

# Multifamily Seller/Servicer Guide

## Chapter 4

### Suspension or Termination of a Seller/Servicer

#### 4.1 General policy

##### a. Special terms (09/08/05)

Certain terms, when used in this chapter, have the meanings described below:

- The term "Seller/Servicer," as used in this chapter, may refer to the Seller and/or the Servicer, if the Seller and Servicer are separate entities.
- The term "disciplinary action," as used in this chapter, refers to any of the actions set forth in Section 4.1(b).

##### b. Disciplinary actions (09/01/16)

Freddie Mac may, at any time, take one or more disciplinary actions with respect to a Seller/Servicer. Freddie Mac may place a Seller/Servicer on probation, suspend the rights of the Seller/Servicer, or terminate the rights of the Seller/Servicer, with or without cause, with regard to any or all of the following:

- Selling approval with regard to all Mortgages
- Selling approval with regard to one or more Seller/Servicer approval designations (whether Conventional, TAH, SBL, Seniors Housing or other approval designation)
- Selling approval with regard to Mortgages originated by one or more of its branch production offices
- Servicing approval with regard to all Mortgages
- Servicing approval with regard to one or more Mortgages that Freddie Mac determines the Seller/Servicer is not Servicing in accordance with the Purchase and Servicing Documents
- Right to acquire additional Servicing

##### c. Freddie Mac rights (07/31/12)

Any action that Freddie Mac is entitled to take pursuant to this chapter will be taken at Freddie Mac's sole discretion.

Freddie Mac may take any one or more disciplinary actions independently, simultaneously or cumulatively.

Freddie Mac will determine the length of any probation or suspension period and will prescribe the terms, conditions and requirements for reinstatement.

**d. Revocation of power of attorney (07/31/12)**

When Freddie Mac takes any disciplinary action against a Seller/Servicer that includes all of the Seller/Servicer's selling or Servicing approvals, that action will automatically revoke any power of attorney granted by Freddie Mac to the Seller/Servicer, without the need for further notice by Freddie Mac to the Seller/Servicer.

**e. No compensation (07/31/12)**

If Freddie Mac takes any one or more of the disciplinary actions set forth in this chapter, with or without cause, the Seller/Servicer will not be entitled to any fees, compensation or damages from Freddie Mac for any reason or cause, including any consequential, incidental, or indirect damages arising out of, or in connection with, Freddie Mac's disciplinary action, except as otherwise provided in Section 4.6 and 4.7.

**4.2 Probation, suspension, or termination with or without cause**

**a. Reasons for probation, suspension or termination with cause (06/28/13)**

Freddie Mac may take disciplinary action against a Seller/Servicer with cause, for any failure by the Seller/Servicer to comply with any term or provision of the Purchase and Servicing Documents.

The following reasons for taking disciplinary action with cause are listed as examples only, and Freddie Mac's ability to take disciplinary action with cause is not limited to the reasons set forth below. Freddie Mac will make the determination of the existence of any grounds for probation, suspension or termination with cause, notwithstanding that such grounds for disciplinary action are not included in the following list:

1. The Seller/Servicer fails to deliver the required quantity of underwriting packages for Mortgages meeting Freddie Mac's underwriting requirements to be purchased by Freddie Mac (as measured by the dollar amount of proposed Mortgages).
2. The Seller/Servicer
  - Files a voluntary bankruptcy petition under the United States Bankruptcy Code,
  - Becomes the subject of an order for relief issued in any involuntary bankruptcy proceeding, or
  - Becomes the subject of any reorganization, receivership, insolvency or similar proceeding under State or federal law.
3. A trustee, receiver, custodian, conservator, liquidator or similar entity or individual is appointed for the Seller/Servicer or its property.

4. The Seller/Servicer misstates or omits any material fact in any application, certification or other document submitted to Freddie Mac or in any oral representation made to Freddie Mac.
5. The Seller/Servicer fails to meet any requirement prescribed by Freddie Mac for eligibility as a Seller/Servicer.
6. Freddie Mac takes any disciplinary action against a Seller/Servicer with regard to its selling approval for Freddie Mac single-family mortgages or there exists grounds for such action.
7. The Seller/Servicer fails to comply with a repurchase demand or indemnification.

