Core Solutions

SilverLake System®

Release 2018

Freddie Mac® Investor Reporting Changes

February 21, 2019

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Freddie Mac® Investor Reporting Changes

Several enhancements have been made to comply with the new Freddie Mac® Investor Reporting Initiative. This guide outlines the changes made in accordance with the requirements of the new initiative.

Tracking Information

TFS	210487
jS	1125759
	1147206

Enhancement Overview

Menus/Options

Function	Location	Status
SilverLake	**Investor Servicing Menu (LNSERV) > Create FHLMC Daily Reporting File**	New
	Investor Servicing Menu (LNSERV) > Create FHLMC P&I Determination Date Reporting File	
	Investor Servicing Menu (LNSERV) > Create FHLMC Payoff File/Report	

Toolbar Options

Function	Location	Toolbar Option	Status
SilverLake	**Loan Servicing Parameter Menu (LNSERVPAR) > Processing Type Maintenance**	**Reset Report Date**	New

Action Codes

Application	Action Code	Description	Status
Loan	**FHLMC 67**	Payoff - Short Sale	New
	FHLMC 91	Mortgage P&I Recast	

Reports

Report Number	Report Name	Description	Status
LN1311P	*Amortized Loan Unposted Curtailments by Branch/ Account*	This report lists any transactions on Freddie Mac® loans that are unposted because they resulted in a curtailment.	New
LNS326DP	*Freddie Mac® Remittance File*	This report is generated when either option **Create FHLMC Daily Reporting File** or **Create FHLMC P&I Determination Date Reporting File** are selected from **LNSERV**.	
LNS327DP	*FHLMC Payoff Download Edit*	This report lists loan payoffs using the new exception interest calculations.	
LNS336P	*Investor Cumulative Activity/Forecast Report*	This report lists what has been collected in the current period, the interest due, and forecasted interest for the next reporting cycle.	
LN1300P	*Loan Unposted Journal by Branch/Account Number*	This report now lists any unposted curtailments on Freddie Mac® loans with the reason *Curtailments to past due loan is prohibited*.	Changed

IBM i Files/Fields

File Name	Field Name	Description	Status
LNS326D	N/A	Flat File for Freddie Mac® Daily/Monthly Reporting and Payoff Reporting	New
LNS326DV1	N/A	Freddie Mac® Daily/Monthly Reporting View	
LNUNPDSC	*LNUPCOD*	Unpost code: BX	
	LNUPDSC	Unpost description: *Curtailment to past due loan is prohibited*	

Requirements

This enhancement is being packaged and delivered as an off-cycle enhancement.

Enhancement Details - SilverLake

Freddie Mac® has changed to their investor reporting requirements through the Investor Reporting Change Initiative. This initiative is aimed at converting single-family reporting requirements closer to an industry standard, and also updating remittance cycles. These changes also streamline the reporting process, achieve operational efficiencies, and provide a complete view of investor reporting data for sellers and servicers. The initiative also supports the Single Security initiative. This guide outlines the changes made to comply with the new Investor Reporting Change Initiative.

New Menu Options for Investor Servicing

Freddie Mac® is making changes to allow for daily reporting and encourage servicers to submit loan-level reporting (LLR) transactions as they occur instead of once a month, which is the current process. Servicers are now required to report one loan-level transaction for every Freddie Mac® loan in their portfolio by the Principal and Interest (P&I) Determination Date, regardless of activity or inactivity. If the P&I Determination Date (the 15th calendar day of the month) falls on a weekend or holiday, reporting is done on the following business day. Loan transaction activity after the P&I Determination Date can be submitted daily, but no later than end-of-month (EOM) plus one business day.

Two new menu options now allow you to report both daily transaction activity and for the monthly P&I Determination Date within the **Investor Servicing Menu (LNSERV)**. Both menu options allow you to report loan transaction activity in accordance with the new Freddie Mac® changes.

The new **Investor Servicing Menu (LNSERV)** option **Create FHLMC Daily Reporting File** allows you to submit daily LLR transactions. A file is created that contains transactions posted the prior business day, or from the last time you selected the option.

