



Best Practices Manual

Anti-Financial Crime, OFAC and Fraud Compliance

This Manual includes Freddie Mac's suggested tips and best practices to assist Optigo® Lenders and Seller/Service providers in understanding and following the financial crimes, Office of Foreign Assets Control (OFAC) and fraud requirements in the *Freddie Mac Multifamily Seller/Service provider Guide* (Guide). Please note that this Manual does not supersede or replace any applicable laws or regulations, the Seller/Service providers' own legal practices and procedures regarding compliance with financial crimes, OFAC and fraud laws and regulations, or the financial crimes, OFAC and fraud requirements in the Guide, but instead provides guidance and tips on how Optigo Lenders and Seller/Service providers can support these Guide requirements. For ease of reference, Optigo Lenders and Seller/Service providers are referred to individually and collectively as "Seller/Service providers" in this Manual. Any capitalized terms used and not defined in this Manual have the meanings given to those terms in the Guide.

I. General Tips and Best Practices

- ✓ Practices and procedures regarding financial crimes, OFAC and fraud matters must be in writing and should be easy for personnel to find, whether online or stored in a physical location.
- ✓ Training on these procedures should be provided to applicable personnel on a regular basis and at least annually.
- ✓ A periodic review or audit of the Seller/Service's practices and procedures regarding AML, OFAC and Fraud matters is recommended to ensure compliance with the applicable laws

II. Freddie Mac Exclusionary List (FMEL) – Guide Section 2.18

A. Automated Searches of the FMEL

1. Searches of the FMEL that are conducted using an automated tool are likely to yield better results, including better accuracy

B. Seller/Service's Internal Practices and Procedures Regarding the FMEL

1. Written procedures must include instructions for manual searching should include the following:
 - a. How to access the FMEL on the Freddie Mac website,
 - b. How to ensure that the most current version of the FMEL is being used,
 - c. How to conduct searches of the FMEL, whether manually or using an automated tool
 - ✓ *Practice Tip:* When searching the FMEL for individuals, search only within the "Individuals" tab by last name only,
 - ✓ *Practice Tip:* When searching the FMEL for companies, search only within the "Companies" tab,
 - d. How to document evidence of each search via screenshots. The individual or entity being searched and the date of the search must be included.
2. Procedures should also include:
 - a. A documented process to review all matches to determine if they are false positives or positive matches
 - b. Implement a protocol for positive matches and how to escalate to Freddie Mac

III. OFAC Compliance – Guide Section 2.23

Seller/Service's Internal Practices and Procedures Regarding OFAC Compliance

- A. Written practices and procedures must include:
1. An overview of the OFAC laws, including penalties of non-compliance
 2. If conducting automated searches of the OFAC SDN List and the OFAC Consolidated Sanctions List (the **OFAC Lists**):
 - a. Instructions on how to conduct the searches via the automated tool
 - b. An overview of tool setting upgrades for search parameters and the tool, on a periodic basis
 - c. Instructions on how to document and evidence the searches (including the date of the search)
 3. If conducting manual searches of the OFAC Lists:
 - a. Instructions on how to access the online OFAC Lists for manual searches (<https://sanctionssearch.ofac.treas.gov/>)
 - b. Instructions on how to conduct the searches via the Department of Treasury site
 - ✓ *Practice Tip:* Search the full name of an individual or full entity name within the “Name” field
 - c. Instructions on how to document evidence of each search via screenshots (including the date the search occurred).
 - d. Instructions on how to review all alerts to determine if the individual or entity being searched is a potential positive or positive match.
 - ✓ *Practice Tip:* For all manual searches, refer to “Lookup Results”

Lookup Results: 27 Found

Name	Address	Type	Program(s)	List	Score ▼
GUZMAN TRUJILLO, Carlos Arturo	c/o CONSTRUEXITO S.A.	Individual	SDNT	SDN	100
GUZMAN FERNANDEZ, Joaquin		Individual	SDNTK	SDN	100
GUZMAN LOEIA, Joaquin		Individual	SDNTK	SDN	100
GUZMAN LOERA, Joaquin		Individual	SDNTK	SDN	100
GUZMAN LOESA, Joaquin		Individual	SDNTK	SDN	100
GUZMAN LOREA, Chapo		Individual	SDNTK	SDN	100
GUZMAN PADILLA, Joaquin		Individual	SDNTK	SDN	100
GUZMAN, Achivaldo		Individual	SDNTK	SDN	100
GUZMAN, Archibaldo		Individual	SDNTK	SDN	100
GUZMAN, Aureliano		Individual	SDNTK	SDN	100
GUZMAN, Chapo		Individual	SDNTK	SDN	100
GUZMAN, Joaquin Chapo		Individual	SDNTK	SDN	100

