

# DOING BUSINESS *with* FREDDIE MAC

## **Promoting Responsible Servicing Practices**

In accordance with Freddie Mac's ongoing efforts to promote responsible servicing practices, the guidelines outlined below serve as an example of what consumers can expect from Servicers of Freddie Mac-owned mortgages.

### **Servicers must follow all applicable laws.**

A Servicer is expected to comply with all applicable federal, state and local laws, regulations and orders. Real estate settlement procedures, borrower privacy, fair housing, truth in lending, equal credit opportunity, fair debt collection practices, and anti-predatory lending are some examples of the areas of law a Servicer must monitor to ensure its practices comply with current law.

### **Fees charged to a borrower must be reasonable and customary.**

Any fees that are charged to a borrower must be

- Reasonable and customary
- Permitted by applicable law, Freddie Mac requirements and the loan documents, including the security instrument
- Fully disclosed to the borrower at or before the time they are charged

A Servicer's late fee assessment policy must have the flexibility to accommodate unusual contingencies that result in a late remittance of a payment, such as a transfer of servicing.

Late fees must be waived when modifying a delinquent loan and no late fees may be assessed when a borrower is paying as agreed under a repayment plan.

## **Mortgage payments must be applied to the borrower's loan in a timely manner.**

A borrower's monthly payment must be applied to the loan when the payment is received. Special care should be taken by the Servicer to avoid inappropriate late fees and other issues that can arise from

- Delayed or improper payment posting. If a late fee is charged in error, it must be reversed.
- Transfer of servicing. The borrower must be given timely notice of the transfer of servicing to ensure a smooth transition and the Servicer must ensure that the borrower's payment history is not affected because of the transfer coordination between Servicers.
- Payment change notification. The borrower must be given timely notice of loan payment amount changes due to escrow analysis or other payment adjustments, and must not be charged a late fee for a Servicer's error in notifying the borrower timely.

## **Payment disputes regarding information reported to credit repositories must be resolved in a timely manner.**

A Servicer must promptly respond to a borrower's inquiry and fulfill any request for information in a timely manner. If the borrower disputes any of the information on his or her mortgage account, the Servicer must promptly resolve the situation with the borrower.

A Servicer is required to file a "full file" credit report with all major credit repositories on a monthly basis regarding the payment status of each borrower's account. If a borrower disputes the information previously reported to the credit repositories regarding his or her payment history and the Servicer determines that the information previously reported is incorrect, the Servicer must amend the credit information and report the amended payment history to the credit repositories. If the information previously reported is correct, the Servicer must provide an explanation to the borrower. Both of these responses must be completed within the timelines and in accordance with the Fair Credit Reporting Act.

## **Reasonable steps must be taken to help a borrower resolve a delinquency and avoid foreclosure.**

Freddie Mac is committed to keeping borrowers in their homes, whenever economically viable. We have developed tools to help Servicers assist borrowers to resolve delinquencies.

A Servicer must

- Employ skilled staff devoted to collections and loss mitigation activities
- Have documented processes for collections and loss mitigation activities
- Use the tools and other available methods and strategies to help borrowers retain homeownership, when possible

## **Servicers should recommend and encourage a delinquent borrower to obtain consumer counseling and other available assistance.**

A Servicer should be familiar with consumer counseling and other programs that are available to aid a delinquent borrower in resolving his or her delinquency.

If a borrower requests assistance, a Servicer should provide the borrower with information regarding the availability of counseling agencies and other types of local, state or federal assistance that may be available to them. The Servicer must refer borrowers to any agencies or organizations when required by applicable law or regulation.

## **Servicers must set up an escrow account for non-escrowed borrowers who are obtaining an alternative to foreclosure.**

In the event that a borrower in default receives an alternative to foreclosure, a Servicer must ensure that a borrower's taxes, insurance and other escrow item payments are brought current as a part of the delinquency resolution strategy. The Servicer must establish an escrow account for these items if permitted by applicable law, so that the borrower will have one monthly mortgage obligation that includes the taxes and insurance in his or her monthly payment.

## **Lapses in property insurance must be resolved.**

In the event a borrower allows an insurance policy to lapse, the Servicer should make every effort to encourage the borrower to renew the policy voluntarily so that there is no gap in insurance coverage.

When evidence of insurance is not available, the Servicer must, if applicable, give the borrower adequate notice and time to furnish such evidence before obtaining coverage on the borrower's behalf. If the borrower furnishes evidence of insurance after the Servicer has obtained coverage on the borrower's behalf, the Servicer must promptly cancel the coverage the Servicer has obtained on the borrower's behalf and credit the borrower's account accordingly.

Whenever you need information on real estate or mortgages, call or email Ron, we would appreciate the opportunity to help and assist you.

Visit [www.RonSellsAlabama.Com](http://www.RonSellsAlabama.Com) for current real estate & mortgage information and current news, you'll find this information within "Helpful Information" under "Mortgage Information." We also offer much information for both Buyers & Sellers throughout this informative web site. We also have our MLS web site link available for you to search current active listings, you will find this link underneath the Heading in the Grey bar-line "Search Area MLS Listings."

Let us know when we may be of help to you!

Thanks

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