The new **Investor Servicing Menu (LNSERV)** option **Create FHLMC P&I Determination Date Reporting File** allows you to create a reporting file on the 15th business day of the month, unless the 15th falls on a weekend or holiday, in which case the P&I Determination Date is set to the following business day. Information in this file includes all loans that were not previously reported. Use this option in place of **Investor Servicing Menu (LNSERV)** option **Create FHLMC Monthly File for MIDANET**.

> **NOTE**
> Paid off loans are not included in the daily or P&I Determination Date files.

When either of these new menu options are taken, you can select the processing type to create the *Flat File for Freddie Mac® Daily/Monthly (LNS326D)* file. Only processing types flagged as an FHLMC reporting format are shown. When the *LNS326D* file is created for either menu option, the *Investor Reported Date* and *Last Reported Date* are updated with date of the next business day. In addition, transactions are flagged as reported so they are not picked up in

another file and reported again. Selecting these menu options also creates the downloadable *Freddie Mac® Daily/Monthly Reporting View (LNS236DV1)* file.

With Freddie Mac® changing the accounting cycle to the first through end of the month, negative exception interest is no longer necessary when a loan is paid off after the 15th of the month. Exception interest is due up to, but not including the date paid off.

A new menu option allows you to report payoffs using the new exception interest calculations. Exception interest is calculated as a positive amount regardless of the date the loan is paid off. The **Create FHLMC Payoff File/Report (LNS326D)** option creates the downloadable *Freddie Mac® Daily/Monthly Reporting View (LNS326DV1)* file and the *LNS327DP - FHLMC Payoff Download Edit* report for loan payoffs. This option is available through **Investor Servicing Menu (LNSERV)**.

> **NOTE**
> The subject loans impacted by this enhancement are sold to Freddie Mac®. Update JHMenu Express with the new *LNS326DV1* file. This file is used for daily, P&I Determination Date, and payoff reporting.

Cutover Month Reporting

Freddie Mac® services are transitioning from the current reporting cycle of the 16th day of the month to the 15th day of the next month to a reporting cycle of the first of the month to end-of-month (EOM). The cutover month is May 2019, and the accounting cycle for that cutover month is an extended reporting period. Loan transactions are reported as a cumulative amount from April 16, 2019 to May 31, 2019.

You will report as normal for the April and May reporting cycles. After the May 15 reporting is complete, update the following two fields in **Loan Servicing Parameter Menu (LNSERVPAR)** option **Processing Type Maintenance** with the provided information:

- **Next Cutoff Date**: Change to *May 31, 2019*
- **Cutoff Day of Month**: Change to *31*

> **CAUTION**
> Daily and/or monthly reporting is not allowed until the cutoff date is updated to the end of the month. This change affects both the **Create FHLMC Daily Reporting File** and **Create FHLMC P&I Determination Date Reporting File** options in **Investor Serving Menu (LNSERV)**.

Daily reporting can begin on May 21, 2019 or you can wait until June 3, 2019 to report transaction activity from May 15 to May 31, 2019. Cumulative principal transactions are reported for this period in the *LNS326D* file and appear on the *LNS326DP - Freddie Mac® Remittance File* report. For example, if a loan had a transaction post between April 16 and May 15, 2019, and then another transaction posts after the May 15 reporting, both principal transactions appear on the report.

> **NOTE**
>
> For the May cutoff, Freddie Mac® will not draft funds and servicers will submit funds as normal. For the cutover reporting period of May 16 to May 31, 2019, funds will be drafted by Freddie Mac® on June 17, 2019.

Ability to Report from a Prior Cycle

Because Freddie Mac® does not backdate files, new functionality allows you to report transactions from a prior cycle in the current cycle in the event a servicer fails to report on the first business day.

With Freddie Mac® moving to a reporting cycle to the first of the month to end-of-month (EOM), servicers are required to report on the first business day all transactions that have not been reported from the previous cycle. If the first business day reporting is missed, Freddie Mac® does not effective date these transactions into the prior cycle. These transactions must be included in the current cycle reporting, which also affects the remittance amount.

