



Servicing through the Storm: Responding to Natural Disasters

2018 Asset Management & Operations Servicer Workshop



- Define: Natural Disaster
 - » A natural event such as a flood, earthquake, or hurricane that causes great damage or loss of life
- In the past 12 months, we've researched hurricanes, wildfires, active volcano, flooding, mudslides, tornadoes
- The Atlantic hurricane season officially starts June 1 and ends November 30. The first named Atlantic storm in 2018, Alberto, was named on May 25

- For several years leading up to the 2017 hurricane season, we experienced relatively isolated damage from wildfires, flooding, tornadoes, hurricanes, tropical storms. These types of events rarely occurred close together.
- During the 2017 hurricane season, Hurricanes Harvey, Irma and Maria hit in rapid succession and caused widespread damage
- Freddie Mac had multiple roles to consider
 - » Investor
 - » Master Servicer
 - » Special Servicer
 - » Guarantor



- We changed our information-gathering approach following Harvey and Irma. We realize this made your efforts to submit information to us more challenging
- We appreciate your efforts to obtain and send information to us as quickly as possible. It was a re-learning process for all of us
- Now, we're ready for the 2018 hurricane season



- Atlantic hurricane and tropical storm names repeat every 6 years unless one is so destructive and/or deadly that a committee of the World Meteorological Organization votes to retire that name from future lists
- 2018 list has one new name. Sandy was retired in 2012

2018 Storm Names		
Alberto	Helene	Oscar
Beryl	Isaac	Patty
Chris	Joyce	Rafael
Debby	Kirk	Sara
Ernesto	Leslie	Tony
Florence	Michael	Valerie
Gordon	Nadine	William

- We need to have the correct contacts for Natural Disaster Events. When disasters occur, we will be asking those individuals for lists of potentially impacted loans and current insurance information.

- Send contact changes to MF_Data_Mgmt@freddiemac.com
- We send out mass emails with requests to all of our Natural Disaster contacts as blind copy recipients
- We send emails about Natural Disasters and Hazard Losses from our MF_Loan_Compliance@freddiemac.com mailbox

- If warning of the event allows planning time, prepare loan lists for properties in potential impact zones
 - » Consider contacting Borrowers to set expectations and provide your contact information to get updates
- As soon as the initial impact areas are known, Servicers should prepare lists of potentially impacted loans and begin to contact Borrowers or Property Managers
- Check FEMA website each day to determine if additional counties were added as Disaster Areas for Individual Assistance. If there are additions, the portfolio should be reviewed for any loans in the new areas and the Borrowers or property managers should be contacted
 - » Consider phone calls AND emails to Borrowers or Property Managers

Remember: Our first concern is to ensure that all tenants, Borrowers and property managers are safe.

- Freddie Mac will begin to ask for information immediately after the event has begun
 - » The first request is for potentially impacted loans and insurance data points
 - » Then we ask for updates twice a week – full loan lists with damage information where known
 - » Once we have received initial damage information on each property, the mass list requests will stop and we will ask that you submit the Form 1140s for properties with damage
 - » The assets are then reviewed individually and may be assigned to Surveillance or Special Servicing
- The highest priority loans will be those that are designated for an upcoming Securitization. For these loans, you will receive specific emails or phone calls asking you to prioritize them first

- Follow the timeline requested, since investors need information on the properties. There isn't an option to “wait a week or two until...” to begin contacting Borrowers or Property Managers
- Ask the Borrower to provide details of damage and a ballpark estimate of the damage
- Reporting even when there is no damage is important
- Submit information timely to Freddie Mac

Freddie Mac's Expectations of Servicers (Cont'd)



- We will include our standard report format in our initial request for potentially impacted loans
- We ask for specific property related data points and damage information along with insurance data points related to the specific disaster
- Our standard information report format

	A	B	C	D	E	F	G	H	I	J
1	FM Loan #	Servicer Loan #	Property Name	Property Address	City	State	ZIP	County	Description of Damage	Total Damage Estimate (\$)

Freddie Mac's Expectations of Servicers (Cont'd)


Earthquake									
Building Replacement Cost (\$)	SEL-475	Total # of Buildings Impacted	Total # of Units Impacted	Earthquake Coverage in Place at the Time of the Event? (Y/N)	Earthquake Limit (\$)	Business Income Included for Earthquake			
Flood									
Building Replacement Cost (\$)	Flood Zone	Total # of Buildings in SFHA A/V	Flood Coverage Required? (Y/N)	Flood Coverage in Place at the Time of the Event? (Y/N)	Business Income for Flood in Place? (Y/N)	NFIP Limit - Total (\$)	Private Flood Limit for Locations in an SFHA (\$)	Private Flood Limit for Locations not in an SFHA (\$)	
Hurricane									
Building Replacement Cost (\$)	Flood Zone	Total # of Buildings in SFHA A/V	Flood Coverage Required? (Y/N)	Flood Coverage in Place at the Time of the Event? (Y/N)	Business Income for Flood in Place? (Y/N)	NFIP Limit (total)	Private Flood Limit for Locations in an SFHA (\$)	Private Flood Limit for Locations not in an SFHA (\$)	Named Storm Limit (\$)

