREDDIE) to ensure issues are tracked / resolved.</p>
<b>8. Approval</b>	<p>All Transfers of Servicing, as well as the Transferee Servicer's use of a Subservicer, if any, must be approved by Freddie Mac before transfer begins.</p>



Process Step	Best Practice
<p><b>9. Pre-Effective Date Activities</b></p>	<ul style="list-style-type: none"> <li>• Transferee Servicers must send goodbye letters to borrowers in accordance with Real Estate Settlement Procedures Act (RESPA) and the Real Estate Settlement Procedures Act (Regulation X). Borrower inquiries should be addressed in a timely manner by the Transferor and Transferee Servicer receiving such inquiry.</li> <li>• Transferor Servicers should provide Transferee Servicers with complete records and information relating to each loan being transferred including, but not limited to, a Freddie Mac generated Loan Level Trial Balance report available in the Service Loans application, as well as the following information for each loan: a unique number that identifies each loan, the terms of the loan, current unpaid principal balance (UPB) as of a specific date, escrow balances, payment histories and the terms of any alternative to foreclosure that was offered to a borrower or any alternative to foreclosure under which the borrower is performing.</li> <li>• For loans subject to Trial Period Plans, the data transferred should include the payment terms during the trial period, the proposed or final modification terms for which the borrower will be eligible, the current unpaid principal balance and all outstanding arrearages as of a specific date, and the status of trial period payments and escrow balances.</li> <li>• The Transferor Servicer should identify any loans in default, loans subject to Home Affordable Modification Program (HAMP®) reporting requirements, active foreclosures and bankruptcies.</li> <li>• The Transferor Servicer should provide the Transferee Servicer with loss mitigation activities for each loan, including status and notes pertaining to the loss mitigation action.</li> <li>• The Transferor Servicer should provide the Transferee Servicer with the loan product type for each loan being transferred (ARM, Fixed-Rate, Balloon, etc.).</li> <li>• Appropriate third parties should be notified.</li> <li>• Both the Transferor and Transferee Servicer should resolve any data mapping errors that occurred during the de-boarding or on-boarding process.</li> <li>• Custodial accounts and document custody arrangements should be in place by the Transferee Servicer to secure mortgage notes as well as Freddie Mac and borrower funds.</li> <li>• The Transferor Servicer should complete mortgage assignments to the Transferee Servicer and update Mortgage Electronic Records Systems (MERS®) to reflect the Transferee Servicer, if applicable.</li> <li>• The Transferor Servicer should complete the year-end reporting (IRS Form 1098) to cover the time period in which it serviced the loan.</li> <li>• The Transferor Servicer should provide a list of borrowers who have electronic payments (set up and information necessary to ensure the continuation of such payments).</li> </ul>



Process Step	Best Practice
<p><b>10. Loan/Loss Mitigation</b></p>	<p>The Transferor and Transferee Servicers should have policies and procedures governing, and dedicated resources to:</p> <ul style="list-style-type: none"> <li>• Confirm which loans are in active loss mitigation, the type of workout for that loan and its workout stage.</li> <li>• Identify all needed documents and any escalation of missing documents to the Transferee Servicer.</li> <li>• Evaluate each counterparty’s processes to accurately transfer and board active loss mitigation loan population.</li> <li>• Determine the progression of how loans are integrated into the Transferee Servicer’s business operations and servicing platform.</li> <li>• Obtain access to reports that detail all loans pending loss mitigation applications, whether complete or incomplete, as well as approved alternatives to foreclosure from the Transferor Servicer.</li> <li>• Determine what documentation can be shared pre-transfer to ensure normal Servicing activity resumes immediately post-transfer.</li> <li>• Identify loans that have partial or incomplete Borrower Response Packages and determine what documentation is missing and whether applicable notices under Regulation X have been sent (e.g., acknowledgement of receipt and/or notice of incompleteness, Transferee Servicer early intervention notices, etc.)</li> </ul>

### During Servicing Transfer

Process Step	Best Practice
<p><b>1. Execution of Servicing Transfer</b></p>	<ul style="list-style-type: none"> <li>• At its discretion, Freddie Mac personnel may be on-site, and while onsite at Transferee and Transferor Servicer locations Freddie Mac should be included in Transfer of Servicing meetings, including, but not limited to, meetings related to status, data mapping, imaging, and loss mitigation.</li> <li>• Freddie Mac personnel should have read-only access to relevant servicing systems to review Transfer of Servicing related files and reports as well as access to call center staff to observe and listen to welcome calls, inbound customer inquiries, and outbound campaigns.</li> </ul>