To assist servicers that might fall into this situation, the system looks at the *Investor Loan History (LNSHST)* file for a blank reported date back to the P&I Determination Date (15th of the month) of the prior period and includes those transactions with the current reporting cycle. If a servicer creates a daily file but does not submit the file to Freddie Mac®, you can clear the reporting date using the **Reset Report Date** toolbar option in **Loan Servicing Parameter Menu (LNSERVPAR)** option **Processing Type Maintenance**. In either of these situations, the reported date is populated with a current cycle date.

In addition, a new column for previous unreported principal is added to the *LNS326DP - Freddie Mac® Remittance File* report. The following scenario outlines when the new column appears on the report:

- Transaction posted: 1/25/XX
- Reported Date: 00/00/00
- First Business Date: 2/1/XX
- Use **Create FHLMC Daily reporting File** option
- Reported date updates to 2/3/XX
- The **Collected this Period** field in **Investor Servicing Menu (LNSERV)** option **Servicing Inquiry** still reflects only what has been collected within the current cycle. The **Previous Unreported Principal** column on the *LNS326DP - Freddie Mac® Remittance File* report reflects the principal from the prior cycle and is included in the principal remittance.

New Parameter to Clear Servicing History

A new toolbar option allows you to reset the reporting date in the servicing history file in the event the file was created but not submitted to the investor. The transaction can then be picked up for submission in the next reporting file. You can reset the reporting date through **Loan Servicing Parameter Menu (LNSERVPAR)** option **Processing Type Maintenance**. When you

select a Freddie Mac® reporting type to change, the new **Reset Report Date** toolbar option appears on the *Processing Type Maintenance - CHANGE* screen.

The following image shows the location of the new **Reset Report Date** toolbar option.

Selecting the toolbar option allows you to clear the desired dates from the servicing history file. You can choose either a single date or date range. To clear a single date, select the **Date** field under *Clear Single Reported Date* and enter the desired date from the drop-down calendar. To clear a date range, select both the **Start Date** and **End Date** fields under *Clear Reported Date Range* and enter the desired date for each field from the drop-down calendar.

The following image shows the fields that allow you to clear reporting dates from the **Reset Report Date** toolbar option.

In addition, if you try to generate a report without updating the reporting parameters, you now receive a warning message. When you select **Investor Servicing Menu (LNSERV)** options **Create FHLMC Daily Reporting File** or **Create FHLMC P&I Determination Date Reporting File** and the reporting parameters are not updated, you receive the message *FHLMC Reporting Parameters Incomplete*. Update the **Next Cutoff Date** and **Cutoff Day on Month** in **Loan Servicing Parameter (LNSERVPAR)** option **Processing Type Maintenance** before creating the reporting files.

New Exception Codes for Reporting

Two new action codes have been added that you can use to report exceptions to Freddie Mac®. The new codes are found in **Loan Servicing Parameter Menu (LNSERVPAR)** option **Action Code Maintenance** and allow you to report short sale and recast principal and interest (P&I) exceptions. The two new action codes are as follows:

- **FHLMC 67**: Payoff - Short Sale
- **FHLMC 91**: Mortgage P&I Recast

Use the Freddie Mac® **Action Code** *67* to report an exception for a short sale payoff, charge-off, or make-whole pre-foreclosure payoff. You need to update the **Action Code** and **Action Date** fields in the servicing record when the amount received for the payoff is less than the amount required to pay off the loan.

Use the Freddie Mac® **Action Code** *91* to report an exception when the P&I constant is less than the previous cycle's P&I constant due to a principal curtailment. Update the **Action Code** and **Action Date** fields in the servicing record when reporting this recast.

> **CAUTION**
> These new actions codes do not automatically update the servicing record. Enter the action code and action date to report the loan accurately.

New Restrictions for Curtailments on Amortized Loans

With the changes Freddie Mac® is making to allow daily reporting and validating the due date of last paid installment (DDLPI) date, they no longer accept curtailments on past due amortized loans. Servicers receive a hard reject on the transaction that must be cleared before any further reporting transactions are accepted.