**b. Probation, suspension, or termination without cause (06/28/13)**

Freddie Mac may take disciplinary action against a Seller/Servicer without cause. Without limitation, actions taken by Freddie Mac due to a Seller/Servicer's failure to meet annual production goals for a required volume of Mortgages (as measured by the dollar amount of Mortgages that are actually purchased by Freddie Mac) will constitute actions taken without cause.

**4.3 Probation**

**a. Probation with or without cause (07/31/12)**

Freddie Mac may, with or without cause, place a Seller/Servicer on probation.

**b. Notice of probation (09/08/05)**

Freddie Mac may place a Seller/Servicer on probation without written notice. When Freddie Mac does not provide written notice, the probation will become effective upon oral notice from Freddie Mac to the Seller/Servicer. Freddie Mac will then provide written confirmation of that oral notice. Any written notice or written confirmation of an oral notice will advise the Seller/Servicer of the length of the probationary period. Any written notice or written confirmation of an oral notice of the probation for cause will contain a brief statement of the basis for the probation.

**c. Effect of probation (06/27/19)**

During the probationary period, the Seller/Servicer may continue to sell Mortgages to Freddie Mac, service Mortgages for Freddie Mac, represent itself as a member of the Optigo Lender network authorized to sell Mortgages to Freddie Mac and acquire additional Servicing, to the extent previously authorized by Freddie Mac.

**d. Action following probation (09/08/05)**

At the end of the probationary period, Freddie Mac may extend or terminate the probationary period or take any of the other actions described in this chapter.

**e. Appeal of probation decision (07/31/12)**

Freddie Mac's decision to place a Seller/Servicer on probation is conclusive and not subject to appeal.

**4.4 Suspension**

**a. Suspension with or without cause (07/31/12)**

Freddie Mac may, with or without cause, suspend a Seller/Servicer.

**b. Notice of suspension (07/31/12)**

Freddie Mac will provide a Seller/Servicer with at least 30 days' written notice of its intent to suspend the Seller/Servicer unless Freddie Mac determines that a shorter notice period or no notice is necessary or advisable to protect Freddie Mac's interest.

When Freddie Mac determines that a notice period of less than 30 days or no notice is necessary or advisable, the suspension will become effective upon oral notice from Freddie Mac to the Seller/Servicer. Freddie Mac will then provide written confirmation of that oral notice. Any written notice or written confirmation of an oral notice of suspension for cause will contain a brief statement of the basis for the suspension and the length of the suspension period. The statement will also advise the Seller/Servicer of any right to obtain an appeal of Freddie Mac's action or proposed action.

**c. Effect of suspension (07/31/12)**

The following chart details the effects of suspension, with or without cause, of one or more of the Seller/Servicer's approvals:

Suspended function	Effect of suspension with or without cause
Selling approval	<p>During the suspension period the Seller/Servicer may not</p> <ul style="list-style-type: none"> <li>• Sell a Mortgage to Freddie Mac under the designated Seller/Servicer approval which was suspended, except pursuant to a Purchase Contract Freddie Mac has issued to the Seller/Servicer prior to the effective date of the suspension, or</li> <li>• Represent itself as a Freddie Mac Seller/Servicer under the designated Seller/Servicer approval which was suspended or otherwise hold itself out as authorized to sell Mortgages to Freddie Mac</li> </ul> <p>If the Seller/Servicer has rate-locked a Mortgage pursuant to an early rate-lock application or spread-locked a Mortgage pursuant to an early spread lock application (both</p>

