

Multifamily Seller/Service Guide

Chapter 7

Fraud Prevention, Detection and Reporting; Suspicious Activity and Restricted Parties



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7.1 Definitions (07/01/25)

The revisions to this chapter announced in the April 22, 2025 Bulletin are effective July 1, 2025.

As used in this chapter, these terms are defined as follows:

1. **Borrower Transaction Parties.** The parties identified as “Borrower Transaction Parties” in the [Public Records Search Requirements](#) posted on mf.freddiemac.com.
2. **Freddie Mac Matters.** Matters involving any Seller/Servicer related to (i) the quoting, submission, Seller/Servicer application, underwriting, origination or sale of a Mortgage that is, or contemplated to be, purchased or credit-enhanced by Freddie Mac, (ii) the asset management or Servicing of a Mortgage or Real Estate Owned, including any Transfer of Ownership, or (iii) any other transaction with Freddie Mac.
3. **Freddie Mac Matters Employee.** Any individual that is employed by a Seller/Servicer and that is involved in Freddie Mac Matters, including any Principal, officer, director, or employee of Seller/Servicer that:
 - Is involved in the quoting, production, underwriting, credit decisions, or Servicing of any Freddie Mac Mortgage or the submission of any Freddie Mac Mortgage to Freddie Mac for approval
 - Is responsible for the receipt or remittance of funds in connection with the sale of a Mortgage to Freddie Mac
 - Reports, remits or processes Mortgage payments
 - Performs property inspections for properties securing Freddie Mac Mortgages
 - Manages Custodial Accounts and/or performs custodial fund accounting for Freddie Mac Mortgages
 - Performs Servicing or asset management functions with respect to Mortgages or Real Estate Owned
 - Has management, oversight or supervisory responsibilities with respect to Freddie Mac Matters
4. **Freddie Mac Matters Contractor.** Any entity (or any employee of such entity) or any individual with whom the Seller/Servicer contracts to perform, on Seller/Servicer’s behalf, functions normally performed by the Seller/Servicer with respect to Freddie Mac Matters, other than a Third Party Vendor.
5. **Freddie Mac Multifamily Financial Crimes Mailbox.** The email address of MF_Mortgage_Fraud_Reporting@freddiemac.com.
6. **No New Business Letter.** A written notification from Freddie Mac to a party that Freddie Mac will not engage with any business involving such party.



7. **Restricted Party.** Any party that is identified on one or more of the Restricted Party Lists.
8. **Restricted Party Lists.** The following lists:
 - the Exclusionary List (see Section 2.18)
 - the Multifamily Restricted Vendor List (see Sections 29.1(c), 60.4(c), 61.17(e) and 62.8(e)).
 - the OFAC Lists (see Section 2.23)
 - the FHFA SCP List (See Section 2.24)
9. **Third-Party Vendor.** The following parties (the individual(s) and/or the firm) engaged by or on behalf of a Seller/Servicer or by or on behalf of a Borrower, Borrower Principal, or a Guarantor in connection with the origination of a Mortgage or the Servicing of a Mortgage or Real Estate Owned, including any Transfer of Ownership:
 - Broker/correspondent
 - Appraiser (the entity, the client manager, and any individual who signs the Appraisal)
 - Title Company
 - Title Agent
 - Title Insurance Underwriter
 - Surveyor (the entity and the surveyor who signs the survey)
 - Property condition consultant (the entity, the inspector, and any engineer who signs the property condition report)
 - Environmental consultant (the entity, the inspector, any environmental consultant who signs the environmental report, the environmental professional as noted in the report)
 - Seller/Servicer's counsel (the firm and any attorney who prepares the preliminary legal issues memorandum, prepares any Loan Documents, manages the closing or provides any certification to Freddie Mac)
 - Borrower's counsel or, with respect to a Transfer of Ownership, New Borrower's counsel (the firm, the primary attorney(s) representing the Borrower or the New Borrower (as applicable) with respect to the transaction, and any attorney who signs a legal opinion or provides any certification to the Seller/Servicer and/or to Freddie Mac)
 - Guarantor's counsel or, with respect to a Transfer of Ownership, new guarantor's counsel (the firm and any attorney who signs a legal opinion or provides any certification to the Seller/Servicer and/or to Freddie Mac)