4. A documented process to review all potential positive matches to determine if they are false positives or positive matches
5. A protocol for positive matches and how to escalate to Freddie Mac

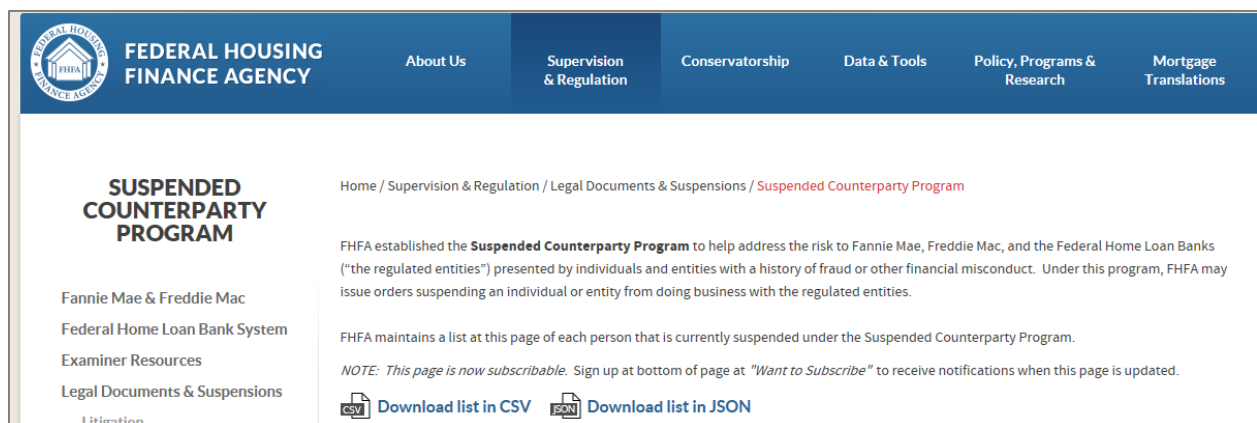
IV. Federal Housing Finance Agency Suspended Counterparty Program (FHFA SCP) – Guide Section 2.24

A. Automated Searches of the FHFA SCP List

1. Searches of the FHFA SCP List that are conducted using an automated tool are likely to yield better results, including better accuracy.

B. Seller/Servicer's Internal Practices and Procedures for The FHFA SCP List:

1. Written practices and procedures should include instructions on the following:
 - a. How to access the online FHFA SCP List for manual searches (<https://www.fhfa.gov/SupervisionRegulation/LegalDocuments/Pages/SuspendedCounterpartyProgram.aspx>)
 - b. How to specify the searches are conducted within the downloaded CSV version of the FHFA SCP List



- c. How to ensure the most recent version of the FHFA SCP List is used.

✓ **Practice Tip:** The FHFA SCP List is updated on an ad-hoc basis. Be sure to visit the FHFA SCP List website to ensure you have the most recent version.

- d. To specify searches for individuals are conducted by last name only. Note: Combined first and last name searches won't produce results.
- e. How to document evidence of each search via screenshots. Include the individual/entity being searched and the date of the search.
- f. The documented process to review all matches to determine if they are false positives or positive matches. For potential positive and positive matches, refer to the "Suspension Order" link for further identifiable information.

First Name	Last Name	Company	City & State	Effective Date ▼	Suspension End Date	Suspension Order
James	Murray		Ludlow, MA	10/26/2020	10/26/2025	James-P-Murray-Final-S...

- g. A protocol for positive matches and how to escalate to Freddie Mac

V. Prevention, detection and reporting – Hiring and training – Guide Section 7.1.a

A. Helpful Tips for Compliance Hiring and Training Programs:

1. Develop or outsource anti-fraud and financial crime training materials and tailor those specifically to multifamily transaction activity. Single-family materials are not instructive for multifamily loans.
2. Training should be conducted at least annually
3. Track completion of the required training by applicable employees
4. Include definition of fraud, money laundering, terrorist financing and OFAC violations and ways to prevent, detect and report in training
 - For example, include the three different phases of money laundering – placement, layering and integration and samples of each phase
5. Develop a list of common Suspicious Activity red flags associated with potentially fraudulent activity. Example red flags may include:



Documents from a counterparty (e.g., Broker) that appear to be altered



Rent Rolls with high number of leases with the same start date, especially just prior to loan application



Rent Rolls with multiple units leased by the same tenant or tenants with the same last name



Rushed inspections or refused access to what appear to be vacant units



Appearance of staged units, empty units with active leases, or lease file audit anomalies



Reluctance to provide needed disclosure on organization chart (Borrower Principals and Non-U.S. Equity Holders)

VI. Origination and Servicing – Prevention, Detection and Reporting - Guide Section 7.1.b

A. Best Practices for Prevention, Detection and Reporting of Compliance Issues

1. Procedures should outline how Seller/Servicer employees escalate Suspicious Activity internally and include the type of activity/red flags that would require internal escalation
2. For Suspicious Activity that is escalated internally, procedures should also include next steps for investigating the Suspicious Activity, such as reviewing rent rolls, financial statements and other documents.
 - ✓ *Practice Tip:* Internal investigations of Suspicious Activity are often done by a separate internal party (e.g., compliance department), not the underwriting or credit group that is reviewing the loan origination. This ensures independent review.
3. For Suspicious Activity involving a Freddie Mac transaction, notify the MF Asset Management Operations Fraud Investigation Unit at MF_Mortgage_Fraud_Reporting@freddiemac.com
4. Track and log all Suspicious Activity involving any Freddie Mac Mortgage.
 - ✓ *Practice Tip:* This can be done via an excel spreadsheet, which may include, among other items, the following:

- Freddie Mac Loan #
 - Transaction Name
 - Loan Type (e.g., Conventional, SBL, TAH, etc.)
 - Funding Date
 - Active UPB
 - If a Broker is involved in the transaction. If so, include the Brokers name and affiliation
 - Suspicious Activity and documents/evidence supporting the existence of the Suspicious Activity (e.g., Rent Rolls, Financial Statements, 1116, etc.)
 - Name, title, email address and phone number for point of contact at the Seller/Servicer. The MF Asset Management Operations Fraud Investigation Unit may contact regarding questions/follow up on the Suspicious Activity
5. Procedures should include next steps if Seller/Servicers encounter any of the circumstances under Section 7.2 (c) of the Guide (as listed below), which require Freddie Mac be immediately notified:
- Theft of custodial funds or lack of collateral
 - A substantial likelihood of fraud, suspected fraud, or suspicious activity will receive significant public exposure or publicity
 - 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 government authority that such authority is conducting an investigation or prosecution of fraud relating to mortgages owned by or serviced for Freddie Mac or relating to a board member, officer, employee, or contractor of the Seller/Servicer
 - Actual or possible terrorist financing or ongoing/possible money laundering schemes/activity
- ✓ *Practice Tip:* The Freddie Mac fraud hotline is: 800-4FRAUD8 (800-437-2838)

VII. Office of Foreign Assets Screening for Servicing – Guide Section 43.28

A. Best Practices for OFAC Screening for Servicers

1. Policies and procedures should be in place that include the following:

- a. Requirement for periodic and at least annual searches of the OFAC Lists for all applicable transaction parties
 - ✓ *Practice Tip:* Since OFAC screening is required on at least an annual basis, it may be helpful to set a reminder to screen every year following the funding date. For example, if the funding date was 11/4/2019, the next screening date for servicing would occur on 11/4/2020 and then 11/4/2021 and so on
- b. Requirements for searches should be conducted when evaluating a borrower request that involves new parties such as equity owners of borrowers, affiliations with property management companies, etc.
- c. Instructions on how to access the OFAC Lists for manual searches (<https://sanctionssearch.ofac.treas.gov/>)
- d. Instructions on how to conduct the searches, whether manually via the OFAC site or using an automated tool
 - ✓ *Practice Tip:* Search the full name of an individual or full entity name within the “Name” field
- e. Requirement that each search be documented with screenshots, including the date the search occurred, for manual searches. For automated searches, include a screenshot or export of the search from the automated system.
- f. Requirement that all alerts be reviewed to determine if the individual or entity being searched is a potential positive or positive match.
 - ✓ *Practice Tip:* For all manual searches, refer to “Lookup Results”.
- g. A documented process to review all potential positive matches to determine if they are false positives or positive matches
- h. An escalation protocol for positive matches internally within the Seller/Servicer organization and how to escalate to Freddie Mac