Suspended function	Effect of suspension with or without cause
	<p>referred to as an "application") that Freddie Mac has not accepted prior to the effective date of the suspension of the Seller/Servicer's designated selling approval, then Freddie Mac may take one of the following actions:</p> <ul style="list-style-type: none"> <li>• Accept the application if it meets all of Freddie Mac's requirements and purchase the Mortgage from the Seller/Servicer pursuant to the resulting Purchase Contract</li> <li>• If Freddie Mac has terminated the Seller/Servicer's right to service, accept the application if it meets all of Freddie Mac's requirements, purchase the Mortgage from the Seller/Servicer pursuant to the resulting Purchase Contract and transfer the Servicing of the Mortgage to another Servicer concurrently with funding the purchase of the Mortgage</li> <li>• Transfer the application to another Seller selected by Freddie Mac, in which case the Seller/Servicer whose selling approval has been suspended must transfer the good faith deposit for the Mortgage (whether cash or a letter of credit) to the transferee Seller, together with copies of all third-party reports and all other documentation submitted by or on behalf of the Borrower in connection with the Mortgage</li> </ul>
Rights to acquire Servicing	During the suspension period the Seller/Servicer may not acquire additional Servicing under the designated Seller/Servicer approval that was suspended, but may continue to service its existing Servicing portfolio.

**d. Action following suspension (07/31/12)**

At the end of the suspension period, Freddie Mac may reinstate any or all of the approvals that were suspended, prescribe any conditions and terms related to the reinstatement or take any of the other actions described in this chapter.

**e. Appeal of suspension decision (07/31/12)**

Freddie Mac's decision to suspend a Seller/Servicer without cause is conclusive and not subject to appeal.

The Seller/Servicer has the right to appeal Freddie Mac's decision to suspend the Seller/Servicer with cause. To appeal a suspension with cause, the Seller/Servicer must file a written appeal with Freddie Mac in accordance with the procedures set forth in Section 4.8.

## 4.5 Termination

### a. Termination with or without cause and voluntary termination (09/01/16)

Freddie Mac may, at any time, terminate the selling approval, Servicing approval or both the selling and Servicing approvals of a Seller/Servicer with or without cause and with or without first placing the Seller/Servicer on probation or suspending the Seller/Servicer.

Freddie Mac will treat a Seller/Servicer's request to voluntarily terminate its Freddie Mac Multifamily approval as a determination by Freddie Mac to terminate the selling and Servicing approval of the Seller/Servicer without cause. The request will give Freddie Mac all of the rights and remedies set forth in Section 4.6 or 4.7, as applicable.

### b. Notice of termination (07/31/12)

#### 1. Notice of termination with cause

Freddie Mac will provide the Seller/Servicer with at least 10 days' written notice of its intent to terminate with cause any part or all of the Seller/Servicer's selling or Servicing approvals.

Freddie Mac may determine that a shorter notice period or no notice is necessary or advisable to protect Freddie Mac's interests. When Freddie Mac determines that a shorter notice period or no notice period is necessary or advisable, a termination with cause will become effective upon oral notice from Freddie Mac to the Seller/Servicer. Freddie Mac will then provide written confirmation of that oral notice.

Any written notice or written confirmation of oral notice of termination with cause will contain a brief statement of the basis for the termination. The statement will also advise the Seller/Servicer of its right to obtain a review of Freddie Mac's decision to terminate with cause.

#### 2. Notice of termination without cause

Freddie Mac will provide the Seller/Servicer with 30 days' written notice of its intent to terminate without cause the Seller/Servicer's selling approval or its right to acquire Servicing.

Freddie Mac will provide the Seller/Servicer with 180 days' written notice of its intent to terminate without cause the Servicing approval for Mortgages for which the Freddie Mac Funding Date is on or after January 1, 1994, or for which a transfer of Servicing to the Seller/Servicer became effective on or after November 15, 1994 ("post-1994 Mortgages").

Freddie Mac must provide the Seller/Servicer with 90 days' written notice of its intent to terminate without cause the Servicing approval for Mortgages for which the Freddie Mac



Funding Date was before January 1, 1994, or for which a transfer of Servicing to the Seller/Servicer became effective before November 15, 1994 ("pre-1994 Mortgages").

Freddie Mac may determine that a shorter notice period or no notice of its intent to terminate without cause the Seller/Servicer's selling approval, right to acquire Servicing or Servicing of post-1994 Mortgages is necessary or advisable to protect Freddie Mac's interests. When Freddie Mac determines that a shorter notice period or no notice period is necessary or advisable, termination without cause of the selling approval, the right to acquire Servicing or the right to service post-1994 Mortgages will become effective upon oral notice from Freddie Mac to the Seller/Servicer. Freddie Mac will then provide written confirmation of that oral notice.