- With respect to any Targeted Affordable Housing Mortgage originated under a forward commitment, the Architectural Consultant (the entity, the on-site inspector, and any consultant who signs the construction reports described in Section 63.1)
- Any third party (other than a Freddie Mac Matters Contractor) engaged by or on behalf of a Seller/Servicer or, to the knowledge of Seller/Servicer based on due inquiry, a borrower to provide reports or other services in connection with the origination or Servicing of a Mortgage or Real Estate Owned

7.2 Screening and training of Freddie Mac Matters Employees, Freddie Mac Matters Contractors, and Third-Party Vendors (07/01/25)

The revisions made to this section announced in the April 22, 2025 Bulletin are effective July 1, 2025.

a. Generally (07/01/25)

It is important for Seller/Servicers to know the parties with whom they do business. Accordingly, the Seller/Servicer must have screening, hiring, and training practices in place to approve, evaluate, monitor and ensure the integrity of Freddie Mac Matters Employees, Freddie Mac Matters Contractors and Third-Party Vendors.

b. Screening against Restricted Party Lists (07/01/25)

The Seller/Servicer's screening practices must include, at a minimum, the following:

1. The Seller/Servicer must screen all Freddie Mac Matters Employees against the Restricted Party Lists to ensure compliance with the provisions of this chapter. The Seller/Servicer must also screen, or caused to be screened, all Freddie Mac Contractors against the Restricted Party Lists to ensure compliance with the provisions of this chapter. The screening of Freddie Mac Matters Contractors and Freddie Mac Matters Employees should be conducted, at a minimum, at the time of hire or engagement, and at least annually thereafter.
2. Effective for (i) Mortgages under Seller Application on or after July 1, 2025, and (ii) Servicing transactions for which complete servicing review packages are received on or after July 1, 2025, the Seller/Servicer must screen each Third-Party Vendor involved in such Mortgages or Servicing transactions against the Restricted Party Lists. Such screening must occur before the submission of the full underwriting package or complete servicing review package (as applicable), or, if such Third-Party Vendor is not engaged until after the submission of the full underwriting package or complete servicing review package (as applicable), as soon as practicable thereafter and in any event before the closing of such transaction. For purposes of clarification, for any Mortgages under Seller Application prior to July 1, 2025, and any Servicing transactions for which complete servicing review packages are received prior to July 1, 2025, the Seller/Servicer must either comply with the requirements set forth in this section or those requirements that were in effect immediately prior to July 1, 2025.



3. The Seller/Servicer must retain evidence that it has screened, or has caused to be screened, all Freddie Mac Matters Employees, Freddie Mac Matters Contractors, and Third-Party Vendors against the Restricted Party Lists to ensure compliance with the provisions of this chapter. Such evidence must include the date the search was conducted and, with respect to the SCP List and the OFAC Lists, screenshots or copies of the searches). With respect to the screening of any Third-Party Vendor, Seller/Servicer must retain such evidence in the Mortgage File.

c. Multifamily Restricted Vendor List; Vendors with Conditions (07/01/25)

The [Multifamily Restricted Vendor List](https://mf.freddiemac.com) is made available to Seller/Servicers at mf.freddiemac.com for the sole purpose of ensuring that an unacceptable Third-Party Vendor does not perform services in connection with Multifamily Mortgage transactions. The Multifamily Restricted Vendor List will constitute “Confidential Information” as defined in Section 2.8.