For example, if a transaction is posted as a C-P no date bump payment type to a past due loan, the payment unposts because the payment for the current due date is not made. Likewise, if a transaction is posted as a C-Q payment type with excess funds that would be a credit to the principal balance, the excess now goes to suspense and the amount posts as normal.

Loans are considered past due if the next payment date is less than the next scheduled date. The **Apply Payments to Past Due Loans** and **Number of Payments Past Due to Trigger** fields are also used to determine if a curtailment occurs. These fields are located in **Loan Input Menu (LNIN)** option **Loan Master File Maintenance** within the **Payment Information** screen option.

Additional Payment Posting Details

Split Payments as Billed:	Y - Yes
Ignore L/C - Other chg post seq for exact multi payments....:	N
Post Short Payments:	Y - Yes
Use Payment Suspense:	N - No
Payments Using Payment Suspense:	B - Both long and short
Apply Payments to Past Due Loans:	Y - Yes
Number of Payments Past Due to Trigger:	0
Apply Payments to Pre-Paid Loans:	Y - Yes
Apply Excess as Principal Curtailment:	N - No
Number, Percent, or Dollar Pre-Paid:	0
Number, Percent, or Dollar Pre-Paid Code:	- Blank

The following scenario provides an example of how these fields affect curtailment posting:

- Loan due date: 12/1/XX
- Next scheduled date: 2/1/XX
- Processing for: 1/14/XX
- **Apply Payments to Past Due Loans** field set to *Y - Yes*
- **Number of Payments Past Due to Trigger** field set to *2*
- Loan payment amount: $450.00
- Posting a C-Q transaction for $500.00
- The payment amount of $450.00 is applied, rolling the due date to 1/1/XX. Because the **Number of Payments Past Due to Trigger** field allows the loan to be past due for two payments, the excess $50.00 is applied as a curtailment.

Any transactions with curtailments that are unposted appear on the new *LN1311P - Amortized Loan Unposted Curtailments by Branch/Account* report. These transactions also appear on the existing *LN1300P - Loan Unposted Journal by Branch/Account Number* report.

If the payment made brings the loan current and rolls the due date forward, then any excess payment is applied as a curtailment and the transactions post without issue.

New and Changed Reports for Freddie Mac®

The new *LN1311P - Amortized Loan Unposted Curtailments by Branch/Account* report lists any curtailments made on amortized Freddie Mac® loans that have been unposted. This report provides you with a reference for clearing unposted transactions on loans serviced by Freddie Mac®. The unposted loan transactions are also listed on the *LN1300P - Loan Unposted Journal by Branch/Account Number* with the reason *Curtailments to past due loan is prohibited*.

LN1311P - Amortized Loan Unposted Curtailments by Branch/Account

```
DATE PRINTED:  1/10/19
JHA Test Bank and Trust                           Amortized Loan Curtailments Unposted                    6/04/12  39:09      LN1311P    PAGE

                                  Unposted      Last      Last      Next      Payment      Current     Loan Type/
     Br      Account              Amount      Pmt Amt  Pay Date  Pay Date      Amt         Balance   Servicing Type  Investor Type
     ---------------------------------------------------------------------------------------------------------------------------

     001        11111  John Doe      400.00    428.92   6/04/12   5/01/12      428.92    56,407.99   25 / FM      FHLMC Reporter

     Total Branch 001 Transactions      1      400.00

     002         1111  John Doe      500.00    800.00   6/04/12   3/01/12      800.00    39,674.89   38 / FR      FHLMC Reporter

     Total Branch 002 Transactions      1      500.00


     Total Unposted Transactions       2      900.00
```

The new *LNS326DP - Freddie Mac® Remittance File* is a copy of the previous *LNS326P* report and is created when you select **Investor Servicing Menu (LNSERV)** options **Create FHLMC Daily Reporting File** or **Create FHLMC P&I Determination Date Reporting File**. The report is generated with information from the new *Flat File for Freddie Mac® Daily/Monthly (LNS326D)* file.