**c. Effect of termination (06/27/19)**

In addition to the specific effects of termination outlined in this section, if Freddie Mac terminates, with or without cause, an Optigo Lender's selling approval, Servicing rights or right to acquire Servicing, then any Optigo Lender designations (whether Conventional, TAH, SBL, Seniors Housing or other approval designation) will automatically terminate without further action or notice from Freddie Mac.

**1. Effect of termination of selling approval**

The following chart details the effects of Freddie Mac's termination with or without cause of a Seller/Servicer's selling approval:

Terminated function	Effect of termination with or without cause
Termination of selling approval with respect to one or more approval designations	<p>The Seller/Servicer may not sell a Mortgage to Freddie Mac. If the Seller/Servicer holds a Purchase Contract that Freddie Mac has issued to the Seller/Servicer prior to the effective date of the termination, Freddie Mac may take one of the following actions:</p> <ul style="list-style-type: none"> <li>• Purchase the Mortgage from the Seller/Servicer subject to the Purchase Contract if the Seller/Servicer's right to service has not been terminated</li> <li>• If Freddie Mac has terminated the Seller/Servicer's right to service, purchase the Mortgage from the Seller/Servicer subject to the Purchase Contract and transfer the Servicing of the Mortgage to another Servicer selected by Freddie Mac, concurrently with funding the purchase of the Mortgage</li> </ul>

Terminated function	Effect of termination with or without cause
	<ul style="list-style-type: none"> <li>• Transfer the Purchase Contract to another Seller selected by Freddie Mac, in which case the Seller/Service whose selling approval has been terminated must transfer to the transferee Seller copies of all third-party reports and all other documentation or deposits submitted by or on behalf of the Borrower in connection with the Mortgage</li> </ul> <p>If the Seller/Servicer has rate-locked or spread-locked a Mortgage pursuant to an application that Freddie Mac has not accepted prior to the effective date of the termination of a Seller/Servicer's selling approval, then Freddie Mac may take one of the following actions:</p> <ul style="list-style-type: none"> <li>• Accept the application if it meets all of Freddie Mac's requirements and purchase the Mortgage from the Seller/Servicer pursuant to the resulting Purchase Contract</li> <li>• If Freddie Mac has terminated the Seller/Servicer's right to service, accept the application if it meets all of Freddie Mac's requirements, purchase the Mortgage from the Seller/Servicer pursuant to the resulting Purchase Contract and transfer the Servicing of the Mortgage to another Servicer selected by Freddie Mac, concurrently with funding the purchase of the Mortgage</li> <li>• Transfer the application to another Seller selected by Freddie Mac, in which case the Seller/Servicer whose selling approval has been terminated must transfer the good faith deposit for the Mortgage (whether cash and/or a letter of credit) to the transferee Seller, together with copies of all third-party reports and all other documentation submitted by or on behalf of the Borrower in connection with the Mortgage.</li> </ul>

**2. Effect of termination of Servicing approval**



The following chart details the effects of Freddie Mac's termination, with cause and without cause, of one or more of the Seller/Servicer's Servicing approvals:

Terminated function	Effect of termination without cause	Effect of termination with cause
Entire Servicing approval	The Seller/Servicer may not acquire additional Servicing. The Seller/Servicer must transfer its entire Servicing portfolio to a Seller/Servicer that is a member of the Optigo Lender network, with compensation determined as provided in Section 4.6 (or in Section 4.7 for pre-1994 Mortgages.)	The Seller/Servicer may not acquire additional Servicing. The Seller/Servicer must, under Freddie Mac's direction and in accordance with Freddie Mac's instructions, transfer its entire Servicing portfolio to a Seller/Servicer that is a member of the Optigo Lender network, without compensation to the terminated Servicer.
Servicing approval with regard to one or more Mortgages Seller/Servicer is not Servicing in accordance with the Purchase and Servicing Documents	Not applicable	The Seller/Servicer must, under Freddie Mac's direction and in accordance with Freddie Mac's instructions, transfer the Servicing of the affected Mortgages to a Seller/Servicer that is a member of the Optigo Lender network, without compensation to the transferring Servicer.
Rights to acquire additional Servicing	The Seller/Servicer may not acquire additional Servicing, but may continue to service its existing Servicing portfolio.	The Seller/Servicer may not acquire additional Servicing, but may continue to service its existing Servicing portfolio.