Freddie Mac’s acceptance of the engagement of any specific Third-Party Vendor may be subject to such additional terms and conditions as Freddie Mac deems necessary, reasonable, or appropriate in Freddie Mac’s sole discretion. When applicable, Freddie Mac identifies these Third-Party Vendors on the “Vendors With Conditions List,” which is attached as a schedule to the [Multifamily Restricted Vendor List](https://mf.freddiemac.com). Provided that such parties do not appear on any other Restricted Party List, these parties may continue to be engaged by Borrowers or Seller/Servicers but will be subject to the additional conditions described in the Vendors With Conditions List.

d. Inquiry regarding ability to participate in Freddie Mac business (07/01/25)

If a party has received a No New Business Letter, such party may not be involved in Freddie Mac Matters in any capacity unless and until such party is otherwise notified by Freddie Mac in writing.

Seller/Servicer must ask each Freddie Mac Matters Employee and Freddie Mac Matters Contractor, whether such party (1) is the subject of a No New Business Letter that is still in effect, or (2) has received any similar notification from any other lender or secondary market mortgage participant. Such inquiry must be made, at a minimum, at the time of hire or engagement, as applicable, and at least annually thereafter.

Seller/Servicer must retain in its files evidence that it has made the inquiry required under this section of Freddie Mac Matters Employees and Freddie Mac Matters Contractors. Such evidence should include the date of the inquiry.

e. Training (07/01/25)

At the time of engagement or hiring (as applicable), Freddie Mac Matters Employees and Freddie Mac Matters Contractors that are in a position to notice or report Suspicious Activity and actual or possible Financial Crimes must receive training in each applicable area of its mortgage business about:

- Common and emerging Financial Crimes schemes applicable to multifamily loans, multifamily properties, Borrowers, Borrower Principals, and any other individuals or entities associated with the origination, underwriting or Servicing of a Freddie Mac Mortgage



- Financial Crimes identification, reporting and risk mitigation
- Red flags applicable to multifamily loans, multifamily properties, Borrowers, Borrower Principals or any other individuals or entities associated with the origination, underwriting or Servicing of a Freddie Mac Mortgage, that may signal potential Financial Crimes and/or Suspicious Activity, which may require additional review
- The Seller/Servicer's written procedures (including requirements of this chapter) for prevention, detection, and reporting of Suspicious Activity and actual or possible Financial Crimes

Freddie Mac Matters Contractors that are in a position to notice or report Suspicious Activity and actual or possible Financial Crimes may include parties such as contract underwriters, contract processing service companies (including loan processors), contract quality control firms, Borrower outreach companies, loss mitigation services and collection companies.

The training must be repeated at least annually and include updates to ensure that Freddie Mac Matters Employees and Freddie Mac Matters Contractors are aware of emerging and potentially suspicious Financial Crimes scenarios.

The Seller/Servicer must provide the training directly, hire a third party to provide the training, or obtain an annual written verification from the engaged entity or individual confirming that the entity or individual has already received such training from another party in accordance with the requirements of this section.

7.3 Screening of Borrower Transaction Parties (07/01/25)

The revisions made to this section announced in the April 22, 2025 Bulletin are effective July 1, 2025.

Seller/Servicer must screen all Borrower Transaction Parties in accordance with Section 2.28, and the Public Records Search Requirements referenced therein.

7.4 Reporting and procedures for Restricted Parties and other related issues (07/01/25)

The revisions made to this section announced in the April 22, 2025 Bulletin are effective July 1, 2025.

a. Restricted Parties (07/01/25)

1. Except as set forth in Section 7.4(a)(3), the Seller/Servicer must ensure that no Freddie Mac Matters Contractor, Freddie Mac Matters Employee, Third-Party Vendor, or Borrower Transaction Party that is a Restricted Party has any involvement in any Freddie Mac Matters.
2. If a Seller/Servicer determines that a Freddie Mac Matters Employee, Freddie Mac Matters Contractor, Third-Party Vendor, or Borrower Transaction Party is a Restricted Party, then Seller/Servicer must take all the following actions:



- Immediately cease such party's involvement in any Freddie Mac Matters (except as set forth in Section 7.4(a)(3))
 - Notify the Multifamily Financial Crimes *Investigation Unit* in writing within one Business Day at Freddie Mac Multifamily Financial Crimes [Mailbox](#)
 - Cooperate promptly with all Freddie Mac's requests for information regarding such Restricted Party, including the identification within five Business Days of any Freddie Mac Matters with which such Restricted Party has been involved
 - Comply with any applicable conditions set forth in Sections 2.18, 2.19, 2.23, and 2.24
3. Notwithstanding the foregoing, the involvement of a Restricted Party in any Freddie Mac Matters will not violate the provisions of Section 7.4(a)(1) or 7.4(a)(2) if any of the following applies:
- Such party is a Restricted Party solely due to being listed on the Vendors With Conditions List, and if involvement in Freddie Mac Matters is permitted under the conditions set forth on the Vendors With Conditions List (See Section 7.2(c))
 - Such party is a Restricted Party solely as a Named Party on the FHFA SCP List, if involvement in Freddie Mac Matters is permitted under the conditions or exclusions set forth in such Named Party's final suspension order

b. No New Business Letters (07/01/25)

Seller/Servicer must notify the Multifamily Financial Crimes *Investigation Unit* in writing within one Business Day if Seller/Servicer becomes aware that:

- Any Freddie Mac Matters Employee, Freddie Mac Matters Contractor, Third-Party Vendor, or Borrower Transaction Party involved in a pending origination or Servicing transaction (1) is the subject of a No New Business Letter that is still in effect, or (2) has received any similar notification from any other lender or secondary mortgage market participant.
- Any Freddie Mac Matters Employee, Freddie Mac Matters Contractor, Third-Party Vendor, or Borrower Transaction Party involved in a past origination or Servicing transaction (1) was, at the time of such transaction, the subject of a No New Business Letter then in effect, or (2) had received, at the time of such transaction, a similar notification from another lender or secondary mortgage market participant.

If Seller/Servicer becomes aware that any Freddie Mac Matters Employee, Freddie Mac Matters Contractor, Third-Party Vendor, or Borrower Transaction Party has received a No New Business Letter, Seller/Servicer must immediately cease such party's involvement in a pending transaction and any other Freddie Mac Matters.

c. Other related issues (07/01/25)

1. The Seller/Servicer must notify Freddie Mac within five Business Days if Seller/Servicer has, for cause, discontinued the use of any Freddie Mac Matters Contractor or any Third-Party Vendor. Such information must be sent to the Freddie Mac Multifamily Financial



Crimes [Mailbox](#) and Multifamily Counterparty Risk & Compliance at Multifamily_Eligibility@freddiemac.com.

2. If a Seller/Servicer obtains knowledge of commission by a Principal of any act or offense indicating a lack of business competence, integrity or honesty, the Seller/Servicer must:
 - Immediately cease involving the Principal in any Freddie Mac Matters
 - Notify the Multifamily Financial Crimes *Investigation Unit* in writing within one Business Day at the Freddie Mac Multifamily Financial Crimes [Mailbox](#)

Such knowledge includes knowledge of a criminal conviction or civil judgment against any Principal for commission of fraud or other Financial Crimes or a criminal offense in connection with negotiating, obtaining, attempting to obtain, or performing a public or private agreement or transaction; or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, perjury, making false statements, misrepresentation, receiving stolen property, conspiracy, making false claims, or obstruction of justice.

7.5 Prevention, detection, and reporting of Suspicious Activity and actual or possible Financial Crimes (07/01/25)

The revisions made to this section announced in the April 22, 2025 Bulletin are effective July 1, 2025.

a. Generally (07/01/25)

