SUBJECT: SELLING AND SERVICING UPDATES

This Guide Bulletin announces:

**Freddie Mac Investor Reporting Change Initiative – Effective May 1, 2019**
- Detailed information and updates to our requirements for the Freddie Mac Investor Reporting Change Initiative (“Initiative”)

**Guide Form 1132, Authorization for Automatic Transfers of Funds Through the Automated Clearing House (ACH)**
- Updates to expressly permit delivery of Form 1132 as an Electronic Record (as defined in Guide Section 1401.2) copy to Freddie Mac

**Uniform Instruments**
- Fannie Mae/Freddie Mac MERS Mortgage Assignment (Form 3749), which must be used to assign Mortgages that are secured by property located in Maine to MERS® – Effective January 1, 2018 (New)

**Servicing changes from Bulletin 2017-10**
- Changes that impact Servicers from Bulletin 2017-10

**FREDDIE MAC INVESTOR REPORTING CHANGE INITIATIVE**

**Background**
In Bulletin 2016-15, we announced the Initiative that will convert our single-family investor reporting requirements to be closer to an industry standard and change our remittance cycles. Bulletin 2017-4 detailed the investor reporting requirements to support the Initiative, including the changes to the Accounting Cycle as well as the remittance cycle, type and method.

The updates in this Bulletin provide Seller/Servicers with additional information they need to plan their transition strategy and test the changes they make to their investor reporting policies and procedures to ensure they are ready to interact with Freddie Mac systems when the Initiative is implemented in May 2019.

The updates provided below are organized by Seller/Servicer impacts and Servicer-only impacts.

**Seller/Servicer impacts**

**Standard Remittance Cycle**
In Bulletin 2017-4, we highlighted that after April 30, 2019 Freddie Mac will no longer utilize the Gold remittance cycle, Accelerated Remittance Cycle (ARC), Super ARC and the First Tuesday remittance cycles. Effective with the implementation of the Initiative in May 2019, the Standard Remittance Cycle will apply to all Mortgages serviced for Freddie Mac.

Sellers that take out Guarantor and MultiLender Swap Contracts with Settlement Dates on and after May 1, 2019 will be able to select only the Standard Remittance Cycle. Cash Contracts with Funding Dates on and after May 1, 2019 will fund with the Standard Remittance Cycle.

Under the Standard Remittance Cycle, monthly principal and interest will be due on the second Business Day following the P&I Determination Date. Freddie Mac will draft the monthly principal and interest directly from the Servicer’s designated Custodial Account on the P&I Draft Date.
Servicers must ensure Freddie Mac receives their reporting prior to 2:00 a.m. Eastern Time on the morning following the P&I Determination Date. The amount drafted will include:

- The forecasted scheduled interest reported in the previous Accounting Cycle
- The actual principal collected and reported after 2:00 a.m. Eastern Time on the day following the P&I Determination Date of the previous Accounting Cycle and
- The actual principal collected and reported prior to 2:00 a.m. Eastern Time on the day following the P&I Determination Date of the current Accounting Cycle

Based on Servicer reporting, Freddie Mac will provide Servicers a Draft Report that provides a cumulative view of the amounts that will be drafted on the P&I Draft Date. A preliminary Draft Report will be available daily in the Freddie Mac Service Loans application and updated based on daily reporting. A final version will be provided on the morning after the P&I Determination Date.

Principal reported to Freddie Mac after 2:00 a.m., Eastern Time on the day following P&I Determination Date will be drafted on the P&I Draft Date of the next Accounting Cycle.

Below is an illustration of the reporting cycle after the Initiative is implemented:

Payoffs will continue to be due on the fifth Business Day after the Mortgage Payoff Date. Note: Seller/Servicers with a negotiated term of business providing for a different payoff remittance due date are not impacted by the Initiative implementation; those terms will continue to be effective.

We are updating the Glossary definition for “Standard Remittance Cycle” to reflect the reporting cutoff time, as follows:

The remittance cycle for which Freddie Mac calculates the actual principal and forecasted scheduled interest based on the Servicer’s loan-level reporting as of 2:00 a.m. Eastern Time on the day following the P&I Determination Date that is due on the second Business Day after the P&I Determination Date. In the Selling System®, this term can be used interchangeably with Standard Remittance Option.