**d. Action following termination (07/31/12)**

Following termination of a Servicer's Servicing with or without cause, the Servicer must comply with the requirements of Chapter 48, Termination of Servicing.

Freddie Mac's termination of Servicing with or without cause and the resulting transfer of Servicing do not relieve the Servicer of its warranty obligations under the Purchase Contracts with respect to the transferred Mortgages. The Servicer's and the transferee Servicer's respective warranty obligations are described in Section 42.14(a).

**e. Appeal of termination (07/31/12)**

Freddie Mac's decision to terminate a Seller/Servicer without cause is conclusive and not subject to appeal.

The Seller/Servicer has the right to appeal Freddie Mac's decision to terminate the Seller/Servicer with cause. To appeal a termination with cause, the Seller/Servicer must file a written appeal with Freddie Mac in accordance with the procedures set forth in Section 4.8.

**4.6 Compensation for termination of Servicing without cause**

**a. Impacted Mortgages (07/31/12)**

This section applies to Mortgages for which the Freddie Mac Funding Date is on or after January 1, 1994 or for which a transfer of Servicing to the Seller/Servicer became effective on or after November 15, 1994. (For pre-1994 Mortgages see Section 4.11)

**b. Transfer of Servicing permitted by Servicer during 180-day notice period (06/27/19)**

During the 180-day notice period following Freddie Mac's notice of termination of Servicing without cause, the Servicer may arrange to transfer the terminated Servicing to one or more Seller/Servicers that are members of the Optigo Lender network in good standing. The transfer of Servicing must be made in accordance with the terms and provisions of Chapter 42, Transfers of Servicing.

**c. Compensation to Servicer for transfer of Servicing during 180-day notice period (07/31/12)**

If the Servicer consummates an approved transfer of Servicing during the 180-day notice period, it may retain any compensation paid by the purchaser for the transfer, less any outstanding amounts the Servicer owes to Freddie Mac, including transfer costs, repurchases, fees and all other amounts owed to Freddie Mac (including outstanding single-family obligations).

The Servicer must remit to Freddie Mac, within 10 days of its receipt of the funds from the purchaser, all amounts that the Servicer owes to Freddie Mac. If the sales proceeds received by the Servicer are less than the amount that the Servicer owes to Freddie Mac, the Servicer must remit the full amount of such proceeds to Freddie Mac, and the Servicer will be responsible for paying the outstanding balance owed to Freddie Mac.

The net proceeds retained by the Servicer, if any, will constitute the entire compensation payable in consideration of the termination of Servicing without cause. A Servicer will not be entitled to any additional fees, compensation or damages from Freddie Mac for any reason or cause, including any consequential, incidental, or indirect damages arising out of, or in connection with, the termination of Servicing without cause.

**d. No compensation to Servicer for transfer of Servicing by Freddie Mac after 180-day notice period (06/27/19)**

If the Servicer does not consummate an approved transfer of the terminated Servicing during the 180-day notice period, at the end of the 180-day notice period, Freddie Mac will transfer the Servicing to one or more Seller/Servicers who are members of the Optigo Lender network selected by Freddie Mac, and the Servicer will not be entitled to compensation for the transfer.

**e. Compensation to Servicer for transfer of Servicing by Freddie Mac without 180-day notice period (07/31/12)**

If Freddie Mac elects not to provide a 180-day notice period to the Servicer, Freddie Mac will pay the Servicer the market value (as determined by Freddie Mac) of the Servicing portfolio being transferred as of the date the Servicing is actually transferred, less any outstanding amounts owed by the Servicer to Freddie Mac, including transfer costs, repurchases and all other amounts owed to Freddie Mac (including outstanding single-family obligations). Freddie Mac's determination of the market value of the Servicing portfolio will be final and will not be subject to review.

