

Foreclosure Expenses, Timelines & Compensatory Fees: Important Updates and Reminders

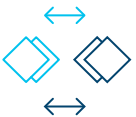
The COVID-19 foreclosure moratorium will expire on July 31, 2021 and foreclosure activity paused by the moratorium will be able to be resumed at that time. Therefore, we want to provide you with some important updates and reminders about foreclosure resumption expenses, state foreclosure timelines and associated compensatory fees as a follow up to support the information provided in [Bulletin 2021-24](#).



Updates to State Foreclosure Timelines: State foreclosure timelines are typically updated annually. Freddie Mac and Fannie Mae (the GSEs) use the most recent 12 months of available state-level data to establish new state foreclosure timelines. While this is usually done in the fourth quarter of each calendar year, the GSEs did not update state foreclosure timelines in 2020 and will not update them in 2021 due to the COVID-19 foreclosure moratorium. We plan on making updates in the latter part of 2022 depending on what transpires over the next several months.



Compensatory Fee Assessment: Freddie Mac has the right to assess compensatory fees for failure to meet state foreclosure timeline requirements. A Servicer would be subject to compensatory fees if it is ranked in the bottom 25% of its Servicer Success Scorecard rank group. The outline of this process and determination of when a Servicer may be eligible for compensatory fees can be found in Guide Section 9301.47. Given that the compensatory fee process is done annually, Servicers would not be subject to compensatory fees until at least a full year after the GSEs update the state foreclosure timelines (i.e., at the end of 2023).



Delays: Allowable delays are also GSE-aligned (as described in [Exhibit 83A](#)). Freddie Mac, working with FHFA and Fannie Mae, will review these allowable delays over the coming months and, if applicable, update any delay types or lengths prior to updating state foreclosure timelines.



Expense Submissions: Freddie Mac will approve a one-time foreclosure resumption fee of \$300 for additional legal work needed to resume any foreclosure action on or after August 1, 2021, for a mortgage that was in foreclosure prior to the COVID-19 foreclosure moratorium, and where the foreclosure does not need to be restarted. Once the Servicer, or their approved vendor, is ready to submit expenses, they may do so as a request for pre-approval (RPA) using **Expense Code 0100029** (*Resume FCL After Moratorium*) in PAID (Payments Automated Intelligent and Dynamic) beginning September 27, 2021. Keep in mind the ability to submit such expenses for approval using the bulk template in PAID. Freddie Mac will reimburse Servicers in accordance with the normal timeframes and submission requirements as outlined in the *Single-Family Seller/Servicer Guide* (Guide) Chapter 9701.

Freddie Mac will continue to monitor Guide compliance regarding timely foreclosure referrals and pipeline management through direct engagement with Servicer Relationship Managers as well as the Single-Family Operations and the Counterparty Operational Risk Evaluation (CORE) teams.

If you have any questions, please reach out to your Freddie Mac representative or call the Freddie Mac Customer Contact Center at 800-FREDDIE.