Freddie Mac
SINGLE-FAMILY

Elevate the Homeowner’s Servicing Experience

Assist homeowners throughout the entire mortgage lifecycle while maintaining a clean, compliant portfolio.

Table of Contents

Introduction

Every borrower wants to believe their homeownership journey will be smooth sailing, without financial hardships or missed mortgage payments. But unforeseen events make ongoing mortgage relief awareness critical.

Freddie Mac is here to provide Servicers with the resources they need to assist homeowners throughout the entire life of the loan. Our loss mitigation solutions help borrowers who are experiencing a lapse of income or who can't maintain regular payments due to facing hardship from life events including illness, death, divorce, natural disaster, increased cost of living and unemployment. If it's not possible to remain in their home, we help them make a graceful exit so they can transition to a more sustainable housing option.

But it's not enough to reactively support homeowners when they're financially distressed or delinquent. Since our mission is to help borrowers achieve sustainable homeownership, we promote and encourage proactive education and committed, customized outreach as part of a healthy homeowner and Servicer relationship. Servicers that respond to the charge can leverage Freddie Mac's initiatives as incentives to ensure their portfolio is clean and compliant.

Servicing Excellence, our multi-year initiative to strengthen the servicing industry, encompasses all these efforts. Servicing has evolved into a significant and sophisticated industry, one that's ever-changing, increasingly dependent on technology and heavily regulated. These challenges demand investment and a commitment to continue to integrate technology. Our focus is to deliver consistent products, services, policies and partnership opportunities that not only meet but exceed expectations, ensuring optimal outcomes for homeowners, investors, Servicers and our employees.

The ethos of Servicing Excellence includes ongoing support that lasts well beyond loan closing and spans the entire mortgage lifecycle, coupled with reciprocal top-quality performance from Freddie Mac and our servicing stakeholders. It's our strategy to deliver more and to expect more—and we have the resources to help Servicers accomplish both.

Open the Door with Early Outreach for Lasting Homeownership

Because homeowners weren't anticipating unexpected events or hardship when they bought their homes, they likely don't have line of sight into available relief solutions when they're faced with delinquency. They may think it's impossible to get current with their payments or worry that they're in danger of imminent foreclosure.

Early engagement is crucial. The longer a loan is delinquent, the less likely homeowners will be able to take advantage of loss mitigation solutions.

Continuous, ongoing education and intervention by Servicers, housing counselors and other industry professionals can assuage these fears and misconceptions, help homeowners understand their options and advance sustainable homeownership.

- **Freddie Mac CreditSmart®** is an educational program with modules about credit fundamentals, budgeting and financial planning, providing individuals with the knowledge they need for sustainable homeownership and financial well-being.

- **My Home by Freddie Mac®** provides tools and information to guide individuals through every stage of their home journey. It offers guidance on preparing for homeownership, buying, refinancing, selling and getting help.

But outreach can't be a one-size-fits-all approach and should be tailored to make sure it resonates. According to the 2024 Freddie Mac Consumer Digital Engagement survey, baby boomers favor email and text communications, while Gen Z and millennials prefer notifications in a mobile app; Gen X is split between those three methods as well as phone calls.

Homeowners who are anxious about making payments or lack a clear understanding of the mortgage process often ignore correspondence from their Servicer for fear that it's bad news—when it could be something as important as a notice for a change of Servicer. According to the same survey, regardless of homeowner age, email is the preferred communication channel for a servicing transfer notice.

In addition, homeowners who had been previously 60+ days late on their mortgage payments but are now current are more comfortable digitally communicating with their mortgage Servicers than homeowners who have always been current, suggesting that they're seeing this method as a more proactive way to stay on top of payments and notifications.

Previously 60+ Late Homeowners Who:

Say they are using their mobile devices **at least once a day** to manage their financials	**64%** (vs 52% with performing loans)
Feel comfortable sharing their personal and financial information online	**66%** (vs 56% with performing loans)
Desire **very customized information** from their lender and are willing to share personal and financial info to get it	**58%** (vs 39% with performing loans)

Source: 2024 Freddie Mac Consumer Digital Engagement Survey

Outreach preference between Gen Z/Millennial homeowners and Gen X/Baby Boomer:

25%

of Gen Z/millennial homeowners prefer weekly lender communications on transactional and payment topics.