Before Freddie Mac pays the Servicer the market value of the terminated Servicing, the Servicer must complete all repurchases required under Chapter 47 of the Guide and fulfill any other outstanding obligations of the Servicer to Freddie Mac (including single-family obligations). If the Servicer fails to do so, Freddie Mac may offset the sum of such repurchases and any other outstanding obligations of the Servicer against the market value of the terminated Servicing and pursue all other rights and remedies Freddie Mac may have at law or in equity.

Freddie Mac's payment of the market value of the terminated Servicing (less any amounts owed to Freddie Mac) will constitute the entire compensation payable in consideration of the termination of Servicing without cause and without the 180-day notice period.

A Servicer will not be entitled to any additional fees, compensation or damages from Freddie Mac for any reason, including any consequential, incidental, or indirect damages arising out of, or in connection with, the termination of Servicing without cause.

**4.7 Compensation for termination of Servicing without cause (pre-1994 Mortgages)**

**a. Definition of pre-1994 Mortgages (07/31/12)**

Pre-1994 Mortgages are Mortgages for which the Freddie Mac Funding Date was before January 1, 1994, or for which a transfer of Servicing to the Seller/Servicer became effective before November 15, 1994. This section applied to pre-1994 Mortgages only.

**b. Transfer of Servicing of pre-1994 Mortgages by Servicer permitted during 90-day notice period (06/27/19)**

During the 90-day notice period following Freddie Mac's notice of termination without cause of Servicing of pre-1994 Mortgages, the Servicer may arrange to transfer the terminated Servicing to one or more Seller/Servicers who are members in good standing of the Optigo

Lender network. The transfer of Servicing must be made in accordance with the terms and provisions of Chapter 42, Transfers of Servicing.

**c. Compensation to the Servicer for transfer of Servicing of pre-1994 Mortgages during the 90-day notice period (07/31/12)**

If the Servicer consummates an approved transfer of Servicing during the 90-day notice period, the Servicer may retain any compensation made by the purchaser for the transfer, less any outstanding amounts the Servicer owes to Freddie Mac, including transfer costs, repurchases, fees and all other amounts owed to Freddie Mac (including outstanding single-family obligations).

The Servicer must remit to Freddie Mac, within 10 days of its receipt of the funds from the purchaser, all amounts that the Servicer owes to Freddie Mac. If the sales proceeds received by the Servicer are less than the amount that the Servicer owes to Freddie Mac, the Servicer must remit the full amount of such proceeds to Freddie Mac, and the Servicer will be responsible for paying the outstanding balance owed to Freddie Mac.

The net proceeds retained by the Servicer, if any, will constitute the entire compensation payable in consideration of the termination of Servicing without cause of pre-1994 Mortgages. A Servicer will not be entitled to any additional fees, compensation or damages from Freddie Mac for any reason or cause, including any consequential, incidental, or indirect damages arising out of, or in connection with, the termination of Servicing without cause.

**d. No compensation to Servicer for transfer of Servicing of pre-1994 Mortgages by Freddie Mac after the 90-day notice period (06/27/19)**

If the Servicer of pre-1994 Mortgages does not consummate an approved transfer of the terminated Servicing during the 90-day notice period, at the end of the 90 days, Freddie Mac will terminate the Servicing and transfer the Servicing to one or more Seller/Servicers who are members of the Optigo Lender network selected by Freddie Mac.

Freddie Mac will pay the Servicer a termination fee equal to the market value (as determined by Freddie Mac) of the Servicing portfolio being transferred as of the date the Servicing is actually transferred, less any outstanding amounts owed by the Servicer to Freddie Mac, including transfer costs, repurchases and all other amounts owed to Freddie Mac (including outstanding single-family obligations). Freddie Mac's determination of the market value of the Servicing portfolio will be final and will not be subject to review.

Before Freddie Mac pays the Servicer a termination fee, the Servicer must complete all repurchases required under Chapter 47 of the Guide and fulfill any other outstanding obligations of the Servicer to Freddie Mac. If the Servicer fails to do so, Freddie Mac may offset the sum of such repurchases and any other outstanding obligations of the Servicer against the termination fee and pursue all other rights and remedies Freddie Mac may have at law or in equity.

Freddie Mac's payment of a termination fee will constitute the entire compensation payable in consideration of the termination without cause of Servicing of pre-1994 Mortgages.