## Post Servicing Transfer

Process Step	Best Practice
<b>1. P&amp;L Blackout Period</b>	<p>For the first reporting cycle (16<sup>th</sup> business day of the transfer month to the end of the transfer month) be aware that 105 edits associated with this portfolio will be automatically cleared by Freddie Mac by the 2<sup>nd</sup> business day of the following month.</p>
<b>2. Update Contacts</b>	<p>Often large Transfers of Servicing need additional management. Ensure that new contacts are introduced and provided to your Freddie Mac Servicing Account Manager. Or, if the Transferor or Transferee Servicer does not have a Freddie Mac Servicing Account Manager, inform Customer Support (800-FREDDIE) of the size of the transfer as it may require escalated handling within Freddie Mac.</p>
<b>3. Reporting</b>	<p>While the transferred Servicing portfolio is being assimilated, work with your Freddie Mac Servicing Account Manager, or if applicable, Customer Support (800-FREDDIE) to provide daily, weekly, or monthly reports, if requested. Items to track include issues related to the transfer, delinquency, call center metrics, etc.</p>
<b>4. Monitoring</b>	<p>Both the Transferor and Transferee Servicer should conduct a post transfer review or de-brief to determine effectiveness of Transfer of Servicing Execution Plan and procedures. This will help identify areas that need improvement for future transfer activity and facilitate communications with Freddie Mac.</p>
<b>5. Operational Execution</b>	<ul style="list-style-type: none"> <li>• The borrower should begin sending payments to the Transferee Servicer after the effective transfer date. However, the Transferor Servicer must forward any payments inadvertently not sent to the Transferee Servicer, and must process them in compliance with Regulation X and the mortgage documents.</li> <li>• The Transferee Servicer should send borrower hello letters in accordance with RESPA and Regulation X. Borrower inquiries should be addressed in a timely manner by both the Transferor and Transferee Servicers.</li> <li>• The Transferor and Transferee Servicers should resolve any data mapping errors that occurred during de-boarding or on-boarding process.</li> <li>• The Transferee Servicer should complete the year end reporting (IRS Form 1098) to cover the time period in which it serviced the loan.</li> <li>• The Transferee Servicer should set up borrower electronic payments for example, Automatic Clearing House (ACH).</li> <li>• There should not be an increase in loan data edits or late remittances as a result of the transfer.</li> </ul>





Process Step	Best Practice
<p><b>6. Loan/Loss Mitigation</b></p>	<p>The Transferee and Transferor Servicers should be prepared to:</p> <ul style="list-style-type: none"> <li>• Confirm the expected number of active loss mitigation loans were transferred and boarded.</li> <li>• Track missing or inaccurate documentation by reviewing all documentation to ensure the status of a Borrower Response Package remains unchanged (e.g., either complete or missing the same documents as were missing pre-transfer).</li> <li>• Confirm receipt of all required documents and enter the loans into the Transferee Servicer's loss mitigation tracking system.</li> <li>• Schedule regular post-Transfer of Servicing meetings with the Transferor and Transferee Servicers and Freddie Mac to escalate issues or to track missing documents.</li> <li>• Track and monitor borrower complaints/escalations through recurring post-Transfer of Servicing calls and through a post-Transfer of Servicing issues log.</li> <li>• Confirm Transferee Servicer can identify loans that have unapplied funds held in suspense and how those funds should be applied, consistent with any alternative to foreclosure.</li> <li>• Track loan loss mitigation status by utilizing the Transferee Servicer's "Open Item Tracker Report."</li> </ul>

## Post Servicing Transfer Monitoring and Review

Process Step	Best Practice
<p><b>1. Operational Performance Reviews</b></p>	<p>The Transferee Servicer should have the ability to track and report on the following metrics:</p> <ul style="list-style-type: none"> <li>• Call Center performance               <ul style="list-style-type: none"> <li>○ Call volume</li> <li>○ Average speed to answer</li> <li>○ Abandonment rate</li> <li>○ Average talk time</li> <li>○ Borrower complaints/escalations</li> </ul> </li> <li>• Operation performance               <ul style="list-style-type: none"> <li>○ Borrower Solicitation Packages sent</li> <li>○ Borrower Response Packages received</li> <li>○ Quality Right Party Contact and attempts</li> <li>○ Loss mitigation activity</li> <li>○ Foreclosure referrals</li> <li>○ Missing documents tracking</li> </ul> </li> </ul> <p>Freddie Mac may require a Transferee Servicer to provide daily, weekly, and monthly reports for a period of time in addition to the standard performance reporting package that is currently in place.</p>



Process Step	Best Practice
<p><b>2. Ongoing Monitoring and Testing</b></p>	<p>Site visits to the Transferee Servicer’s work location may be conducted monthly for sizable transfers. Frequency of site visits are correlated to the performance review results, increased portfolio risk, size of the transfer, and are at Freddie Mac’s discretion.</p>
<p><b>3. Conduct Post Servicing Transfer Review</b></p>	<p>A post servicing transfer review:</p> <ul style="list-style-type: none"> <li>• Promotes active member participation.</li> <li>• Provides an opportunity to discuss if things happened as planned and offer a way to conduct lessons learned to improve performance.</li> <li>• Allows for an open forum to share information and suggestions.</li> <li>• Initiates gathering objective performance indicators to gain insights into strengths and weaknesses from varying perspectives in the Transfer of Servicing.</li> </ul>