1. The Seller/Servicer must have comprehensive prevention, detection and reporting practices and procedures in place to address Suspicious Activity and actual or possible Financial Crimes in connection with Freddie Mac Matters. Such practices and procedures must be subject to monitoring and controls that ensure the efficacy of such practices and procedures.
2. The Seller/Servicer must take the following minimum steps to prevent and detect Suspicious Activity and actual or possible Financial Crimes in connection with Freddie Mac Matters:
 - Maintain a log of Suspicious Activity and actual or possible Financial Crimes involving any Freddie Mac Matters that have been reported to and/or investigated by the Seller/Servicer and reported in accordance with this chapter. The log should specify the date on which such matter was identified internally and the date on which such matter was reported to Freddie Mac.
 - Provide the log to Freddie Mac no later than January 31st of each year, for reconciliation of any Suspicious Activity or actual or possible Financial Crimes that have been reported to and/or investigated by Seller/Servicer during the prior calendar year, and otherwise upon Freddie Mac's request. The log should be sent to the Freddie Mac Multifamily Financial Crimes [Mailbox](#), with a copy to Multifamily Counterparty Risk & Compliance via email at Multifamily_Eligibility@freddiemac.com.



- Ensure that information indicating Suspicious Activity and actual or possible Financial Crimes that the Seller/Servicer receives from any source is escalated internally, properly investigated, and reported immediately (within one Business Day after its discovery) to the Freddie Mac Multifamily Financial Crimes [Mailbox](#), in accordance with this chapter.

This includes information received from sources involved with:

- The origination of a Mortgage and related real estate transactions, such as Borrowers, Borrower Principals, and providers of third-party reports
- Servicing functions relating to a Mortgage or Real Estate Owned (REO)
- Investigate unusual patterns or discrepancies or other red flags, such as a sudden drop in operating income or occupancy or a sudden increase in expenses after origination or supplemental loan funding.
- Comply with all other Guide provisions relating to prevention and detection of Suspicious Activity and actual or possible Financial Crimes.

b. Records retention relating to Financial Crimes and Suspicious Activity (07/01/25)

A Seller/Servicer must also maintain all records evidencing Suspicious Activity and actual or possible Financial Crimes in accordance with its standard records retention policies, or such longer period as may otherwise be required under the Guide or by law or requested in writing by Freddie Mac.

7.6 Reporting requirements (07/01/25)

The revisions made to this section announced in the April 22, 2025 Bulletin are effective July 1, 2025.

a. Procedures for reporting (07/01/25)

The Seller/Servicer must have written procedures for reporting Suspicious Activity and actual or possible Financial Crimes in connection with Freddie Mac Matters and discovered at any time, including during the quote process, Seller/Servicer Mortgage loan application, underwriting, or origination of a Mortgage or during Servicing activities.

b. What to report; immediate notification (07/01/25)

1. A Seller/Servicer must immediately (within one Business Day) report to Freddie Mac by completing [Form 1129, Potential Fraud Tip Reporting](#), if the Seller/Servicer obtains information, receives allegations, or otherwise learns that any of the following, may be occurring or may have occurred in connection with Freddie Mac Matters, including during the quote process, Seller/Servicer Mortgage loan application, underwriting, or origination of a Mortgage or in connection with Servicing of a Mortgage:
 - Misrepresentation, misstatement, or omission related to the Borrower or Borrower Principals including sources of funds, other indebtedness, and other assets