Compared to...

≤10%

of Gen X and baby boomer homeowners.

For New Homeowners

Use these tips and best practices to reach out to homeowners throughout their entire homeownership journey—not just when they're facing a hardship:

Obtain consent in writing on their preferred method of communication (phone, email, text, portal) and consistently reach out to them this way.

Help them understand what to expect over the life of their mortgage, including how payments of principal and interest (P&I) work and the importance of maintaining an emergency fund for home repairs.

Lay the foundation for potential interactions they may have with you during life events, which can lead to fewer interruptions with their payments and help maintain their credit profile.

Leverage proactive and automatic payment options such as Automated Clearing House (ACH) or auto bill payments.

Offer self-service tools, which should be available 24/7.

Integrate housing counselors into your operations. They can be another resource for education on budgeting, home maintenance advice, scams to avoid, disaster-related and unemployment responses, expectations from Servicer conversations and options for mortgage relief.

Encourage homeowners to shop around to get the best rate on homeowners' insurance, keeping in mind that the price may increase each year.

For Homeowners Current on Payments

Take creative approaches to provide guidance tailored to their needs and situation, including customized communication, to build trust.

Use text messaging to warn them ahead of severe weather, making sure they have information for their single point of contact.

Allow for the use of eSignatures on standard processes.

Send a quick video clip of explanation as a fast follow to explain changes and updates like escrow adjustments or servicing transfers.

Provide access to tools to inform them about the equity they may have in their homes.

Encourage them to review their homeowner's policy annually to ensure coverage is accurate

For Distressed/Delinquent Homeowners

Use data to strategically identify and assist with early intervention, for example, if there is a change in credit rating or payment method or date.

If they stop using auto draft for monthly payments, provide automated outreach about the process for applying for mortgage relief.

Offer loss mitigation options during the first contact and assign a team member to follow up.

Send text message links to informational clips that outline eligibility requirements and the application process for a payment deferral or loan modification.

Integrate debt management companies into servicing, which can assist with budgeting, debt payoff and managing creditors on a homeowner's behalf, helping drive down recidivism.

Engage with housing counseling agencies or other parties to assist in reviewing assets and debt and the homeowner's ability to pay their mortgage.

If home retention isn't an option, provide resources about enhancements to yield the property's maximum value so they can use their equity as a tool for a clear exit strategy, and move into a more affordable property.

Optimize Outcomes with Revamped Scorecard

We recently made changes to the Servicer Performance Profile (SPP), including introducing new metrics and editing existing categorizations and definitions for Default Management Metrics and Supplemental Metrics. These changes are designed to empower Servicers to minimize early-stage delinquencies by enabling early identification and targeted outreach, helping:

- Reduce the number of loans progressing further into delinquency.
- Manage risk through better loan tracking and measurement.
- Achieve higher performance.

Take action

Download a PDF of all the changes and the updated Servicer Success Scoreboard Reference Guide

Stay SHARP: Cutting-Edge Recognition for Top Servicer Performance

Servicer Honors and Rewards Program (SHARP)[SM] recognizes excellence by Servicers that have strong customer service programs as well as those whose efforts minimize credit risk and reduce cost. Servicers with more than 20,000 loans serviced by Freddie Mac are automatically enrolled in SHARP—without any additional action on their part. They're subsequently eligible for annual rewards and recognition based on their performance on their Servicer Success Scorecard, with annual ranking determining the top annual portfolio performance. Servicers can also leverage Scorecard rankings as a litmus test to identify areas for improvement and to motivate higher performance as they're also vying for industry recognition.

→ 10 strategies to help win a SHARP award

Turn Good Data into Great Results

When it comes to an optimized portfolio, proactivity pays. Servicers that keep their data clean and compliant can better leverage it to make smarter decisions and produce more precise results—both of which benefit the homeowner. Freddie Mac also values and prioritizes accurate, comprehensive data, which helps us manage portfolio risk, meet our obligations to investors and enhance our analytic efforts.

