



Updates to Seller/Servicer and 3rd Party Risk Management Requirements

Overview of Changes

In October we updated our requirements related to Seller/Servicer risk mitigation with *Single-Family Seller/Servicer Guide* (Guide) Bulletins [2021-31](#) and [2021-32](#) including those related to Seller/Servicer counterparties providing critical services. These changes aim to enhance our requirements and provide greater specificity.

The following table provides an overview of the key changes made to each area of the Guide. Guide Sections 1401.2, 2401.1, 2403.3 and 2408.5 were updated only to align with the new Glossary terms shown below.

Topic area	Changes
Incident response program and notice of an incident	
<p>Section 1301.2(f)</p> <p>The section provides that Freddie Mac and the Seller/Servicer shall work collaboratively in the event of a security incident to manage the potential risks and borrower impacts.</p>	<p>Key updates to this section include the added requirements that:</p> <ul style="list-style-type: none"> • Freddie Mac may direct the Servicer to provide notices to the borrowers affected by a security incident • Freddie Mac shall have access to the technical forensic information in connection with evaluating and managing the issues related to the security incident.
Inspection of records	
<p>Section 1301.3</p> <p>This section references Freddie Mac's inspection rights and access to information pertaining to its mortgage operations and to any mortgages purchased by Freddie Mac.</p>	<p>Key updates to this section include specifying the types of documents that Freddie Mac may request to inspect, including:</p> <ul style="list-style-type: none"> • Corporate and organizational documents, such as: <ul style="list-style-type: none"> ○ Articles of organization ○ Operating agreement ○ Employment agreements ○ Management agreements • Contracts with Related Third Parties (see definition below)
Information security	
<p>Section 1302.1</p> <p>This section provides a quick overview related to information</p>	<p>The key update to this section is a clarification that Freddie Mac's information security minimum requirements are not intended to replace the Seller/Servicer's standard policies and procedures but are intended to address</p>

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Topic area	Changes
on security and business continuity requirements.	the minimum controls that must be in place as part of standard policies and procedures.
<p>Section 1302.2</p> <p>This section includes detailed information on security requirements.</p>	<p>Key updates include:</p> <ul style="list-style-type: none"> • New notification requirements in the event of a security incident that are consistent with industry best practices <ul style="list-style-type: none"> ○ Notification within 48 hours of occurrence ○ Must provide details such as contact information for point of contact leading the effort, the nature of information accessed, and actions taken to remediate the incident ○ Includes ongoing provision of information to Freddie Mac to allow it to evaluate and assess the potential impact on its confidential information, systems, and borrowers • Additional specificity concerning computer systems access control requirements, including access management policies <ul style="list-style-type: none"> ○ Instances of removable media to be logged and documented procedures for tracking asset removal from facilities ○ Perform reviews of approved wireless networks to validate and verify authorized users and access points • Increased preventative and security requirements, including specifying that Seller/Service providers have in place: <ul style="list-style-type: none"> ○ Wireless network user and access validations, intrusion detection and prevention systems with generated event feeds, and controls that block malicious messages and attachments ○ Defined remote access, access and authentication system administration and multi-factor authentication requirements • Specifying that Seller/Service providers may not transmit information to Freddie Mac systems which contains bugs, viruses, worms or other functions, routines, devices or instructions that may create any unauthorized access, or damage the protection, integrity and confidentiality of data in transit
Business continuity planning	
<p>Section 1302.3</p> <p>This section includes detailed business continuity requirements.</p>	<p>Key updates include requirements that:</p> <ul style="list-style-type: none"> • Freddie Mac be a designated third-party beneficiary in agreements with any Related Third Party (see definition below) in which a breach may have a Material Adverse Effect (see definition below) upon Freddie Mac • The Seller/Service provider indemnify Freddie Mac for any Seller/Service provider and/or Related Third Party breaches

