

# Bulletin

NUMBER: 2012-9

TO: Freddie Mac Servicers

April 17, 2012

## SUBJECT: COMMUNICATION TIME LINES FOR SHORT SALES

With this *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin, we are clarifying certain existing requirements and adding new minimum requirements regarding communication time lines for Home Affordable Foreclosure Alternatives (HAFA) Short Sales and short payoffs (aka short sales) processed in accordance with the requirements of Guide Chapter B65, *Workout Options*. Borrower communication and decision time lines are critical elements of the short sale process, and as such, these clarifications of, and revisions to, our Borrower communication time line requirements should allow more efficient processing of short sale requests.

The new requirements introduce specific response time frames for certain activities in the short sale process and leverage existing communication and response time frames we have implemented as part of the Servicing Alignment Initiative (SAI). When a home retention option is no longer a viable solution to Delinquency, it is important to utilize liquidation options, including short sales, as valuable foreclosure avoidance solutions. Improved communication methods will enhance the effectiveness of these options.

Effective for **new evaluations conducted on or after June 15, 2012**, Servicers must comply with the following minimum communication time frames for all short sales. If feasible, Servicers are encouraged to implement these changes prior to the effective date of June 15, 2012. Servicers must also continue to comply with the evaluation hierarchy and solicitation requirements set forth in Guide Section 64.6, *Evaluation Hierarchy, Borrower Solicitation and Communication*, and all other requirements for HAFA Short Sales and Chapter B65 short sales that are not specifically revised by this Bulletin.

## HAFA SHORT SALES

HAFA: Borrower Response Package (BRP) received	
Days after receipt of BRP	Action required
3 Business Days	Servicer must acknowledge to the Borrower its receipt of the BRP in accordance with the requirements of Section 64.6(d)(3)
5 Business Days	If Servicer has received an incomplete BRP, the Servicer must notify the Borrower of missing information and documentation in accordance with the requirements of Section 64.6(d)(4)

Days after receipt of BRP	Action required
30 days (no later than 60 days)	<p>Within five days of an evaluation decision, but no later than 30 days following receipt of a complete BRP, the Servicer must provide to the Borrower an evaluation decision and send the appropriate Borrower Evaluation Notice in accordance with Section 64.6(d)(5).</p> <p>The Servicer, in compliance with the evaluation hierarchy, may only consider the Borrower for HAFA after a determination that the Borrower is ineligible for or unwilling to accept any home retention option, including a Freddie Mac Standard Modification (“Standard Modification”) as prescribed in Section 64.6(a).</p> <p>There may be some situations in which a Servicer will be unable to provide a decision within 30 days following receipt of a complete BRP (e.g., extended negotiations with the MI). In such cases, the Servicer must notify the Borrower within the 30 day time limit that the BRP is still under review and each week thereafter provide the Borrower a status update indicating the reason(s) why a decision is pending. The weekly status updates may be communicated verbally or in writing. However, the Servicer must provide the Borrower with a decision and send the appropriate Borrower Evaluation Notice no later than 60 days after receipt of a complete BRP.</p>

**HAFA: Submission of Form 1135, [HAFA] Short Sale Agreement, (SSA)**

Borrower response to short sale offer

Once the Servicer has extended a HAFA Short Sale offer to the Borrower via an SSA/Borrower Evaluation Notice for a HAFA Short Sale, the Borrower must submit an executed SSA to the Servicer within 14 days of the date of the Borrower Evaluation Notice.

SSA extensions

If an acceptable purchase offer has not been received prior to the SSA expiration date, the Servicer may submit a recommendation to Freddie Mac to extend the SSA if:

- (i) The Borrower has fully complied with the SSA and the Borrower was not the cause of the failure of the Mortgaged Premises to sell, and
- (ii) An offer that meets the minimum acceptable net proceeds requirement is forthcoming

The extension recommendation must be submitted at least 15 days prior to the expiration of the SSA in accordance with the requirements of Section D65.5, *HAFA Short Sale*, to [HAFA@freddiemac.com](mailto:HAFA@freddiemac.com) via e-mail with the subject line “Request for Extension of SSA.” If Freddie Mac approves the extension, the Servicer may extend the SSA for an additional 10 days and must prepare a written extension agreement in accordance with Freddie Mac’s instructions.

