

FREDDIE MAC DOCUMENT CUSTODY PROCEDURES --

ALERTS for DEFECTS / PROBLEMS with ENDORSEMENTS

- ⇒ Seller *must* endorse the Note in blank "Pay to the order of" While a Note endorsed "Payable to ..." may be certified, the Seller must change their practice for the future.
- ⇒ *Name of institution making the endorsement* ("Seller-endorser") must be clearly typed or printed.
- ⇒ *Name and title of individual authorized to sign* must be clearly typed or printed on the endorsement.

Examples of blank endorsements¹:

Without Recourse:

PAY TO THE ORDER OF	<u>(Leave Blank)</u>
WITHOUT RECOURSE	<u>(Name of Seller-endorser)</u> <u>(Signature of duly authorized officer)</u> <u>(Typed name / title of signatory)</u>

With Recourse:

PAY TO THE ORDER OF	<u>(Leave Blank)</u>
	<u>(Name of Seller-endorser)</u> <u>(Signature of duly authorized officer)</u> <u>(Typed name and title of signatory)</u>

- ⇒ **Document Custodians *cannot* act as Attorney-in-Fact, Agent or Delegate to endorse Notes for the Seller.**
- ⇒ An endorser "doing business as" must provide both the formal corporate name *and* the "dba" name plus legal proof of dba status.

¹ Most Notes are sold to Freddie Mac without recourse. Document Custodians have no way to check recourse status of the Notes.

- ⇒ **Endorsements MUST BE COMPLETE** *from the payee on the Note to the Seller of the Mortgage to Freddie Mac. As long as Freddie Mac owns the Mortgage, there may be no further endorsements.*
- ⇒ **Allonges** are certified by Freddie Mac if
 - the **Allonge** is **permanently affixed** to the Note (taping or pasting the Allonge to the Note are not acceptable);
 - the Allonge references the Borrower's name, the address of the Mortgaged Premises, and the original principal balance of the Note.
- ⇒ Seller is responsible for correcting a non-conforming Allonge.
- ⇒ An Allonge dated on or after the Note date may be certified by Freddie Mac.
- ⇒ Seller must endorse each Note in blank. If Seller of the Mortgage is *not* the original payee on the Note, Freddie Mac *must verify that the chain of endorsements on the Note is proper and complete from the original payee to the Seller.*
- ⇒ After Freddie Mac purchases the Mortgage, *no other endorsements or changes to endorsements on the Notes are permitted without Freddie Mac's prior consent.*
- ⇒ A Transferee Servicer may not endorse or change any endorsement on a Note owned by Freddie Mac.
- ⇒ Freddie Mac may certify Notes endorsed to Freddie Mac rather than endorsed in blank, but the Document Custodian must remind the Seller of the Freddie Mac requirements.
- ⇒ It is acceptable for endorsements to indicate that the endorsing entity is the "successor in interest to" or "successor by merger to" the preceding endorser provided proof of the merger is provided.
- ⇒ If there is a break in the endorsement chain and the Seller indicates that it is due to a name change or a merger, acquisition or other event that is not indicated in the endorsements themselves, the Seller is responsible for delivering documentation (such as an explanatory letter or documentation from the state corporation commission or

similar authority in which the mortgage premises is located) to substantiate that event.

- ⇒ If the endorsement contains an abbreviation that does not match the formal legal name of the entity, the Seller's attorney must provide the Document Custodian with signed documentation stating that the abbreviation is acceptable. For example, acceptable abbreviations for "Standard Federal Mortgage Bank Incorporated" may be "STD FED MTG BK INC", "STANDARD FEDERAL MTG", "THE STANDARDFEDERALMORTGAGEBANK," or "TND FED MTG INC".
- ⇒ If the endorsement is missing a signature, the Seller is responsible for correcting the deficiency. *If the Seller advises that the institution is no longer in business and it is unable to obtain the signature, the Note must not be certified by Freddie Mac.*
- ⇒ A facsimile signature on an endorsement is not acceptable.
- ⇒ If the endorsement does not include the title of the signatory, the Seller is responsible for correcting the deficiency.
- ⇒ If the endorsement contains errors or missing endorsements, the Seller is responsible for correcting the deficiency.
- ⇒ If the date has been inserted on a blank endorsement, the Seller must be notified by the Document Custodian of the Freddie Mac requirements.
- ⇒ If the endorsement has been voided, it is acceptable by Freddie Mac *provided that* an authorized signatory of the endorsing institution has initialed the "voided" endorsement.
- ⇒ Only the errors on endorsements must be voided or marked through; otherwise, it may appear that the entire Note is voided.