A Servicer will not be entitled to any additional fees, compensation or damages from Freddie Mac for any reason or cause, including any consequential, incidental, or indirect damages arising out of, or in connection with, the termination without cause of Servicing of pre-1994 Mortgages.

#### **4.8 Appeal of termination or suspension with cause (07/31/12)**

The Seller/Servicer may file a written appeal with Freddie Mac Multifamily Business Management to request that Freddie Mac review its determination of a suspension or termination with cause. The filing of an appeal does not stay the effective date of the termination or suspension.

##### **a. Time for appeal (09/08/05)**

The appeal must be postmarked or hand delivered no later than 15 days from the date the Seller/Servicer received written notice or written confirmation of oral notice from Freddie Mac of Freddie Mac's intent to suspend or terminate with cause any approval of the Seller/Servicer.

If the Seller/Servicer does not file an appeal within the 15-day period, the Seller/Servicer will be deemed to have waived its right to appeal.

##### **b. Form of appeal (09/08/05)**

The appeal must contain the following, in the order indicated:

1. A cover page bearing the names and addresses of the Seller/Servicer and its representative, if any
2. A reference to Freddie Mac's action or proposed action and a concise statement of the action
3. A listing in separate numbered paragraphs of each of the grounds for appeal on which the Seller/Servicer relies
4. The Seller/Servicer's arguments supporting its grounds for appeal and stating the points of fact, policy and law being presented
5. A conclusion, specifying the action the Seller/Servicer believes Freddie Mac should take

##### **c. Discretionary hearing regarding appeal (07/31/12)**

Generally, a hearing or meeting is not a part of the appeal process. Freddie Mac reserves the right, however, to schedule a hearing or meeting, when appropriate in Freddie Mac's sole discretion, and to prescribe the terms for such hearing or meeting.

##### **d. Final decision regarding appeal (07/31/12)**

Freddie Mac will review the appeal of the Seller/Servicer's suspension or termination, the hearing record, if any, and any other relevant information before rendering a decision.



Freddie Mac will then render to the Seller/Servicer a decision in writing affirming, reversing or modifying Freddie Mac's prior determination. Freddie Mac's decision regarding an appeal is conclusive.

**4.9 Reapplication for selling or Servicing approval (07/31/12)**

For at least 12 months after the date of the termination, a Seller/Servicer (or branch production office, if applicable) that has been terminated by Freddie Mac may not apply for the approval that was terminated. If the termination was with cause, the application for reinstatement must document that the Seller/Servicer has taken all appropriate corrective actions. In addition, a Seller/Servicer that is applying for reinstatement after a termination must meet all criteria for approval in effect at the time of such application.

**4.10 Disciplinary action with respect to a branch production office**

If the Seller/Servicer has approval for selling Mortgages to Freddie Mac for more than one branch production office or geographic area, Freddie Mac may exercise any one or more disciplinary actions in Section 4.1(b) with respect to the selling approval of each such branch production office or geographic area or for all branch production offices and geographic areas.

**a. Disciplinary action (07/31/12)**

Freddie Mac may suspend a Seller/Servicer or a branch production office of a Seller/Servicer without first placing the Seller/Servicer or its other branch production offices on probation.

**b. Notice of disciplinary action (07/31/12)**

Freddie Mac will provide the Seller/Servicer's branch production office(s) with notice.

**c. Effect of suspension or termination (09/18/14)**

**1. Effect of suspension of a branch production office's selling approval**

The following chart details the effects of suspension of one or more (but not all) of the Seller/Servicer's branch production offices:

Suspended function	Effect of suspension
Selling approval of one or more (but not all) of the Seller/Servicer's branch production offices	<p>The Seller/Servicer may not sell a Mortgage to Freddie Mac that was originated by the branch production office that has been suspended, except pursuant to a Purchase Contract Freddie Mac has issued to the Seller/Servicer prior to the effective date of the suspension.</p> <p>If the Seller/Servicer has rate-locked or spread-locked a Mortgage pursuant to an application that Freddie Mac has not accepted prior to the effective date of the suspension of the branch production office's selling</p>