Guide impacts: Sections 8303.3 and 8303.6 and Glossary R-Z

**Servicer impacts**

To prepare for implementation of the Initiative, we are providing:

- Detailed requirements for
New Form 1132A, Authorization for Automatic Transfer of Funds from a Principal and Interest Custodial Account Through the Automated Clearing House (ACH)

The Customer Testing Strategy

The cut-off strategy

Updates to our Initiative implementation requirements regarding:

- Monthly loan-level reporting cutoff
- Calculating Mortgage interest due to Freddie Mac
- Form 59E, Escrow Custodial Account Monthly Reconciliation Worksheet
- Reimbursement of Scheduled Principal

Form 1132A, Authorization for Automatic Transfer of Funds from a Principal and Interest Custodial Account Through the Automated Clearing House (ACH)

Each month, beginning June 2019, Freddie Mac will draft, via ACH transaction, principal and interest payments and payoff proceeds directly from the Servicer’s designated Custodial Account. The existing Form 1132 does not authorize Freddie Mac to draft funds from a Principal and Interest Custodial or Principal and Interest Disbursement Clearing Custodial Account. Therefore, we are introducing a new form, Form 1132A, to allow Servicers to designate the proper Principal and Interest Custodial Account or Principal and Interest Disbursement Clearing Custodial Account and authorize Freddie Mac to initiate debits or credits by electronic transfer against the account.

To authorize Freddie Mac to draft monthly principal and interest payments and payoff proceeds from a Servicer’s designated Custodial Account, or to update previously provided ACH draft account instructions, the Servicer must complete, execute and submit Form 1132A to Freddie Mac as either:

- A paper document, signed by the Servicer’s employee authorized to provide Wire Transfer Instructions (as described in Section 2201.1) (“Authorized Employee”) by regular mail or overnight delivery service in accordance with the mailing instructions contained in the Form 1132A, or
- An Electronic Record (as defined in Section 1401.2) copy, using a Portable Document Format (PDF) (or other Electronic Record format commonly used in the mortgage industry), that has been completed and contains the copy or representation of the Authorized Employee’s signature (such copy or representation of the Authorized Employee’s signature shall be such Authorized Employee’s adopted Electronic Signature (as defined in Section 1401.2) attached to an e-mail and delivered to Freddie Mac at the following e-mail address: cashcollections@freddiemac.com.

The account identified on Form 1132A for the payment of principal and interest payments and payoff proceeds and adjustments to such amounts must be a Principal and Interest Custodial Account or a Principal and Interest Disbursement Clearing Custodial Account.

The employee authorized to execute Form 1132A on the Servicer’s behalf must be designated as an “Authorized Employee” on the Servicer’s applicable certificate of incumbency form, Form 988SF-1, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union or Corporation, Form 988SF-2, Certificate of Incumbency for a Limited Liability Company, or Form 989SF, Certificate of Incumbency for a Limited Partnership. As a reminder, as announced in Bulletin 2017-5, all Servicers must submit certificate of incumbency forms and documents to Freddie Mac, and those forms and documents must be determined acceptable to Freddie Mac no later than December 31, 2017. See Section 2201.1 for additional information regarding certificate of incumbency requirements.

For a Servicer’s initial Form 1132A and each subsequent update, Freddie Mac will perform a call back to confirm receipt of authorized ACH instructions and will process a non-dollar transaction using the information provided on Form 1132A to verify the accuracy of the instructions.

To facilitate implementation of the Initiative, Freddie Mac is establishing a staggered submission schedule based on the Servicer’s company name for execution by the Servicer and submission to Freddie Mac of Form 1132A.
Servicers with company names beginning with:  May execute and submit Form 1132A to Freddie Mac:

| Letters A-C | July 1 – August 31, 2018 |
| Letters D-G | August 1 – September 30, 2018 |
| Letters H-N | September 1 – October 31, 2018 |
| Letters O-S | November 1 – December 31, 2018 |
| Letters T-Z | January 1 – February 28, 2019 |

**Note:** On and after February 28, 2019, Servicers must ensure that Freddie Mac has received and approved current executed Forms 1132 and 1132A because they designate accounts for different drafting purposes. Form 1132 designates the account from which Freddie Mac will draft compensatory and other fees while Form 1132A designates the Principal and Interest Custodial Account or Principal and Interest Disbursement Clearing Custodial Account from which Freddie Mac will draft principal and interest payments and payoff proceeds.

Guide impacts: Sections 2101.12, 2201.1, 8303.3, 8303.6, 8304.2 and Form 1132A

**Customer Testing Strategy**

As part of the Initiative, Freddie Mac will develop a customer test environment to allow Servicers and their vendors to test the updates and changes they make to their systems and verify interoperability with Freddie Mac. On June 12, 2017, Freddie Mac published the Customer Testing Strategy on the Investor Reporting Change Initiative web page. All Servicers are strongly encouraged to conduct testing with Freddie Mac to validate their investor reporting systems are ready to support the Initiative changes.