**HAFA: Submission of Form 1136, [HAFA] Request for Approval of Short Sale, (RASS) and Servicer decision**

Days	Action required
3 Business Days	Borrower must submit an executed RASS and its required attachments in accordance with Section D65.5(e) to the Servicer within three Business Days of receiving a purchase offer

<b>Days</b>	<b>Action required</b>
10 Business Days	<p>Servicer must respond to the Borrower with a decision, in accordance with the requirements set forth in Section D65.5(f), within 10 Business Days of receipt of an executed RASS:</p> <ul style="list-style-type: none"> <li>■ If the purchase offer meets the minimum acceptable net proceeds (MANP) and otherwise complies with the SSA, then the Servicer must indicate approval via the Form 1137, <i>[HAFA] Approval of Short Sale</i></li> <li>■ If the purchase offer is less than the MANP or does not otherwise comply with the SSA, the Servicer must deny the offer, and send to the Borrower a counteroffer in the completed Form 1138, <i>[HAFA] Disapproval of Short Sale</i></li> </ul>
<b>HAFA: Counteroffers (if purchase offer is less than MANP)</b>	
<b>Days</b>	<b>Action required</b>
5 Business Days	Borrower must respond to the Servicer's counteroffer within five Business Days of the date the completed Form 1138 is received
10 Business Days	Servicer must respond to the Borrower within 10 Business Days of receipt of the Borrower's response to the counteroffer

## **CHAPTER B65 SHORT SALES**

<b>Chapter B65 short sale: Borrower Response Package (BRP) received</b>	
<b>Days after receipt of BRP</b>	<b>Action required</b>
3 Business Days	Servicer must acknowledge to the Borrower its receipt of the BRP within three Business Days in accordance with the requirements of Section 64.6(d)(3)
5 Business Days	If Servicer has received an incomplete BRP, the Servicer must notify the Borrower within five Business Days of missing information and documentation in accordance with the requirements of Section 64.6(d)(4)
30 days	<p>Within five days of Freddie Mac's evaluation decision, but no later than 30 days following receipt of a complete BRP, Servicer must provide a decision to the Borrower and send the appropriate Borrower Evaluation Notice in accordance with Section 64.6(d)(5).</p> <p>The Servicer, in compliance with the evaluation hierarchy, may only consider the Borrower for a Chapter B65 short sale after a determination that the Borrower is ineligible for or unwilling to accept any home retention option, including a Standard Modification or a HAFA Short Sale as prescribed in Section 64.6(a).</p> <p>If the Borrower submits a purchase offer without previously submitting a BRP, the Servicer must not consider the purchase offer until it has received a complete BRP and evaluated the Borrower in compliance with the evaluation hierarchy set forth in Section 64.6(a).</p>

**Chapter B65 short sale: Submission of purchase offer and Servicer decision**

Days	Action required
3 Business Days	Servicer must acknowledge receipt of the purchase offer within three Business Days
5 Business Days	If the purchase offer is submitted with insufficient information, the Servicer must notify the Borrower of the information needed to evaluate the offer within five Business Days of receipt of the offer
30 days (no later than 60 days)	<p>Servicer must respond to the Borrower with Freddie Mac’s decision within 30 days of receipt of the purchase offer. Servicer must submit a short sale recommendation in accordance with the requirements of Section B65.38, <i>Submitting a Short Payoff Recommendation to Freddie Mac or Notifying Freddie Mac of a Make-Whole Preforeclosure Sale</i>, and provide Freddie Mac sufficient time to review and respond so that the Servicer will communicate a decision within the required 30 days. If the purchase offer does not meet Freddie Mac’s MANP threshold, and is denied by Freddie Mac, the Servicer must notify the Borrower and include Freddie Mac’s counteroffer in its response.</p> <p>There may be some situations in which a Servicer will be unable to provide a decision within 30 days following receipt of a purchase offer (e.g., extended negotiations with the MI). In such cases, the Servicer must notify the Borrower within the 30 day time limit that the purchase offer is still under review and each week thereafter provide the Borrower a status update indicating the reason(s) why a decision is pending. The weekly status updates may be communicated verbally or in writing. However, the Servicer must provide the Borrower with a decision no later than 60 days after receipt of a purchase offer.</p> <p>Note: In the event that a Borrower has submitted a complete BRP and a purchase offer simultaneously, the response period for evaluating both the complete BRP and the purchase offer is the same as outlined in this section (i.e., provide a decision within 30 days but no later than 60 days following receipt of purchase offer and BRP).</p>

**Chapter B65 short sale: Counteroffers (if purchase offer is less than MANP)**

Days	Action required
5 Business Days	Borrower must respond to the Servicer’s counteroffer within five Business Days of the date the counteroffer is received
10 Business Days	Servicer must respond to the Borrower within 10 Business Days of receipt of the Borrower’s response to the counteroffer

The Servicer must maintain documentation of all communications to the Borrower, whether verbal or written, and including status updates, either in the Mortgage file or in the Servicer's servicing system.

Chapters B65, D65, *Home Affordable Foreclosure Alternatives*, and other applicable Guide chapters will be updated in a future Bulletin to reflect these changes.

## **CONCLUSION**

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select "Servicing."

Sincerely,

A handwritten signature in cursive script that reads "Tracy Hagen Mooney".

Tracy Hagen Mooney  
Senior Vice President  
Single-Family Servicing and REO