*Guide Bulletin Update 09/01/16 Chapter 4 – Page 14*



Suspended function	Effect of suspension
	<p>approval, then Freddie Mac may take one of the following actions:</p> <ul style="list-style-type: none"> <li>• Accept the application if it meets all of Freddie Mac's requirements and purchase the Mortgage from the Seller/Servicer pursuant to the resulting Purchase Contract</li> <li>• If Freddie Mac has not terminated the Seller/Servicer's right to service and if Seller/Servicer has not submitted the full underwriting package, approve the Seller/Servicer's Geographical Waiver Request, the form of which is available on FreddieMac.com, to allow another branch production office to complete the full underwriting package, accept the application if it meets all of Freddie Mac's requirements and purchase the Mortgage from the Seller/Servicer pursuant to the resulting Purchase Contract</li> <li>• If Freddie Mac has terminated the Seller/Servicer's right to service, accept the application if it meets all of Freddie Mac's requirements, purchase the Mortgage from the Seller/Servicer pursuant to the resulting Purchase Contract and transfer the Servicing of the Mortgage to another Servicer selected by Freddie Mac, concurrently with funding the purchase of the Mortgage</li> <li>• Transfer the application to another Seller selected by Freddie Mac, in which case the Seller/Servicer whose selling approval for a branch production office has been suspended must transfer the good faith deposit for the Mortgage (whether cash or a letter of credit) to the transferee Seller, together with copies of all third-party reports and all other documentation submitted by or on behalf of the Borrower in connection with the Mortgage</li> </ul>

**2. Effect of termination of a branch production office's selling approval**

The following chart details the effects of termination of the Selling approval of one or more (but not all) of the Seller/Servicer's branch production offices

Terminated function	Effect of termination
<p>Selling approval of one or more (but not all) of the Seller/Servicer's branch production offices</p>	<p>The Seller/Servicer may not sell a Mortgage to Freddie Mac that was originated by a branch production office that has been terminated, except pursuant to a Purchase Contract Freddie Mac has issued to the Seller/Servicer prior to the effective date of the termination,</p> <p>If the Seller/Servicer has rate-locked or spread-locked a Mortgage pursuant to an application that Freddie Mac has not accepted prior to the effective date of the termination of the selling approval of a branch production office of a Seller/Servicer, then Freddie Mac may take one of the following actions:</p> <ul style="list-style-type: none"> <li>• Accept the application if it meets all of Freddie Mac's requirements and purchase the Mortgage from the Seller/Servicer pursuant to the resulting Purchase Contract if the Seller/Servicer's right to service has not been terminated</li> <li>• If the Seller/Servicer has not submitted the full underwriting package, approve the Seller/Servicer's Geographical Waiver Request, the form of which is available on FreddieMac.com, to allow another branch production office to complete the full underwriting package, accept the application if it meets all of Freddie Mac's requirements and purchase the Mortgage from the Seller/Servicer pursuant to the resulting Purchase Contract</li> <li>• Transfer the application to another Seller selected by Freddie Mac, in which case the Seller/Servicer whose selling approval for a branch production office has been terminated must transfer the good faith deposit for the Mortgage (whether cash and/or a letter of credit) to the transferee Seller, together with copies of all third-party reports and all other documentation or deposits submitted by or on behalf of the Borrower in connection with the Mortgage</li> </ul>

Terminated function	Effect of termination
	<ul style="list-style-type: none"> <li>If Freddie Mac has terminated the Seller/Servicer's right to service, accept the application if it meets all of Freddie Mac's requirements, purchase the Mortgage from the Seller/Servicer pursuant to the resulting Purchase Contract and transfer the Servicing of the Mortgage to another Servicer selected by Freddie Mac, concurrently with funding the purchase of the Mortgage.</li> </ul>

**d. Action following suspension (07/31/12)**

At the end of the suspension period, Freddie Mac may reinstate any or all of the approvals that were suspended, prescribe any conditions and terms related to the reinstatement or take any of the other actions described in this chapter.

**e. Appeal of suspension (07/31/12)**

Freddie Mac's decision to suspend a branch production office's selling approval without cause is conclusive and not subject to appeal.