We also recognize that loan transfers, technology issues and other challenges can put a wrench in your reconciliation efforts, resulting in edits, a higher number of delinquencies and lack of transparency during loan transfers.

Through June 30, 2026, Freddie Mac is waiving compensatory fees for servicing data correction requests, allowing Servicers the opportunity to identify and resolve discrepancies. This initiative, designed to improve portfolio health and manage risk, is part of Servicing Excellence, our commitment to deliver more to—and expect more from—our Servicers.

Pristine data can also help:

- Identify delinquency risks and intervene early with effective workout options.
- Personalize homeowner outreach to increase engagement and satisfaction.
- Improve operational efficiency by using data to decrease manual processes.

Optimize Your Portfolio

Here's How

1

Adopt the reconciliation process as soon as possible.

2

Quickly rectify discrepancies via a data correction request or adjustment on your system.

3

Retain all documentation evidencing your actions to resolve issues.

4

Ensure Form 75 is completed and compliant.

→ Learn more about how optimizing your portfolio can elevate your servicing

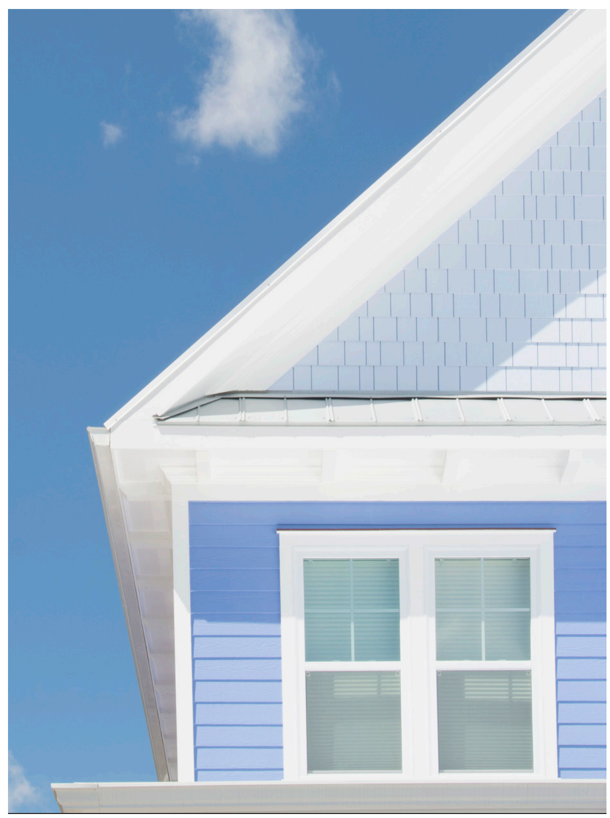
Tailored Relief: Our Approach to Effective Loss Mitigation

If a homeowner becomes distressed, one or several relevant solutions may exist to provide mortgage relief and keep them in their home—depending on their individual situation.

Resolve® is our integrated default management solution that uses automation and seamless integration to deliver rapid, rules-based workout decisions to Servicers based on their input. Servicers can access Resolve's user interface (UI) or directly integrate with Resolve through application programming interfaces (APIs). Resolve can process all loss mitigation and liquidation options.

This section provides loss mitigation solutions, potential messaging to use in homeowner conversations, and links to helpful resources including the *Single-Family Seller-Servicer Guide* (Guide) and the Freddie Mac Single-Family website.

→ Chapter 9203: Reinstatement and Relief Options



Reinstatement

If the homeowner overcomes a financial hardship, can resume their regular payments and has the financial capacity to cover all the missed payments (including any expenses incurred by the Servicer) in a single lump-sum payment, they may have the option of reinstating their mortgage. After the loan is reinstated, the homeowner can continue to pay their mortgage under the original agreed-upon terms. (Note: the Servicer isn't required to verify the ability to reinstate the loan).