While all Servicers are strongly encouraged to test their systems, Servicers that report via vendors or subservicers, a proprietary system or the Service Loans application must comply with the following requirements:

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<tr>
<th>If a Servicer...</th>
<th>Then the Servicer must...</th>
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| Uses a vendor or a subservicer to report to Freddie Mac | • Review the Freddie Mac recommended Customer Integrated Testing (CIT) scenarios that apply to the Servicer’s portfolio and its vendor or subservicer’s plan for testing those scenarios  
• Determine whether the Servicer or its vendor/subservicer need to develop and test additional CIT scenarios  
• Ensure that the Servicer’s portfolio is reflected in the vendor’s testing plan  
• Review any adverse testing outcomes with its vendor, including mitigation plans for resolving the defects |
| Reports through a proprietary system or the Service Loans application | • Review the Freddie Mac recommended CIT scenarios that apply to the Servicer’s portfolio and develop a plan for testing those scenarios with Freddie Mac  
• Determine whether the Servicer needs to develop and test additional CIT scenarios  
• Review any adverse testing outcomes and develop and test mitigation plans for resolving the defects |

CIT scenarios will evaluate cutover (as described below), real time and regression testing. Servicers may test all of their Seller/Servicer numbers and loan numbers for up to 10% of the Mortgages they service for Freddie Mac. While we encourage Servicers to select their Seller/Servicer numbers and loan numbers, if a Servicer does not provide their Seller/Servicer numbers or loan numbers, Freddie Mac will select 10% of the Mortgages the Servicer
services for Freddie Mac that fit the recommended CIT scenarios, but may not include all of their Seller/Servicer numbers.

Registration for CIT will begin in January 2018 and be open to all Servicers. We will announce when the registration window opens on the Investor Reporting Change Initiative web page. We anticipate CIT will begin in **August 2018 and continue through March 2019**. Additional details regarding testing schedules will be published in future communications.

**Cutover strategy**

In May 2019, Freddie Mac will transition from existing investor reporting requirements to the new Accounting Cycle, daily reporting, and the Standard Remittance Cycle. To make this transition as smooth and efficient as possible, Freddie Mac will utilize an extended 45-day cutover accounting cycle, **April 16, 2019 – May 31, 2019**. The reporting period for the 45-day accounting cycle is May 16 through June 3, 2019. Servicers must provide loan level reporting for every loan on or before June 3, 2019 even if there was no payment activity beginning on April 16 through May 31, 2019. The cutover reporting strategy timeline is detailed below:

Detailed cutover time frames are provided in [Attachment A to this Bulletin](#), [Freddie Mac Investor Reporting Change Initiative Cutover Guidance and Requirements](#). Servicers should refer to [Attachment B to this Bulletin](#), [Freddie Mac Investor Reporting Change Initiative New and Modified Edits by Cutover Time Period](#), for details on loan level reporting edits and warnings they may encounter during the cutover period.

Servicers can begin the following actions now to prepare for a cutover in May 2019:

<table>
<thead>
<tr>
<th>Topic</th>
<th>Servicer action</th>
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<tbody>
<tr>
<td>Loan inactivation</td>
<td>Inactivate loans that are in foreclosure status</td>
</tr>
<tr>
<td>Archive reports</td>
<td>Begin retaining your remittance related reports that will be retired after the May 2019 deployment</td>
</tr>
</tbody>
</table>
| Cash Overage Balances        | • Develop a strategy to reduce remittance cash overages before the Initiative is deployed  
                                | • At the end of May 2019, any balance on your Remittance Analysis Statement will be refunded |

**Monthly loan-level reporting cutoff**

Once the Initiative is implemented, Servicers are encouraged, but will not be required, to report loan activity daily. Servicers must report at least one loan-level transaction for each Mortgage serviced for Freddie Mac once per month on or before the P&I Determination Date. Freddie Mac considers a loan-level transaction to be reported when it has been transmitted by the Servicer without errors and received by Freddie Mac.
Servicers must ensure Freddie Mac receives their reporting prior to 2:00 a.m. Eastern Time on the morning following the P&I Determination Date. All transactions received by 2:00 a.m. Eastern Time will be processed and drafted on the current Accounting Cycle P&I Draft Date.

Guide impact: Sections 8301.11, 8303.3 and 8303.30

**Calculating Mortgage interest due to Freddie Mac**

Beginning May 21, 2019, Servicers must report the forecasted scheduled interest to be drafted in the next Accounting Cycle based on the interest-bearing Ending UPB of the current Accounting Cycle.

We are emphasizing that Servicers must apply all principal payments (i.e., current monthly principal payment, curtailments, and prepayments) received and reported in the current Accounting Cycle before calculating and reporting the forecasted scheduled interest.

Guide impact: Sections 8103.7 and 8301.5

**Form 59E, Escrow Custodial Account Monthly Reconciliation Worksheet**

In support of the Initiative, we are revising Form 59E to align the calculation of the adjusted bank balance and total variance with the new Accounting Cycle. Servicers will now use the ending balance of their bank statement, instead of the mid-month balance, to calculate the adjusted bank balance.

Guide impact: Form 59E

**Reimbursement of Scheduled Principal**

As previously announced, Freddie Mac will convert all scheduled/scheduled Super ARC remittance type loans to scheduled/actual with the Standard Remittance Cycle. After April 30, 2019, since Freddie Mac will no longer utilize the scheduled/scheduled Super ARC remittance type, we will not reimburse Servicers for the guaranteed timely Scheduled Principal paid under the Super ARC remittance cycle, when advanced on a Mortgage that results in an REO, short sale, or other workout or charge-off. As a result, effective May 1, 2019, we will retire expense code 503000 (Principal Reimbursement).

