



Loan Compliance Desk Reference

Introduction

Servicers are required to provide updates on Loan Compliance Items in the Property Reporting System (PRS). This document gives general guidance as well as provides the process for Loan Compliance Monitoring and Reporting. Additional guidance is found in the applicable section of the Multifamily Seller Servicer Guide (“Guide”).

Update Protocol and Requirements

Quick Start Guide -

1. You must have a valid PRS user account to access the PRS application
2. Access to PRS is provided by your organization’s Freddie Mac System Administrator(s)
3. Review Compliance Due Queue in PRS on a regular basis

General Guideline

As Servicer, you are required to monitor the applicable completion date(s) required in each Loan Agreement, its Riders and Exhibits. Servicers are to work with the Borrower to ensure that all loan compliance items are completed according to the established due date or a request for an extension to the due date is to be submitted as required in the Guide. Servicer and Client Management boards loans within 5 business days after funding and creates all tracking items required to be resolved during the life of the loan in PRS. We rely on you to be prepared to make an update to these items soon after our funding (typically 30 days after Note Date).

Review PRS on a regular basis and provide updates for each tracking item prior to its due date. The expectation is that Guide requirements are met based on the type of reporting detailed below.

Repair Reporting

1. Monitoring and Confirming Timely Completion of Repairs – PRS updates should be made according to Guide Section 39.4(a).
 - Monitor the completion date(s) under each Repair Agreement and work with the Borrower to ensure that all repairs are completed on a timely basis
 - For all repairs, except Green Improvements, this notification must be on the [Borrower Certification – Completion of Repairs form](#), found on FreddieMac.com, and must be submitted to Freddie Mac via PRS within 10 business days following the Servicer's confirmation of the Borrower's completion of all repairs
 - For repairs classified as a Green Improvements, this notification must be on the Green Improvements Verification Certification, which is an Exhibit to the Loan Agreement and must be submitted to Freddie Mac via PRS. The Servicer must collect the Green Improvements Verification Certification within 30 days of completion of the Green Improvements. Further requirements are detailed in Guide

2. Incomplete Repairs or Partially Completed Repairs – PRS updates should be made according to Guide Section 39.4(b).
 - If it becomes apparent to the Servicer that all required repairs will not be completed by the applicable completion date, the Servicer must work with the Borrower to document that an extension is required
 - If the Borrower is non-responsive, Servicer should submit on the Borrowers' behalf the request for extension explaining the situation with the Borrower, via Consent Request Tracker (CRT) and Document Management System (DMS)
 - At least 10 days prior to the applicable completion date, the Servicer must enter the PRS update of partial completion of repairs
 - The Servicer must notify Freddie Mac using the [Borrower Certification – Partial Completion of Repairs](#) form, available on FreddieMac.com, which must be submitted to Freddie Mac via PRS
3. Extension Request Requiring Freddie Mac Approval - PRS update should be made according to Guide Section 39.4(b)(2)(A) and(C).
 - If a Borrower requests an extension or modification of a Repair Agreement, the Servicer must enter the extension request update in PRS. In addition, within three business days after receiving the request, the Servicer must notify Freddie Mac of the request via email to MF_Borrower_Transactions@freddiemac.com or MF_Structured_Transactions@freddiemac.com, as applicable, of such request via email to [MF_Asset_Transactions@freddiemac.com](#).
 - The Servicer must deliver its recommendation electronically to Freddie Mac using the Freddie Mac Repair Agreement Extension/Modification Form available via FreddieMac.com, attaching any necessary supporting documentation. The Servicer must charge the Borrower a nonrefundable extension/modification review fee as set forth in Exhibit 10. If a fee is applicable, the Servicer must remit to Freddie Mac 50 percent of the fee, and may retain the remaining 50 percent.
4. Servicer Delegated Extension Request- PRS update should be made according to Guide Section 39.4(b)(2)(A)(B) and(C).
 - During any period in which Freddie Mac owns the Mortgage, the Servicer may approve an extension of the completion date provided certain conditions are met. Further requirements are detailed in Guide
 - Extension of the completion date cannot exceed more than 12 months past the original completion date set forth in the Repair Agreement.
5. Managing outstanding Repair items
 - The Servicer must manage notifications to the Borrower until the Servicer receives acceptable proof of completion for all items identified in the Repair Agreement. For Repairs not completed as or when required, Freddie Mac considers sending a “reservation of rights” letter to be a prudent Servicing practice in conjunction with enforcing the Loan Documents. The Servicer must work closely with Freddie Mac in handling adverse matters. If Repair items remain outstanding 30 calendar days after the Completion Due Date, the Servicer must consider issuing a “reservation of rights” letter. Suggested language may be found in Guide Section 39.4(b)(5)

Radon Reporting

1. Monitoring and Confirming Completion of Radon Testing or Remediation – PRS update should be made pursuant to Guide Section 43.26.