- Misrepresentation, misstatement, or omission related to the Property, including with respect to property valuation, property value, occupancy, income and property use, and any other Property-related information
 - Misrepresentation, misstatement, or omission of any other information related to a Mortgage or related real estate transaction, including, undisclosed seller or other third-party incentives, loan performance, mortgage purpose, kickbacks, an undisclosed relationship between parties to the transaction when Freddie Mac requires that the transaction be an “arm’s length” transaction
 - Falsification or destruction of documents or records by the Borrower, Borrower Principal or any party involved in the origination, underwriting or Servicing of the Mortgage
 - False statements, misrepresentation, or making false claims, including regarding financial statements, Property condition, Property ownership and management, transaction documents, and any other relevant information
 - In connection with a Borrower or Key Borrower Principal, the failure to accurately or completely report in [Form 1115, Borrower and Key Borrower Principal Certificate](#), or in other required Freddie Mac documentation
 - Theft of custodial funds or non-remitted payoff funds
 - The involvement of a person or entity on the Freddie Mac Exclusionary List, FHFA SCP List, or the Multifamily Restricted Vendor List, in the origination, sale or Servicing of the Mortgage or in the related real estate transactions in violation of Section 2.18, Section 2.19, or Section 2.24
 - Actual or possible terrorist financing or ongoing or possible money laundering schemes or activity, including the involvement of a person or entity on the OFAC Lists
 - Notification of the entry of a civil judgment, guilty plea or criminal conviction indicating lack of integrity and relating to a participant in a Mortgage transaction or related real estate transaction, or relating to a board member, officer, employee, or contractor of the Seller/Servicer
 - Notification by law enforcement or another governmental authority that such authority is conducting an investigation or prosecution of Financial Crimes relating to Mortgages owned by, or serviced for, Freddie Mac or relating to a board member, officer, employee, or contractor of the Seller/Servicer
2. Within five Business Days following the immediate notification described above, the Seller/Servicer must provide to Freddie Mac such additional information as may be requested by Freddie Mac or otherwise discovered by the Seller/Servicer after the immediate notification.
3. All information required under this section must be provided in writing by e-mail to the Multifamily Financial Crimes *Investigation Unit* at the Freddie Mac Multifamily Financial Crimes [Mailbox](#).



c. Suspicious Activity Reports (07/01/25)

Seller/Servicers are not required to, and must not, disclose to Freddie Mac any Financial Crimes Enforcement Network Suspicious Activity Reports (SARs) or draft SARs, documents or information revealing the existence of a SAR or indicating whether or not a SAR has been filed, or where disclosure of Suspicious Activity and actual or possible Financial Crimes to Freddie Mac would otherwise be prohibited by law.

7.7 Investigations by Seller/Servicer (07/01/25)

The revisions made to this section announced in the April 22, 2025 Bulletin are effective July 1, 2025.

a. Seller/Servicer investigations requested by Freddie Mac (07/01/25)

At Freddie Mac's request, Seller/Servicer must conduct and diligently pursue to completion investigations where Suspicious Activity or actual or possible Financial Crimes have been identified in connection with Freddie Mac Matters, including internal investigations into Seller/Servicers' past or present employees and/or past or present practices.

b. Required reporting for all Seller/Servicer investigations (07/01/25)

With respect to any investigation conducted by the Seller/Servicer where Suspicious Activity or actual or possible Financial Crimes have been identified (whether initiated by Seller/Servicer or conducted in response to a request by Freddie Mac), the Seller/Servicer must provide to Freddie Mac:

- Monthly updates regarding such investigation
- A final written report that includes the Seller/Servicer's findings and conclusions and all relevant supporting documentation regarding any internal investigation conducted by Seller/Servicer no later than 60 days following the completion of such investigation (or such later date as Freddie Mac may approve in writing)

7.8 Cooperation with Freddie Mac (07/01/25)

The Seller/Servicer must cooperate with Freddie Mac to prevent and investigate, where permitted by law, Suspicious Activity and actual or possible Financial Crimes, including any potential breach of Seller/Servicer's representations and warranties in connection with such Suspicious Activity and actual or possible Financial Crimes. Cooperation includes:

- Making available to Freddie Mac individuals with knowledge of relevant facts
- Providing, and assisting Freddie Mac, when permitted by law, in obtaining all information, documentation and records requested by Freddie Mac relating to a Mortgage and related real estate transactions, including closing or settlement agent files, Mortgage files, Borrower payment records, re-verifications of occupancy and assets and any internal or external communications



The Seller/Service must comply with the deadlines specified by Freddie Mac for providing information, documentation, records, access to individuals or any other requested assistance.

Failure to cooperate with Freddie Mac or to comply with any other requirements in this Chapter 7 may result in Freddie Mac taking any disciplinary actions set forth in Section 4.1(b) or exercising any other rights and remedies available under the Guide, at law or in equity.