

# Adverse Action Notices

Frequently Asked Questions (FAQs)

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February 2025

## Why are sellers and servicers required to send Adverse Action Notices?

[Section 10.13](#) of the Freddie Mac *Multifamily Seller/Servicer Guide* (Guide) requires sellers and servicers to deliver a separate Adverse Action Notice to the borrower on behalf of Freddie Mac. This Guide requirement ensures clear communication to borrowers and prospective borrowers. In addition, sellers, as loan originators, and servicers, when denying a post-closing extension of credit, are required to send Adverse Action Notices as part of their obligation to comply with all applicable laws, rules and regulations, including the Equal Credit Opportunity Act and Fair Credit Reporting Act. Sellers should consult their own legal counsel for questions related to those obligations.

## What triggers the need for sellers/servicers to issue an Adverse Action Notice due to a denial decision by Freddie Mac?

A seller/servicer's obligation to issue an Adverse Action Notice is triggered when Freddie Mac Multifamily is unable to grant an application for an extension of credit and provides a written notification of such action to the seller/servicer. Specifically, Freddie Mac's notification to seller/servicers triggers obligations under Sections [10.13](#), [5.7\(a\)](#) and [36.6](#), as applicable, of the Guide.

For sellers, the requirement to issue an Adverse Action Notice is triggered specifically by: (1) Freddie Mac's denial of a new loan and (2) the refusal or failure of the borrower to accept the seller's quote from another institution offering similar credit terms. For servicers, issuance is triggered by Freddie Mac's denial of a post-closing extension of credit.

## For servicers, are all post-closing denials subject to adverse action requirements?

No. Only post-closing adverse actions regarding extensions of credit are subject to adverse action requirements under the Guide. Freddie Mac Multifamily considers the following items to be Post-Closing Extensions of Credit:

- a Transfer of Ownership/assumption,
- a conditionally permitted transfer,
- a prohibited transfer,
- a transfer of controlling interest in borrower or a Designated Entity for Transfers (DET) to an affiliate of the transferor where there is a change in control and management of the operations of borrower,
- a collateral release (other than the Property),
- a release of any portion of the Property,
- a release or replacement of Guarantor,
- any other instance in which the credit of the borrower, Guarantor's or any Borrower Principal is a relevant factor in the approval process,
- supplemental debt (master servicer role)

## What are sellers/servicers required to include in an Adverse Action Notice issued as a result of a denial decision by Freddie Mac?

Freddie Mac Multifamily's written notification to a seller/servicer of its decision to deny an extension of credit details what information should be included in the Adverse Action Notice to a current or prospective borrower, including information regarding who at Freddie Mac should be contacted with any request for the specific reasons for a denial.

### **How long do seller/servicers have to issue an Adverse Action Notice?**

Freddie Mac's written notification to seller/servicers of its denial triggers a 30-day window to issue an Adverse Action Notice to the borrower which includes required information regarding Freddie Mac's decision.

### **What evidence are sellers/servicers required to upload to the Document Management System (DMS)?**

[Section 10.13](#) of the Guide provides that sellers/servicers must upload into DMS one of the following categories of adverse action-related evidence:

1. The seller/servicer's written Adverse Action Notice to borrower;
2. A written statement confirming that the seller/servicer has orally issued an Adverse Action Notice to the borrower; or
3. A written statement that seller/servicer has not issued an Adverse Action Notice because the borrower accepted another quote from a source other than Freddie Mac within 30 days of Freddie Mac's notice denying the credit request.

### **In instances where a seller/servicer uploads a written statement instead of a written Adverse Action Notice, is there a particular form sellers/servicers must use and what information must the written statement include?**

No. Freddie Mac Multifamily does not require a particular form for a written statement. A written statement that confirms an oral Adverse Action Notice must include:

1. Confirmation that an oral communication of the denial was provided,
2. The date the communication was provided, and
3. A statement that all Freddie Mac, ECOA, and any other information required by law was conveyed to the borrower. The Freddie Mac required information will be provided in our written notification to you. This includes important Freddie Mac contact information for the borrower to request the specific reasons for denial.

For written statements that reflect that no Adverse Action Notice is sent to the borrower, the statement must include:

1. Confirmation that the notice was not provided because the borrower accepted a quote from a source other than Freddie Mac; and
2. The date that the quote was accepted.

### **How can I confirm that Freddie Mac received my upload?**

Upon uploading the document to the S/S Adverse Actions folder in DMS, seller/servicers can immediately view the document to confirm Freddie Mac will be able to access the document.

### **When will the requirement to upload evidence to DMS become effective?**

April 1, 2025