A Property secured by an SBL Mortgage is not required to be tested for the presence of radon. For a Property securing a non-SBL Mortgage, the Servicer shall notify Freddie Mac for any radon testing described in Guide Section 61.15.

The Servicer must follow the protocol steps listed below. The Borrower's certificate is not sufficient evidence to satisfy radon requirements set forth in the loan documents

- If radon test result is less than 4 pCi/L – Upload test result to PRS. Naming the file as Radon Test Results, by the Completion Date. No further action is necessary
- If test result is greater than 4 pCi/L, Remediation will be required along with the following steps:
 - **Step 1:** Upload test results by completion date
 - **Step 2:** Provide Borrower with a Radon Remediation Notice within two (2) business days
 - **Step 3:** Upload copy of the Radon Remediation Notice. Borrower will have 30 days after date of Radon Remediation Notice to provide Servicer with a signed, binding fixed price radon remediation contract with a qualified service provider. Borrower will have 90 days after the date of the Radon Remediation Notice to complete remediation
 - **Step 4:** After completion of Radon Remediation, Servicer must upload to PRS written certification from a qualified environmental consultant that remediation has been completed and post-remediation test results with radon levels below 4 pCi/L. Servicer must name the file as Post-Mitigation Test Results.

Hazard Loss Reporting

1. Providing Timely Notification of Hazard Loss – Update in PRS should be made according to Guide Section 43.8(a).
 - For all mortgages, as soon as possible but in no event more than fourteen (14) calendar days after the Servicer learns that a loss or damage has occurred, the Servicer must complete [Form 1140](#), Part I - Notification, Hazard Loss Notification and submit the form to DMS. After upload to DMS is complete, click the File Submission tab and select "Submit to Hazard Loss" in the drop-down menu to automatically notify Freddie Mac
 - If restoration is already 100% complete by the time the Servicer is made aware of the loss (and none of the Freddie Mac approval conditions described in Section 43.8 (a) (3) exist), the Servicer should upload a fully completed Form 1140 Part I – Notification of Form 1140 to DMS and use the "File Submission" link to "Submit to Hazard Loss."
 - Within 90 calendar days after initially providing Form 1140, Part I - Notification, Servicer must:
 - Update PRS with any details that the Servicer did not know, or otherwise did not include on its initial submission of Form 1140, Part I - Notification

- If none of the Freddie Mac approval conditions listed below apply, Part II of Form 1140 is not required. Otherwise, complete Part II of Form 1140 by Day 90 for Freddie Mac review and approval and upload directly to the corresponding PRS entry.
 - There has been an event of default under the Loan Documents
 - The percentage of units that sustained any damage is 10 percent or more of the Property's total units
 - The estimated loss amount is greater than \$500,000 or 10 percent of the outstanding UPB
 - The Mortgage has not been securitized, has a Risk Rating greater than six and the estimated loss is greater than \$50,000
 - The Borrower's insurance coverage is insufficient to cover the loss to the Property or loss of rents/business income and the estimated loss amount is greater than \$50,000
 - Death or serious injury has resulted from the event

- If Freddie Mac approval is required for the Borrower's restoration plans, the Servicer must complete Form 1140, Part II within 90 calendar days after the Servicer submitted Part I – Notification, and provide it to Freddie Mac as follows:
 - If the Servicer has not previously submitted Form 1140, Part I – Notification, the Servicer must upload the completed Part I – Notification and Part II to DMS and use the "File Submission" link to "Submit to Hazard Loss"
 - If the Servicer has previously submitted Form 1140, Part I – Notification, the Servicer must upload Part II directly to the corresponding PRS entry

- Under most circumstances, Freddie Mac will delegate responsibility for managing and approving disbursement requests to the Servicer. If delegation of disbursement requests is not approved, the Servicer should submit Form 1140-DR to the corresponding PRS entry.

- If the Servicer is requesting approval to permit the Borrower to pay down the Mortgage in lieu of restoring all or a portion of the damaged property, the Servicer must make a Consent Request Tracker (CRT) entry and submit corresponding consent request documentation to Freddie Mac.

Update Guideline

The Compliance Due Queue in the left navigation panel of PRS allows access to tracking items that are due. In PRS you have the ability to enter an update for an individual tracking item or for multiple tracking items at once.