Guide impact: Guide Exhibit 74

**Stay informed and on track**

Freddie Mac will continue to provide information to Seller/Servicers to allow as much time as possible to implement the Initiative. The updates in this Bulletin provide Seller/Servicers with additional information they need to plan their transition strategy and test the changes they make to their investor reporting policies, procedures and systems to verify they are ready to interact with Freddie Mac systems when the Initiative is implemented in May 2019.

To help Seller/Servicers prepare for the Initiative, we have created an Investor Reporting Change Initiative Getting Ready Checklist.

We encourage Seller/Servicers to continue to visit the Investor Reporting Change Initiative web page periodically for Initiative requirements, technical specifications, the latest Initiative news, and answers to frequently asked questions. Additionally, to receive Initiative updates as they are published, Seller/Servicers should subscribe to the Single-Family Business News Subscription Center.

**FORM 1132, AUTHORIZATION FOR AUTOMATIC TRANSFERS OF FUNDS THROUGH THE AUTOMATED CLEARING HOUSE (ACH)**

We are updating the Guide to expressly permit delivery of an Electronic Record (as defined in Section 1401.2) copy of Form 1132. Effective immediately, Seller/Servicers may deliver Form 1132 to Freddie Mac as: (i) a paper form or (ii) an Electronic Record copy attached to an e-mail to cashcollections@freddiemac.com. Form 1132 has also been updated to reflect this change to delivery instructions.

Guide impacts: Sections 6303.2, 8303.34, 8303.35 and 9102.1 and Form 1132
UNIFORM INSTRUMENTS – ASSIGNMENT TO MERS

Effective for Maine Mortgages with Note Dates on and after January 1, 2018; however, originators may implement immediately

On the Uniform Instrument News & Updates web page, we announced that steps were being taken to suspend use of the “MERS as Original Mortgagee” authorized change to the Maine security Instrument (Form 3020). These steps are in response to judicial developments in Maine challenging MERS’ role as nominee for originators (and their assignees) and the absence of a legislative remedy that addresses prospective foreclosures and other mortgage-related enforcement actions.

Effective for Mortgages with Note Dates on and after January 1, 2018, that are to be registered with MERS, and for which the security property is located in the State of Maine, originators must use the new Fannie Mae/Freddie Mac MERS Mortgage Assignment (Form 3749) to assign such Mortgages to MERS.

Mortgages with Note Dates on and after January 1, 2018, that are secured by property located in Maine are ineligible for delivery to Freddie Mac if:

- The Maine Security Instrument (Form 3020) has been modified to name MERS as the original mortgagee of record solely as nominee for the lender; or
- The Mortgage has been assigned to MERS using an assignment form other than Form 3749

The new Maine MERS Assignment form will show a version date of (Form 3749, 8/17) and originators may begin using the new MERS Mortgage Assignment form immediately.

As a reminder, the new assignment form must be used with the standard Maine mortgage form, and may not be used with a Maine mortgage form that has been modified to include the MERS-as-original-mortgagee authorized change.

For more information, visit Freddie Mac’s Uniform Instrument News & Updates web page.

Guide impact: Exhibit 4

CHANGES IMPACTING SERVICERS FROM BULLETIN 2017-10

We are notifying Servicers of the following changes that were announced to Sellers in Bulletin 2017-10:

- Removal of the requirement that a Seller/Servicer retain a wet ink signed assignment of a Mortgage or a modification agreement when those paper documents are electronically recorded
- Clarifications and updates to our requirements for Concurrent Transfers of Servicing
- An updated version of the Federal Emergency Management Agency (FEMA) Standard Flood Hazard Determination Form, FEMA Form 086-0-32, Freddie Mac Exhibit 13

Electronic Recording of paper and Electronic closing and post-closing documents

Effective July 12, 2017

As announced in Bulletin 2017-10, based on Seller/Servicer feedback, we have specified that a Seller/Servicer does not need to store the original wet ink-signed paper assignments of Mortgages or modification agreements when such documents are electronically recorded and certain storage and delivery requirements are met. Seller/Servicers may now store Electronic (as defined in Section 1401.2) copies of electronically-recorded paper assignments of Mortgages or paper modification agreements, etc., but must do so securely and ensure such Electronic copies contain all the recording information.

We have also clarified storage and delivery requirements for paper and electronically created closing and post-closing documents that are electronically recorded, as follows:

- Seller/Servicers may store such Electronic copies of such documents as long as the copies or other Recording Confirmations from the Recording Office contain all of the recording information
- Seller/Servicers must still deliver to the Document Custodian or Designated Custodian, as applicable
The original wet-ink signed paper assignments of Mortgages, powers of attorney, modification agreements, etc., that have been electronically recorded; and

Paper copies of such electronically recorded documents or other Recording Confirmations from the Recording Office

We have revised these requirements to create operational efficiencies for Seller/Servicers by reducing some storage costs and making it easier for Servicers to store and retrieve documents, which reduces the risk of lost documents.

