

# Freddie Mac Rules Out MERS Foreclosures

By: Jann Swanson | Thu, Mar 24 2011, 11:37 AM

Effective April 1, servicers managing Freddie Mac loans will no longer be allowed to foreclose on properties in the name of Mortgage Electronic Registration Systems (MERS). This was one of a several changes announced yesterday by Freddie Mac through [Single-Family Seller/Servicer Guide Bulletin 2011-5](#).

According to the directive, Freddie has "eliminated the option for the foreclosure counsel or trustee to conduct a foreclosure in the name of MERS. Effective for Mortgages registered with MERS that are referred to foreclosure on or after April 1, 2011, Servicers must prepare an assignment of the Security Instrument from MERS to the Servicer and instruct the foreclosure counsel or trustee to foreclose in the Servicer's name and take title in Freddie Mac's name." In states where required the servicer must also record the prepared assignment; Freddie Mac will not pay the recording fees.

Using a few excerpts from the release, other changes to foreclosure and bankruptcy procedures in the [Bulletin](#) include...

**FORECLOSURE SALE POSTPONMENTS:** To streamline processes, Servicers are permitted to postpone a scheduled foreclosure sale when Freddie Mac designated counsel handles the foreclosure, provided the newly scheduled sale date is within the state foreclosure time lines.

**REVISED REQUIREMENTS RELATING TO FORECLOSURE AND BANKRUPTCY COMPENSATION:** Freddie wants to ensure foreclosure and bankruptcy related servicing obligations are met in the most cost-conscious, effective manner. These revisions include prohibiting any arrangement with attorneys or trustees that result in financial or other direct and indirect compensation to the servicers or an affiliate or allowing vendors and others to influence the selection of counsel.

**NEW REIMBURSABLE EXPENSES: CONNECTIVITY AND INVOICING:** Freddie Mac will now reimburse Servicers for limited expenses incurred for their attorneys' and trustees' use of connectivity and/or invoice processing systems during the Foreclosure and bankruptcy process. The vendor must bill these charges directly to the Servicer, rather than the attorney or trustee, and the Servicer must pay the vendor directly for these charges. No charges for connectivity or invoice processing may be passed on to the Borrower, the attorney or the trustee

**PROPERTY PRESERVATION – PROPERTY INSPECTIONS AND NEW REIMBURSABLE EXPENSES:** Freddie has revised property preservation requirements and reimbursable expense limits for abandoned properties to allow Servicers to complete additional preservation activities without our prior approval, and to encourage proactive preservation and maintenance of abandoned properties. Effective June 1 (but encouraged prior to that date) the Servicer must perform an interior inspection on any property that has been abandoned upon confirmation of abandonment or within 30 days before a scheduled foreclosure sale. Interior property inspections are now reimbursable up to a maximum amount of \$20 for each inspection (\$40 maximum aggregate amount per property). Freddie Mac also increased the allowable fees for exterior inspections from a maximum aggregate amount of \$16 for all required inspections to a maximum amount of \$10 for each required exterior property inspection, provided that such inspections are completed within the State foreclosure time lines.

**INTERACTION WITH STATE HFAs:** New requirements for Servicer interaction with State Housing Finance Agencies (HFAs) using "Mortgage Assistance Programs". The requirement that servicers obtain copies of any relevant documents describing the amount and type of financial assistance provided to the borrower has been eliminated and changes have been made to the timing of several reporting requirements to HFAs and to Freddie Mac,

Servicers are also directed to review the Detail Adjustment Report (DAR) for information on the detailed amount that Freddie Mac has determined would be charged off in connection with a short payoff, charge-off, or third party sale.

[HERE](#) is the full Bulletin.

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