1. **Individual Update** – for an individual update, you can enter your update in the **Boarding - Compliance UI All Comments (Compliance User Interface)**

2. **Bulk Update** –provides you the capability to download multiple tracking items to an Excel file. You can then enter your update within the file and upload the completed file to PRS

Regardless of the format of the update you choose to make, please follow these guidelines:

Update Required	Comment
Completed?	<ul style="list-style-type: none"> Response of “Yes” or “No” is required to indicate if the loan compliance item has been resolved fully.
Certificate/ Documents Uploaded to PRS?	<ul style="list-style-type: none"> If backup documentation such as Borrower Certificate of Completion is required, you must upload the document to PRS and indicate that you’ve uploaded the document with “Yes” or “No” response
Date of Upload to PRS	<ul style="list-style-type: none"> Enter the date the backup documentation was uploaded to PRS
Extension Required?	<ul style="list-style-type: none"> For incomplete tracking items, indicate whether an extension request will be submitted by entering “Yes” or “No” response
Extension Request Added to DMS	<ul style="list-style-type: none"> If an extension request is required, indicate if the request has been submitted to DMS by entering a “Yes” or “No” response
Date of Extension Request Added to DMS	<ul style="list-style-type: none"> For an extension request that has been submitted to DMS, enter the date the request was submitted to DMS
Date of Last Contact with the Borrower	<ul style="list-style-type: none"> For tracking items that are in progress or incomplete, enter the date of your last contact with the Borrower
If Not Complete, % of Completion	<ul style="list-style-type: none"> For tracking items that are in progress or incomplete, enter the percentage of completion
Comments	<ul style="list-style-type: none"> Enter concise yet detailed enough comments to convey the current status of any incomplete loan compliance item

- Update for Repair/Radon Items** – provide an update for each Repair/Radon item 30 days prior to the required due date. Additional updates should be provided at least 10 days prior to the due date. This update should include information about whether Borrower is on schedule to complete the work on time and current status of the work.
- Uploading Documents** - All loan compliance related documentation is required to be uploaded along with your updates. To upload backup documentation, you will need to strictly follow the file naming conventions in Exhibit A.
- Updates Without Document Upload** – Updates which do not require submission of attachments can be made without submitting your update to Freddie Mac for review. For these items, you can just enter your comment regarding the status of the item and your update will be available in the system.
- Returned Items** - After you submit your update, Freddie Mac might choose to return certain tracking items to a Due status if the update provided is considered inadequate. When items are returned, Freddie Mac will provide the reason for returning the item to Due status and will also include specific instructions and/or backup documentation needed. You must then resubmit your update along with the required information and/or requested documentation.

Exhibit A – File Naming Convention

Type of Documents Uploaded to PRS	Naming Convention	File Type
Borrower Certificate of Completion	Borrower Certificate of Completion	pdf
Borrower Certificate of Partial Completion	Borrower Certificate of Partial Completion	pdf
Certificate of Occupancy	Certificate of Occupancy	doc or pdf
HAP Contract Renewal	HAP Contract Renewal	doc or pdf
Proof of UST Removal	Proof of UST Removal	doc or pdf
Property Alterations Notice	Property Alterations Notice	doc or pdf
Proof of Building/Fire Code Correction	Building Code Compliance	doc or pdf
Litigation Related Documents	Litigation Documents	doc or pdf
Proof that Borrower has applied for Tax Exemption/Abatement	Tax Abatement Documents	doc or pdf
Senior Housing Operating License	Licenses and Certificates	doc or pdf
Radon Test Results	Radon Test Results	doc or pdf
Radon Remediation Notice	Radon Remediation Notice	doc or pdf
Radon Remediation Contract	Radon Remediation Contract	doc or pdf
Post-Mitigation Test Results	Post-Mitigation Test Results	doc or pdf
Updated PZR	Updated PZR	doc or pdf
UST Tightness Test	UST Tightness Test	doc or pdf
Form 1140 Part I	Form 1140 Part I	pdf
Form 1140 Part II	Form 1140 Part II	pdf
Form 1140DR (Disbursement Request)	Form 1140DR	pdf
Environmental Support	Environmental Support	doc or pdf
Exhibit B Requirement Documents	Exhibit B Support	doc or pdf
Any Other Backup Documentation	PRS-Other-External	Any type
FM LIT Attachment	FM LIT Attachment	Any type
Green Improvements Certification Verification	Green Improvements Certification Verification	Any type

Note:

1. Servicers can add unique identifiers to the end of each file naming convention for easier management of backup documents saved on their local machine (Example: "Borrower Certificate of Completion.pdf" can be named "Borrower Certificate of Completion XYZ.pdf"). Please observe that the naming convention will need to be entered in its entirety before a unique identifier can be added.

2. At the time of attachment uploads, the system will validate file naming conventions and will reject files that are not named per the file naming conventions provided in the table above. If your upload gets rejected for "Incorrect File Name" error you will need to rename the file and upload the attachment.