After delivery of the Mortgage to Freddie Mac, a Servicer may only enter into paper modification agreements with original wet-ink signatures, except for Electronic modification agreements under the Home Affordable Modification Program (HAMP®). Servicers must comply with the requirements set forth in Section 9205.20 with respect to HAMP eModification Agreements, as defined in Section 9205.20. With respect to non-HAMP eModification Agreements, Servicers may store Electronic copies of such documents provided they deliver to the Document Custodian the original wet-ink signed paper modification agreement and paper copies of any electronically recorded modification agreements.

At this time, Servicers remain subject to the paper document retention requirements set forth in Guide Chapters 3301 and 3302 for those documents that have not been electronically recorded.

Servicer requirements for mortgage modification documents

In connection with these changes, Section 9206.17 has been updated to specify that, if a modification agreement: (i) must be recorded, and (ii) will be electronically recorded, the Servicer must send the original wet-ink signed paper modification agreement to the Document Custodian to be maintained with the Note within 25 days of receiving the executed modification agreement from the Borrower.

Guide impacts

We have updated Sections 1401.14, 1401.15, 2202.4, 6304.1, 6304.3 and 9206.17 to reflect these changes related to Electronic Recording of paper and Electronic closing and post-closing documents.

Concurrent Transfers of Servicing

Seller/Servicers are encouraged to implement the below changes immediately, but must do so no later than October 9, 2017.

As announced in Bulletin 2017-10, in response to Seller/Servicer feedback for processing Concurrent Transfer of Servicing requests, we have clarified:

- Responsibilities between the Seller, the Servicer and the Servicer’s Document Custodian
- When certification of the Notes must be performed

As a result, we updated the Glossary as follows:

- Deleted the term "Transferor Seller"
- Revised the term "Concurrent Transfer of Servicing" as follows:

A Transfer of Servicing initiated by a Seller to a Servicer that occurs, subject to prior Freddie Mac approval, concurrently with Freddie Mac’s purchase of a Mortgage on the Settlement Date: for the sake of convenience, the Seller may be referred to as the “Transferor Servicer” and the Servicer may be referred to as the “Transferee Servicer.” In each instance, the Mortgage is delivered for certification to the Servicer’s Document Custodian.

We have updated Sections 6301.6 and 7101.9, Form 960 and the Glossary to reflect these changes.
Effective July 12, 2017

As announced in Bulletin 2017-10, the Federal Emergency Management Agency (FEMA) has revised the Standard Flood Hazard Determination Form, FEMA Form 086-0-32, Freddie Mac Exhibit 13, and extended the expiration date to October 31, 2018. Use of the new form is recommended; however, the previous form with the expiration date May 30, 2015 continues to be acceptable.

We have updated Section 8202.3 and Exhibit 13 to reflect this revision.

GUIDE UPDATES SPREADSHEET


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,

Yvette W. Gilmore
Vice President
Servicer Performance Management
Attachment A to Bulletin 2017-15

Freddie Mac Investor Reporting Change Initiative
Cutover Guidance and Requirements

The table below details Investor Reporting Change Initiative (“Initiative”) cutover guidance and requirements regarding:

- Reporting principal and interest
- Remittance method
- Reporting partial reinstatements
- Principal and interest recast
- Payoffs
- Processing loan modifications
- Custodial reconciliation
- Compensatory fees
- Availability of existing reports in the Freddie Mac Service Loans application
- EDR
- Newly funded Mortgages
- Subsequent Transfers of Servicing

Initiative Cutover Guidance and Requirements

Beginning on April 16, 2019 through April 30, 2019, Servicers will continue to:

- Report loan-level transactions in accordance with the pre-Initiative accounting cycle, interest calculations and investor reporting requirements
- Remit principal and interest and payoff proceeds due to Freddie Mac via Global Payment Incorporated (GPI) in accordance with the existing applicable remittance option

To support various transition plans, beginning on May 16, 2019 through May 20, 2019, Servicers that report using the Freddie Mac Service Loans application will have the option to report using: (i) pre-Initiative Service Loans application functionality; or (ii) Initiative functionality, which will be visible in the Service Loans application starting May 16, 2019.

