



Processing Borrower Consents

2017 Asset Management & Operations Servicer Workshop



Presenters



David Goozman
Director
Asset Management



Carolyn Flury
Managing Associate General
Counsel
Legal – Multifamily Real Estate

Session Agenda

- Freddie Mac Borrower Consent volume
- Freddie Mac Servicing Standard
- PLIMs
- Repair extensions
- General reminders
- CRT



By the end of today's session you will better understand the following concepts

1. When a PLIM is required as part of a Borrower Consent request
2. What constitutes a complete package for repair extensions
3. How to handle other Borrower Consent-related issues




Borrower Requests at Freddie Mac

- 2016 volume of Borrower requests increased from 2015
 - » 1,353 total for Portfolio and Warehouse loans
 - 148 (8% of total) were transfers of ownership
 - » 413 total for Securitized as Master Servicer
- 2017 volume YTD as of May 31
 - » 420 total for Portfolio and Warehouse loans
 - 72 (17% of total) were transfers of ownership
 - » 342 total for Securitized as Master Servicer
- Early Indication Assumption reviews
 - » 3Q 2016: 12
 - » 4Q 2016: 56
 - » 2017 YTD as of May 31: 100
- Guidance requests
 - » 2016: 77
 - » 2017 YTD as of May 31: 19



1,766
requests
in 2016;
up 10% from
2015

- Freddie Mac Servicing Standard outlined in the *Multifamily Seller/Service Guide*
 - » Ensures transparency and ongoing communication among all post-securitization transaction parties
- Managing Borrowers' expectations
 - » Timing, fees and potential issues – both credit and loan documentation
- Consent Request timeline
 - » Complex requests – 30 calendar days
 - » Routine requests – 15 days
- Consent Request packages
 - » Comprehensive, accurate, clear, well-supported with relevant documents
- Timely use of CRT!

A blue bracket pointing from the timeline items to the box.

Receipt of complete package to
Servicer's issuance of decision letter
to Borrower

Preliminary Legal Issues Memorandum (PLIM)



- Required for consent requests that raise legal issues
 - » Loan document review, interpretation, or modification
 - » Analysis of applicable laws and regulations
- Full form versus new short form (“PLIM Lite”)
 - » PLIM Lite for easements, covenants, etc. not involving loan doc modifications
- Property changes – no clear rule
 - » General Guideline
 - Unit configuration changes (demolition, construction requiring permit or zoning approval) – YES
 - Exterior amenity changes – NO
 - » Freddie Mac can request a PLIM if we determine needed for our review
- Review sample PLIMs
 - » Best Practice
 - Thoughtful description, analysis and recommendations with all required exhibits and proposed language
 - » Not OK
 - Incomplete, inadequate, or inaccurate analysis/recommendations; deletions or modifications of form, careless use of PLIMs from prior transactions

- Current occupancy rate (within 90 days)
- Explain current status for items to be extended, especially if partially complete (provide percent complete if possible)
- Provide status of upcoming repair items not yet due
- Provide Partial Completion Certification for completed Schedule of Work items
- Accurate calculation of proposed new due dates

- Request forms should be complete and signed
 - » Loan priority, servicing parties, Guide, or PSA sections
- Preapproved transfers (sometimes require Lender discretion) versus permitted transfers (no Lender discretion, no Transfer Processing Fee)
- REMIC Opinions
 - » Significant modifications to loan or collateral (not Transfers of Ownership)
- Wiring transaction fees to Freddie Mac as Lender versus Master Servicer
 - » Freddie Mac Master Servicer – use wire instructions in the Sub-Servicing Agreement
- Intercreditor Agreements
 - » Borrower Transactions mailbox (mf_borrower_transactions@freddiemac.com) for Freddie Mac to sign as Master Servicer

- Document Delivery
 - » Loan assumptions
 - Be mindful of delivery due dates in Approval Letter
 - Certain documents are due within 2 days or 5 days after closing
 - Purchase Structure team validates documents and may contact you
 - Tracking in Document Custody and will provide report of missing items
 - » Pending securitization, need wet signatures ASAP for legal documents
 - » If certified copies are provided, follow up to obtain and deliver recorded copies when available
 - » UCC Filings: deliver appropriate amendments, new filings and terminations as detailed on the Document Inventory list required by the Approval Letter, Guide and PSA (if applicable)
 - » First liens and supplemental loans: deliver documents to the correct parties

- CRT gives all Servicers greater visibility into the Consent Request process, improving Borrower experience
- Recent enhancements
 - » “Early Indication” review process for assumptions
 - » Search function by Primary Servicer or Master Servicer loan number, or request ID
 - » Automatic cancellation of aged records (no update in 90 days)
 - » Property Management Company changes: fields for incoming and outgoing firms
 - » Bulk request creation
 - » Automatic record conversion from warehouse to securitized