Messaging for homeowner conversations:

- If you had a forbearance plan, you're not required to make a lump sum payment to reinstate the loan; you may also do a combination of a partial reinstatement paired with a repayment plan.
- If you're able to resume making your monthly payment and repay the payments you missed right away, a reinstatement can be a good option for you.
- This option will bring the status of your mortgage to current, and you can basically pick up where you left off before the hardship and forbearance, if applicable.
- You'll be responsible for any missed mortgage payments as well as other delinquent payments, including escrow, if applicable.

Repayment Plan

A repayment plan provides the homeowner the option to bring their mortgage current by paying their normal regular payment plus an agreed upon additional amount over a set time frame. Generally, the plan lasts from one to 12 months, unless a longer repayment plan is approved in writing by Freddie Mac. Upon completion of their repayment plan, the homeowner will continue to pay their mortgage under the original agreed-upon terms prior to the delinquency. The Servicer must make Quality Right Party Contact (QRPC) with the homeowner to establish the ability to pay on a repayment loan.

Messaging for homeowner conversations:

- If your financial situation has improved but you're not yet in a place to be able to pay back all of your missed payments, a repayment plan might be the right solution for you.
- With a repayment plan, you'll be responsible for gradually repaying the payments you missed, as well as any other delinquent payments including escrow, along with your regular monthly payments.
- If your financial situation doesn't allow you to repay the missed payments and other amounts, even if they're spread over time, there are other options available.
- This solution allows you to spread the repayments over a specified period of time from one month to 12 months, making it more manageable for your budget.

Forbearance

Forbearance is a relief option for homeowners who are experiencing a short-term or long-term hardship. There are different types of forbearance plans available, depending on the hardship.

All forbearance plans are written agreements that allow the homeowner to temporarily reduce, suspend or pause their monthly mortgage payment for a specified period of time. Homeowners are still required to eventually pay back the missed payments. Delinquency fees aren't accrued during forbearance period, but delinquency-related expenses incurred prior to the forbearance period are due once the period ends. (Note: This document doesn't have to be signed by the homeowner or returned to the Servicer as a condition of the forbearance plan).

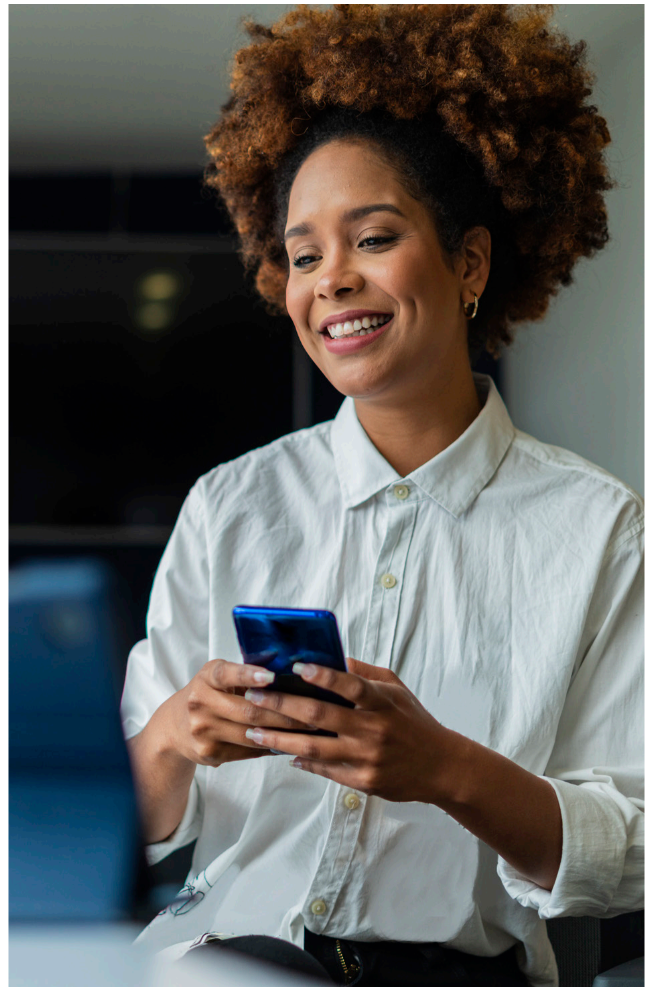
Messaging for homeowner conversations:

- If you need a pause in payments due to a temporary hardship, forbearance is an option. You can pause payments for a one- or six-month period, for example, while you regain financial footing.
- During the forbearance plan, you won't accrue or incur additional penalties or late fees.
- However, forbearance doesn't mean your payments are forgiven. You will still owe any missed payments as well as any applicable escrow and delinquency-related amounts incurred prior to forbearance.
- Once the forbearance period ends, you aren't required to make a lump sum payment to reinstate your loan. You have options such as a combination of a partial reinstatement period with a repayment plan. Or you can submit documentation for evaluation for another relief option.
- The sooner you can pay back the amount you own, the sooner you'll pay off the loan, which saves interest in the long run.
- Once forbearance ends, you'll owe any missed payments, as well as any applicable escrow and delinquency-related amounts.
- During the forbearance plan, you won't be charged any penalties or late fees.

Payment Deferral

If a reinstatement or repayment plan isn't a viable option, a payment deferral is another relief option for a homeowner who has resolved their hardship. A payment deferral allows a homeowner to defer the delinquent amounts of their mortgage to create a non-interest-bearing balance that will become due at the earlier of the mortgage maturity date, payoff date, or upon transfer or sale of the mortgaged premises.

Freddie Mac offers standard and disaster payment deferrals. Each solution shares the same requirements: The homeowner's hardship has been resolved, a repayment plan or full reinstatement isn't a viable option and the homeowner can continue to make the existing contractual monthly mortgage payment without needing a payment reduction.



Messaging for homeowner conversations:

- A payment deferral can be an option if you're able to make your regular monthly mortgage payments, but you can't afford to repay the amount that's owed after your forbearance ends.
- If you've overcome a hardship related to your health, natural disaster, unemployment or other extenuating circumstances and can now return to making your mortgage payments, a payment deferral might be the right solution for you.
- The interest that's due for the remainder of your loan is the same under the remaining amortization schedule, whether you reinstated your mortgage or took a payment deferral.
- If you're already between 60- and 180- days delinquent on your mortgage, you may be eligible for a payment deferral.
- If your hardship has caused a permanent or long-term decrease in income or increase in expenses and a payment deferral won't work for your situation, another potential option is a Flex Modification™.
- Since the mortgage term isn't extended beyond the original maturity date/term, you can still pay it off within the same time schedule.

Flex Modification™

A Freddie Mac Flex Modification is a loss mitigation solution that's designed for a homeowner who's experiencing a hardship, including a natural disaster, that's resulted in a permanent or long-term increase in expenses or decrease in income. A Flex Modification is a written agreement between the Servicer and homeowner that permanently changes one or more of the original terms of the mortgage, including:

- Increase in the unpaid principal balance (UPB) caused by capitalization of interest on non-interest arrearages, escrow amounts and/or other advances.
- Change in the note rate.
- Change in the monthly payment.
- Change in the maturity date.
- Forbearance of a portion of the principal balance. (Note: No write-off or permanent reduction of the UPB, delinquent interest or other non-interest arrearages of the mortgage is allowed).
- Change in the product type (e.g., an adjustable-rate mortgage (ARM) to a fixed rate mortgage).

Messaging for homeowner conversations:

- Since the past-due balances remaining from your forbearance period are added to your total unpaid loan balance, and your mortgage may be extended to a 40-year term, your monthly payments become more manageable.
- Also since your interest rate may be lowered to market level, and some of your principal balance may be converted to non-interest-bearing, your overall payment will be more affordable.
- A Flex Modification requires a three-month Trial Period Plan to make sure that you'll be able to make the new monthly payment.
- If your financial situation improves, you can pay extra each month, which means you should be able to pay off your loan quicker.
- One thing to keep in mind, however, is that while your monthly payment will be reduced, you'll ultimately pay more interest on the mortgage if the term is extended to 40 years, unless you refinance or pay off the loan sooner.