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<th>Time frame</th>
<th>Key points</th>
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| May 1 – May 15, 2019| • Servicers must only report payoff transactions  
                        • Servicers must not report any other loan level transactions                                                                         |
| May 16 – May 20, 2019| • Servicers must report on each loan in their portfolio (principal and interest payments and non-payment activity) beginning on April 16, 2019 through May 15, 2019 using pre-Initiative Servicing requirements. However, Servicers that use the Service Loans application have the option to report principal and interest using the Initiative investor reporting requirements, if they choose to do so.  
                        • Refer to Attachment B, Freddie Mac Investor Reporting Change Initiative New and Modified Edits by Cutover Time Period, to review new and modified edits and warnings that may be triggered during the cutover period |
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| May 21 – June 3, 2019         | • Servicers must begin loan-level reporting using Initiative investor reporting requirements  
• Changes to previously reported activity beginning on May 16, 2019 through May 31, 2019 must be submitted as a revision to the prior transaction on or before June 3, 2019. In the revised transaction, Servicers should report all principal collected for the entire month of May 2019 and the scheduled forecasted interest.  
• Servicers must clear any outstanding edits on or before June 3, 2019  
• Servicers may begin reporting transactions identified for the June Accounting Cycle on June 3, 2019 |
| Remittance method             |                                                                                                                                                                                                            |
| May and June 2019             | • Transactions posting due in the month of May will be remitted using Global Payment Incorporated (GPI)  
• Any transactions posting due in and after the month of June will be drafted |
| May 16 – May 20, 2019         | Servicers must remit any principal and interest payments, less any adjustments, reported to Freddie Mac by 4:00 pm Eastern Time on May 20, 2019 using Global Payment Incorporated (GPI) |
| May 21 – June 3, 2019         | Freddie Mac will draft any principal and forecasted scheduled interest reported after 4:00 p.m. Eastern Time on May 20, 2019 from the Servicer’s designated Custodial Account on the P&I Draft Date in June 2019 |
| Reporting partial reinstatements |                                                                                                                                                                                                            |
| On and after May 21, 2019     | • For the loans inactivated in the April 2019 accounting cycle and prior, Servicers must begin reporting partial reinstatements on and after May 21, 2019, if a full payment is received from the Borrower  
• For the loans that are inactivated in the May 2019 Accounting Cycle, Servicers must begin to report partial reinstatements in the June 2019 Accounting Cycle, if a full payment is received from the Borrower |
| Principal and interest recast |                                                                                                                                                                                                            |
| May 1 – June 3, 2019          | • To report new P&I on a recast loan beginning on May 16, 2019 through May 20, 2019, Servicers must have submitted Form 1102, *Modified Principal and Interest Payment*, on or before May 1, 2019 for Freddie Mac to update the new P&I payment  
• On and after May 21, 2019, Servicers must begin submitting Loan Level Reporting exception code 91 (Recast) when reporting recast P&I  
• On and after May 21, 2019, for loans with a step rate, Servicers must submit Form 1102 to update all future payment changes and report Loan Level Reporting exception code 91 |
### Time frame | Key points
--- | ---
**Payoffs** |  
May 1 – June 3, 2019  
- Beginning on May 1, 2019 through May 20, 2019, Servicers can continue reporting short sales, make-whole pre-foreclosures and charge-offs using Loan Level Reporting exception code 61 (Payoff – Mortgage prepaid)  
- On and after May 21, 2019, Servicers should begin reporting short sales, make-whole pre-foreclosures and charge-offs using new Loan Level Reporting exception code 67 (Short Sale, Make-whole Preforeclosure Sale and Charge-off)  
- Refer to Attachment B to review new and modified edits and warnings that may be triggered during the cutover period  
- For First Tuesday remittance cycle loans that are reported for the May payoff cycle, the monthly interest portion will be due on or before May 21, 2019, instead of June 4, 2019  
- Any May cycle payoff for which the proceeds are due in June (cross-month payoff) will be drafted on the Payoff Draft Date in June 2019  

**Processing loan modifications**  
May 1, 2019 – May 13, 2019  
Freddie Mac will process loan modification updates on May 13, 2019  
May 14, 2019 – June 2, 2019  
Freddie Mac will not process loan modification updates  
On and after June 3, 2019  
- On June 3, 2019, Freddie Mac will process all loan modifications pending updates beginning on May 14, 2019 through June 3, 2019  
- On and after June 3, 2019, Freddie Mac will process daily modification updates daily  

