

Multifamily Lease Standards Policy

<p>Policy Overview</p>	<p>Freddie Mac and Fannie Mae (the Enterprises), under the auspices of their Conservator, FHFA, have developed a new Multifamily Lease Standards Policy (the Policy) that will require Borrowers to meet three minimum Standards (the Standards), which will be included in all residential leases at properties for which applications for new loans are signed on or after the Policy's effective date.</p> <p>The Standards are:</p> <ol style="list-style-type: none"> 30-Day Notice of Rent Increases: Written notice of a rent increase at least 30 calendar days prior to said increase; 30-Day Notice of Lease Expiration: Written notice of the scheduled expiration of the residential lease at least 30 calendar days prior to said expiration; 5-Day Grace Period for Late Rent Payments: A minimum five calendar day period from the rent due date before late fees or other penalties can be charged, e.g., if rent is due on the 1st day of the month, a late fee cannot be charged until the 6th day of the month if rent is still unpaid. <p>If applicable state or local law requires a longer period than specified by any Standard, then the longer period mandated under law would apply and may be incorporated into the residential lease.</p>
<p>Effective Date and Applicability</p>	<p>The Policy would apply to all properties for which new loan applications are signed on or after February 28, 2025.</p> <p>The following exceptions from the Policy apply:</p> <ol style="list-style-type: none"> Manufactured Housing Communities (MHCs) loans Existing credit facilities including loans funded through credit facility agreements that pre-date February 28, 2025 Loans for cooperative housing corporations Loans that were originated using third-party (i.e., non-Enterprise) form loan documents
<p>Enterprise Implementation</p>	<p>The Enterprise Guides and loan documents will be updated prior to February 28, 2025 to reflect the requirement for the new Standards.</p> <p>The Enterprises will amend loan documents to add covenants from the Borrower that the Standards will be incorporated into residential leases.</p>
<p>Borrower Implementation</p>	<p>When current residential leases do not meet the minimum Standards, within 6 months of loan closing, Borrowers must begin incorporating the Standards in new and renewing residential leases.</p> <p>If current property policies do not meet the minimum Standards, within 6 months of loan closing, Borrowers must inform all residential tenants in writing that the Standards are in place as a policy at the property and apply to all residential tenants regardless of whether they are yet included within individual residential leases.</p> <p>Within 24 months of loan closing, all residential leases must contain the Standards.</p>

	<p>No specific language will be prescribed by the Enterprises for the new residential leases. Each Borrower will craft lease language that meets the Standards or their state or local law, as applicable.</p>
<p>Ongoing Monitoring</p>	<p>Enterprises will monitor Borrower implementation within their respective inspection and reporting processes.</p> <p>To determine if the Standards have been implemented at properties where they are required, the Enterprises will include questions related to Borrower implementation within their property inspection processes (i.e., servicers typically conduct inspections annually or bi-annually).</p> <p>Servicers will review inspection and reporting forms to determine compliance and then contact Borrowers that may not be complying with the Standards and attempt to resolve issues.</p> <p>Servicers will report unresolved issues to the Enterprises.</p> <p>Enterprises will monitor Servicer compliance through the existing Lender Assessment process.</p>
<p>Enforcement</p>	<p>Borrowers who have been determined to be non-compliant will be provided at least 30 days to become compliant (with additional time granted if warranted).</p> <p>If Borrower continues to be noncompliant, Borrower will be assessed a penalty of 0.20% of original loan amount.</p> <p>Following an additional period during which the Borrower is expected to come into compliance, the continued failure to comply will result in an event of default, which entails additional mortgage loan interest that accrues at a higher default interest rate. Borrowers' ability to complete future transactions with Enterprise will also be jeopardized.</p>