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Reporting of changes in Seller/Servicer's organization or status	
<p><u>Section 2101.12</u></p> <p>This section specifies the changes and events that require submission of a Change and Activity Report to Freddie Mac using the Unified Counterparty Experience® (UCountSM) system and the associated timing requirements.</p>	<p>Key updates include:</p> <ul style="list-style-type: none"> • Major changes in ownership, organization, or senior management require advance notice of 60 calendar days instead of 14 business days. <ul style="list-style-type: none"> ○ New definitions for “Change Control” and “Senior Management” specify when this applies. • Certain types of termination, suspension, bankruptcy or legal proceedings: Require notice within 1 business day instead of 7 business days • Changes concerning Servicing relationships: Revising from a change concerning a Servicing relationship requiring notification to apply to changes concerning any contract between Seller/Servicer and a Related Third Party that could have a material adverse effect <ul style="list-style-type: none"> ○ Required notice 14 calendar days before event instead of 14 business days
Freddie Mac remedies	
<p><u>Section 3601.1</u></p> <p>This section specifies remedies Freddie Mac may require a Seller/Servicer to take.</p>	<p>Key updates include creating a comprehensive listing of remediation actions that Freddie Mac may take in event of a Seller/Servicer breach. These include:</p> <ul style="list-style-type: none"> • Demands for information or specific corrective action • Limitations on terms of business or participation in new products or initiatives • Imposition of fees and volume limits • suspension and termination <p>These remedies are already enumerated elsewhere in the Guide; this update is intended to provide a centralized list.</p>
Terminology updates	
<p><u>Glossary</u></p> <p>The Glossary contains definitions of select terms used in the Guide.</p>	<p>Key updates include the addition of the following definitions:</p> <ul style="list-style-type: none"> • Change of Control: A change in the power, directly or indirectly, to direct or cause the direction of the management or policies of a Seller/Servicer, whether through ownership or transfer of securities, by contract or otherwise. A person is presumed to have such power if the person: <ul style="list-style-type: none"> ○ Is Senior Management of the Seller/Servicer

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Topic area	Changes
	<ul style="list-style-type: none"> ○ Directly or indirectly has the right to vote a material portion of a class of a voting security of the company or has the power to sell or direct the sale of a material portion of a class of voting securities of the company ○ In the case of a partnership, has the right to receive upon dissolution or has contributed a material portion of the capital of the partnership ● Material Adverse Effect: Material Adverse Effect shall mean any event or circumstance having a material adverse effect on (a) the Seller/Servicer’s ability to perform its obligations under the Purchase Documents, (b) Freddie Mac’s interests as an assignee, (c) a class or significant group of Borrowers, and/or (d) Freddie Mac’s economic interests. ● Related Third Party – A third party (i.e., a Seller/Servicer counterparty such as a Mortgage Broker, Correspondent, loan origination system vendor, contract underwriter, appraisal management company, data center, settlement agent, TPP (as defined in Section 1401.2), Selling Agent, Servicing Agent, Document Custodian, Warehouse Lender, Outsourced Vendor, mortgage insurer or reinsurer) that the Seller/Servicer engages to provide it with technology, origination, underwriting, processing, technical, interim financing, closing, loss mitigation, (re)insurance, servicing and other services and support that are generally designed to advance the Seller/Servicer’s origination and/or Servicing of Mortgages. ● Senior Management – A natural person who serves as one of the following positions for a Seller/Servicer: <ul style="list-style-type: none"> ○ Owner ○ President ○ Vice President in charge of managing or overseeing any aspect of the Seller/Servicer’s Freddie Mac business ○ Chief Executive Officer (CEO) ○ Chief Operating Officer (COO) ○ Chief Financial Officer (CFO) ○ Chief Information Officer (CIO), Chief Technology Officer (CTO), or Chief Information Security Officer (CISO) ○ Chief Risk Officer (CRO) ○ Corporate Secretary ○ General Counsel ○ Chairman or other member of the Board ○ General Partner; or ○ Member or manager of an LLC

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