**Custodial reconciliation**  
May 2019  
- Custodial reconciliation is suspended for the month of May 2019. Servicers will not be required to complete the Form 59, Principal and Interest Custodial Account Reconciliation Worksheet, or Form 59E, Escrow Custodial Account Reconciliation Worksheet, for the month of May 2019.  
- Servicers are still required to maintain and provide the following to Freddie Mac upon request:  
  - Bank statement  
  - Monthly summary of cash collection
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<th>Time frame</th>
<th>Key points</th>
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| **Compensatory fees** | *Freddie Mac will not assess the following *existing* compensatory fees for May 2019 reporting activity:  
  ➢ *Reporting Noncompliance – All Loans*  
  ➢ *Late Reported Payoff Noncompliance*  
  ➢ *Unreported Transactions and Loan Simulation*  
  ➢ *Aged Data Errors*  
  ➢ *Cash Remittance Interest Reimbursement*  
  ➢ *Contract Noncompliance and Contract Change*  
  ➢ *EDR Noncompliance*  
  *Freddie Mac will not assess the following *new* Initiative compensatory fees for May 2019 reporting activity:  
  ➢ *Delayed Draft Late Payoff*  
  ➢ *Delayed Draft Insufficient Funds*  
  *Freddie Mac will not assess the existing *EDR Noncompliance* compensatory fee for June 2019 reporting activity* |
| **Subsequent Transfers of Servicing** | **January – May 2019**  
  ➢ Beginning on January 1, 2019 through May 12, 2019, Servicers will not be able to submit Transfer of Servicing approval requests with transfer effective dates of April 16, 2019, May 16, 2019 or June 1, 2019  
  ➢ On and after May 13, 2019, Servicers can submit requests for Transfer of Servicing with an effective date of July 1, 2019  
  ➢ Concurrent Transfers of Servicing will not be impacted by the implementation of the Initiative |
| **Availability of existing reports in the Service Loans application** | **May 1 – May 10, 2019**  
  The following reports will be available in the current location in the Service Loans application beginning on May 1, 2019 through May 10, 2019:  
  ➢ *Remittance Detail Report*  
  ➢ *Remittance Analysis Amount Due Drilldown*  
  ➢ *Remittance Analysis Amount Received Drilldown*  
  ➢ *Seller/Servicer Remittance Analysis*  
  ➢ *Detail Adjustment Report*  
  ➢ *Negotiated Payoff Report* |
| **May 11, 2019** | On May 11, 2019, the following reports will be retired and will no longer be available:  
  ➢ *Remittance Detail Report*  
  ➢ *Remittance Analysis Amount Due Drilldown*  
  ➢ *Remittance Analysis Amount Received Drilldown*  
  **Note:** It is recommended that Servicers archive the reports that will be retired |
<table>
<thead>
<tr>
<th>Time frame</th>
<th>Key points</th>
</tr>
</thead>
<tbody>
<tr>
<td>On and after May 13, 2019</td>
<td>Beginning on May 13, 2019, the following reports will be available in a new location in the Service Loans application under the “Cash Management Reports” tab:</td>
</tr>
<tr>
<td></td>
<td>• Seller/Servicer Remittance Analysis (will be retired after the May reporting cycle closes, June 3, 2019)</td>
</tr>
<tr>
<td></td>
<td>• Detail Adjustment Report</td>
</tr>
<tr>
<td></td>
<td>• Negotiated Payoff Report</td>
</tr>
<tr>
<td></td>
<td>Note: The new Draft Report will be available in the Service Loans application under the “Cash Management Reports” tab on May 13, 2019</td>
</tr>
<tr>
<td>EDR</td>
<td></td>
</tr>
<tr>
<td>May 2019</td>
<td>• Servicers must not report EDR activity beginning on May 14, 2019 through May 31, 2019</td>
</tr>
<tr>
<td></td>
<td>• Servicers must resume reporting EDR activity in accordance with new Initiative requirements on June 3, 2019</td>
</tr>
<tr>
<td>Newly funded Mortgages</td>
<td></td>
</tr>
<tr>
<td>May 1 – May 15, 2019</td>
<td>Servicers must not report newly funded Mortgages, unless the loan is liquidating</td>
</tr>
<tr>
<td>May 16 – May 31, 2019</td>
<td>• If no payment is received, the Servicer must not report any activity</td>
</tr>
<tr>
<td></td>
<td>• If a payment is received on or before May 20, 2019, the Servicer must report the principal collected</td>
</tr>
<tr>
<td></td>
<td>• If a payment is received after May 20, 2019, the Servicer must report the principal and the forecasted scheduled interest</td>
</tr>
</tbody>
</table>
The table below details Investor Reporting Change Initiative ("Initiative") new and modified edits by cutover time period regarding:

<table>
<thead>
<tr>
<th>Edit Number, Type and Description</th>
<th>May 1 – 12 Payoff only</th>
<th>May 13 – 15 Payoff only</th>
<th>May 16 – 20 All Transactions</th>
<th>May 21 – EOM+1 BD All Transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>0215E (Modified Edit (System Cleared))</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>A current DDLPI and the corresponding payment activity are reported on an inactive loan but no reinstatement (exception code 50) is reported. Freddie Mac reinstated this loan.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0237E (Modified Edit (Fatal))</td>
<td>Yes - Pre-Initiative Logic</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Loan has matured but is reported with errors. (This edit is being modified to incorporate edit 231, which is being retired.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0242E (New Edit (Fatal))</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Loan is not in the fourth Accounting Cycle of Delinquency; inactivation not allowed.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0243E New Edit (System Cleared)</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>The loan is in its fourth Accounting Cycle of Delinquency (or more) but no inactivation (exception code 40) was reported. Freddie Mac inactivated this loan.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0311E (Modified Edit (Fatal))</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Transaction reported is not for the current Accounting Cycle. (This edit is being modified to incorporate edits 301, 302, 312, and 314, which are being retired.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0310W (Modified Edit (Warning))</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Duplicate transaction ignored.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Edit Number, Type and Description</td>
<td>May 1 – 12 Payoff only</td>
<td>May 13 – 15 Payoff only</td>
<td>May 16 – 20* All Transactions</td>
<td>May 21 – EOM+1 BD All Transactions</td>
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<td>----------------------------------</td>
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<td>-----------------------------------</td>
</tr>
<tr>
<td>0400E (Modified Edit (Fatal)) DDLPI is an invalid date or: The prior Accounting Cycle DDLPI day was the first of the month and current reported DDLPI day is not the first of the month; or The prior Accounting Cycle DDLPI day was not the first of the month and the current reported DDLPI day is the first of the month.</td>
<td>Yes - Pre-Initiative Logic for Payoff</td>
<td>Yes - Payoff Only</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>0404E Modified Edit (Fatal) For all NPL liquidations: while reporting a short sale, TPS, or REO (exception codes 67, 70, 71, 72, 73) the DDLPI cannot move from prior Accounting Cycle DDLPI.</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>0405E (New Edit (Fatal)) No principal should be reported and the DDLPI cannot move after a foreclosure sale result has been reported.</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>0406E (New Edit (Fatal)) DDLPI reported is later than the next rate adjustment date.</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>0409W (New Warning) The DDLPI movement reported is not common for the principal reported. Freddie Mac has processed the transaction but additional review for accuracy is recommended.</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>0411E (Modified Edit (System Cleared)) The last payment received date is incorrect. (This edit is being modified to incorporate edits 410 and 413, which are being retired.)</td>
<td>Yes - Pre-Initiative Logic Payoff Only</td>
<td>Yes - Payoff Only</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>0503E (Modified Edit (Fatal)) The exception date reported is incorrect. (This edit is being modified to incorporate edits: 500, 504, 508, and 510, which are being retired.)</td>
<td>Yes - Pre-Initiative Logic Payoff Only</td>
<td>Yes - Payoff Only</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>0600E (Modified Edit (System Cleared)) The interest due reported does not match Freddie Mac's expected interest.</td>
<td>Yes - Pre-Initiative Logic for Payoffs</td>
<td>Yes - Payoff Only</td>
<td>Yes Using Pre-or Post-Initiative Interest Calculation</td>
<td>Yes Using Post-Initiative Interest Calculation</td>
</tr>
<tr>
<td>Edit Number, Type and Description</td>
<td>May 1 – 12 Payoff only</td>
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</tr>
<tr>
<td><strong>0606E (Modified Edit (System Cleared))</strong>&lt;br&gt;In the month of inactivation, the forecasted interest reported must be zero.</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>0608E (New Edit (System Cleared))</strong>&lt;br&gt;Interest reported on an inactive loan did not match the interest expected for the DDLPI reported.</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>0700E (Modified Edit (Fatal))</strong>&lt;br&gt;The difference between the Ending UPB from the prior Accounting Cycle and the Ending UPB for current Accounting Cycle does not equal the principal payment reported.</td>
<td>Yes - Pre-Initiative Logic for Payoffs</td>
<td>Yes - Payoff Only</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>0701E (Modified Edit (Fatal))</strong>&lt;br&gt;Principal due reported is less than zero on a loan that does not allow negative amortization. (This edit is being modified to incorporate edit 703 which is being retired.)</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>0708W Modified Edit (Warning)</strong>&lt;br&gt;A curtailment reversal/balance correction amount above the threshold of $3,000 is processed. (This does not include payment reversals.) Provide Freddie Mac the necessary documentation.</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>0713E (Modified Edit (System Cleared))</strong>&lt;br&gt;The Borrower incentive curtailment reported is incorrect. (This edit is being modified to incorporate edits 712 and 714, which are being retired.)</td>
<td>Yes - Pre-Initiative Logic for Payoffs</td>
<td>Yes - Payoff Only</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>0715E (New Edit (Fatal))</strong>&lt;br&gt;Principal due reported is less than the Freddie Mac expected amount or the DDLPI did not correspond to the principal payment reported.&lt;br&gt;For example: if two monthly principal payments are reported then the DDLPI should move by two months.</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>0828E (Modified Edit (Fatal))</strong>&lt;br&gt;The interest bearing UPB reported for the current Accounting Cycle is greater than the original modified/recast interest bearing UPB.</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>0910E (New Edit (Fatal))</strong>&lt;br&gt;P&amp;I constant reported does not match Freddie Mac’s expected P&amp;I constant.</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Edit Number, Type and Description</td>
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<td>-----------------------------------</td>
</tr>
<tr>
<td>0911E (New Edit (Fatal))</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Recast exception code submitted with a P&amp;I constant that is either equal to or greater than the previously reported P&amp;I constant. <em>Note: For a recast loan, the P&amp;I constant should be less than the previously reported amount.</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0912E (New Edit (Fatal))</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>An ARM or interest only (IO) loan P&amp;I constant change is expected but not reported.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0914W (New Warning)</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Recast exception code reported; Freddie Mac has updated the P&amp;I constant.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>