→ Chapter 9206: Modifications

Pathways for Responsible Liquidation

If it's not possible for a homeowner to remain in their home, solutions exist to help them exit homeownership gracefully and avoid foreclosure. Struggling homeowners who have equity in their home may want to consider selling it to pay off their mortgage and recover the value of any existing equity, especially if the proceeds would be useful in acquiring other, more sustainable housing. For those without equity in their homes, see Chapter 9208 for an overview of Freddie Mac's liquidation options.

Short Sale

A short sale is the sale of a property for less than the balance remaining on the loan. Relevant for homeowners who may not qualify for a loan modification but are struggling to keep their home, a short sale may help them avoid foreclosure while eliminating their mortgage debt.

→ Chapter 9208: Freddie Mac Standard Short Sale

Deed in Lieu of Foreclosure

A deed in lieu of foreclosure, or deed-in-lieu (DIL), allows homeowners to voluntarily transfer clear and marketable title of their property (i.e., the house and land) to the owner of their mortgage in exchange for discharge of their mortgage debt. When a home retention option or short sale isn't a workable solution for an at-risk homeowner, a DIL offers another opportunity to avoid foreclosure.

→ Chapter 9209: Freddie Mac Standard Deed in Lieu of Foreclosure

Messaging for homeowner conversations:

- We know this is a very difficult time for you and your family. But if you're financially unable to make your mortgage payments, foreclosure isn't the only answer.
- If you have equity in your home, you may be able to sell it, use the proceeds to pay off your mortgage and then select a more affordable dwelling.
- We'll work with you to try to identify a solution to exit your home gracefully so you can find a more sustainable option.

Swift Support in Times of Crisis: Freddie Mac's Disaster Relief

Freddie Mac is committed to aiding homeowners when their dwellings have been impacted by disaster-related events. We're prepared to quickly respond with effective relief measures and provide guidance for Seller/Servicers in the aftermath of a disaster.

When a homeowner is impacted by a natural or man-made disaster, a Servicer's goals are to:

- Identify and provide the best and most appropriate relief options to resolve any delinquency that results from the disaster.
- Assist the homeowner in addressing disaster and their situation.
- Understand the extent of the damage while remaining empathetic toward their individual circumstances

An eligible disaster is natural or man-made and results in an area being designated as an eligible disaster area or the homeowner's property experiencing an insured loss. An eligible disaster may result in a financial hardship that impacts the homeowner's ability to pay their current contractual monthly payment.

The first step to determine eligibility is to check the Federal Emergency Management Agency (FEMA) website to determine if the homeowner's dwelling or place of employment is in a declared disaster area. However, homeowners living outside a FEMA-declared disaster area are still eligible for disaster relief and loss mitigation options if they suffer an insured loss.

Helping a homeowner identify the relevant relief option based on their situation is a crucial aspect of managing disaster-related delinquencies. The same loss mitigation and liquidation options outlined above can be used for homeowners facing delinquencies during a disaster. For detailed steps on the process, consult our Disaster Relief webpage.

Final Thoughts

From the excitement of a new homeowner getting the deed and the keys to the stress of a family undergoing financial hardship and trying to avoid foreclosure, the homeownership journey can be rife with emotion. Everyone in the housing ecosystem plays a role in helping navigate the mortgage lifecycle. Freddie Mac, Servicers, housing counselors and other mortgage professionals are here to educate about options and resources for homeowners.

As mortgage Servicers, you're at the forefront of this dynamic journey, playing a crucial role in supporting homeowners through both triumphant and challenging times. Your expertise in loss mitigation and liquidation options ensures that homeowners facing financial difficulties have access to solutions tailored to their unique situations. By offering disaster relief options, you provide a safety net that helps families recover and rebuild in the wake of unforeseen events. Moreover, your commitment to Servicing Excellence helps foster long-term stability.

As you continue to educate homeowners about options and resources, remember that you're not just facilitating transactions; you're nurturing dreams and building communities. And we're here to help.

1604959046