LNS326DP - Freddie Mac® Remittance File

```
Date Printed   2/08/19
JHA Test Bank and Trust                          FHLMC MIDANET Download Edit                      12/20/06    9:47AM    LNS326DP

 Inv Acct      Account    LPI      Current       Int       Princ        PTR        P&I      Note Rate     Prev UnRpted
  Number        Number  YY/MM/DD    UPB         Remit      Remit                                           Principal

    0000          1111   6/10/01   52,850.13   297.28       54.05     6.7500     362.66     7.0000
 9999999         12345   6/10/01   70,251.77   365.89      503.49     6.2500     482.05     6.5000           503.49

COUNT      2                      123,101.90   663.17      557.54
```

The new *LNS327DP - FHLMC Payoff Download Edit* report lists all loan payoffs using the new exception interest calculations. The report includes all loans paid off by either running a payoff transaction of requesting an investor-side payoff. If the loan is inactivated at the time of payoff, the **Inactivation Date** and **Delinquent Interest** fields are populated on the report. Delinquent interest is a full month's interest due, not including odd days of interest. The report is generated

when selecting **Investor Servicing Menu (LNSERV)** option **Create FHLMC Payoff File/ Report**.

LNS327DP - FHLMC Payoff Download Edit

```
Date Printed   8/16/18
                                          FHLMC Payoff Download Edit                    4/05/12   9:17AM    LNS327DP   Page    1

   Inv        Account     LPI      Current    Interest    Principal    PTR       P&I      Note     Exception   Inactivation  Delinquent
 Number       Number    YY/MM/DD     UPB       Remit        Remit                         Rate      Interest      Date       Interest

             111111111  11/04/01      .00    16,337.86    278,035.32  7.7500   2,180.49  8.0000      177.10     7/01/11     16,160.76

COUNT     1                           .00    16,337.86    278,035.32
```

The new *LNS336P - Investor Cumulative Activity/Forecast Report* lists payments that have been collected in the current period, the interest due in that period, and forecasted interest for the next reporting cycle. This report assists you in balancing and determining the remittance for a reporting cycle. This report is available for selection in **Report Management Menu (REPORT)** option **Report Distribution Maintenance**.

> **NOTE**
> The processing type must be set up as a scheduled interest product to generate this report. Use **Loan Servicing Parameter Menu** option **Processing Type Maintenance** to complete set up.

LNS336P - Investor Cumulative Activity/Forecast Report

```
Date Printed:  6/21/18
JHA Test Bank and Trust                  Investor Loan Cumulative Activity and Forecasted Interest         9/07/06  12:56 PM    LNS336P    Page    1

Processing Type  BA  Freddie Mac Scheduled/Actual

                                                                                                           Int Paid              Serv Fee
Account Number   Name         Rate      S/F RT    PTR      LPI        UPB        Prin Paid   Curtailment  Prev Schd Int      Proj Schd Int

      00000L  DOE JOHN A    4.000000   .250000  3.750000  7/01/06   133,265.10     734.90       2.99       836.35              55.76
                                                                                                           418.75             416.45
      11111L  DOE JANE R    3.125000   .250000  2.875000  8/01/06    93,840.69        .00        .00          .00                .00
                                                                                                           226.23             224.83
      22222L  DOE JOHN N    3.500000   .250000  3.250000  8/01/06   136,351.28        .00        .00          .00                .00
                                                                                                           369.87             369.28
      33333L  DOE JOHN C    3.000000   .250000  2.750000  8/01/06   248,709.75     431.16        .00       570.95              51.90
                                                                                                           571.93             569.96
      44444L  DOE JANE E    4.250000   .250000  4.000000  7/01/06   184,489.34     255.78        .00       615.82              38.49
                                                                                                           616.67             614.96
      55555L  DOE JANE M    3.750000   .250000  3.500000  9/01/06    99,561.10        .00        .00          .00                .00
                                                                                                           291.23             290.39
      66666L  DOE JOHN Z    3.625000   .250000  3.375000  8/01/06   119,316.61     342.21        .00       336.54              24.93
                                                                                                           337.50             335.58

                                                                        Collected Amount
                                                            UPB       Principal    Interest   Prev Schd Int    Proj Schd Int
TOTAL NUMBER OF LOANS:       7                          1,015,533.87   1,764.05    2,359.66     2,832.18         2,821.45
```