Freddie Mac's Expectations of Servicers (Cont'd)

Terrorism								
Building Replacement Cost (\$)	Event Declared Terrorism by US	Total # of Buildings Impacted	Total # of Units Impacted	Property Terrorism Coverage in Place at the Time of the Event? (Y/N)	Terrorism Property Limit (\$)	Terrorism Business Income Limit (\$)	Terrorism Liability Coverage in Place at the Time of the Event? (Y/N)	Terrorism Liability Limit (\$)
Tornado								
Building Replacement Cost (\$)	Total # of Buildings Impacted	Total # of Units Impacted	Wind/Hail Limit (\$)					
Volcanic Eruption								
Building Replacement Cost (\$)	Total # of Buildings Impacted	Total # of Units Impacted	Earthquake Coverage in Place at the Time of the Event? (Y/N)	Earthquake Limit (\$)	Business Income Included for Earthquake (Y/N)?	Property Damage Limit (\$)		

When to Submit a Form 1140

- Form 1140, Part I – Notification is required when a property suffers a loss or damage and meets any of the following conditions
 - » There is an event of default
 - » Death or serious injury has occurred
 - » The mortgage is pre-securitization
 - » The mortgage is an SBL mortgage and the estimated loss > \$25,000
 - » The mortgage is non-SBL and the estimated loss is > \$50,000

Hazard Loss Notification and Plan		
Seller/Servicer Name <input type="text"/>		
Part I - Notification		
Part I Notification due within 14 days of when Servicer initially learns of loss.		
Date of Submission	<input type="text"/>	

- As soon as possible but in no event more than 14 calendar days after a Servicer has learned that a loss or damage has occurred with respect to a property, regardless of whether the Borrower plans to submit an insurance claim. The Servicer must
 - » Complete Form 1140, Part I – Notification
 - Upload the completed form to the Document Management System (DMS), using the “File Submission” link to “Submit to Hazard Loss”
 - If the restoration is already 100% complete, the Servicer must upload a fully completed Form 1140, Part I – Notification and either a fully completed Part I – Update or Part II – Approval (depending on whether Freddie Mac approval is required under Section 43.8(a)(3) to DMS

Seller/Servicer Name	
Part I - Notification	
Part I Notification due within 14 days of when Servicer initially learns of loss.	
Date of Submission	<input type="text"/>
A. Loan Data	
Reason for Part I Submission:	
<input type="checkbox"/>	There has been an event of default under the Loan Documents
<input type="checkbox"/>	Death or serious injury has resulted from the event
<input type="checkbox"/>	The Mortgage was originated as a held-for-sale asset, but has not yet been securitized
<input type="checkbox"/>	The Mortgage is an SBL Mortgage and the estimated loss is greater than \$25,000
<input type="checkbox"/>	The Mortgage is a non-SBL Mortgage and the estimated loss is greater than \$50,000
Note: If none of the conditions above apply, then Form completion is not required	

- Freddie Mac Approval Criteria (Form 1140, Part II Submission Required)
 - » There was an event of default under the Loan Documents
 - » The percentage of units that sustained any damage is 10% or more of the property's total units
 - » The estimated loss amount is >\$500,000 or 10% of the outstanding UPB
 - » The mortgage has not been securitized, has a Risk Rating greater than six and the estimated loss is >\$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 >\$50,000
 - » Death or serious injury has resulted from the event

- Freddie Mac enters a Hazard Loss Loan Item Tracking item into Property Reporting System (PRS)
 - » If the Hazard Loss doesn't require Freddie Mac approval (see Form 1140), then the Servicer must upload a fully completed Part I – Update within 90 calendar days into PRS
 - » If the Hazard Loss does require Freddie Mac approval, then the Servicer must upload Form 1140, Part II within 90 calendar days into PRS. Freddie Mac will note the delegation decision in PRS
 - » 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 must submit Form 1140-DR to the corresponding PRS entry

- Freddie Mac will update PRS and request any additional information that is required
- Servicers should continue to provide updates to PRS and notify Freddie Mac when repairs are 100% complete
 - » For losses that don't require Freddie Mac Approval, back up documentation doesn't need to be uploaded to PRS

Guide Chapter 43.8 outlines Servicer responsibilities following Natural Disasters and Hazard Losses

FEMA Disasters website: <https://www.fema.gov/disasters>

Property Reporting System: <https://multifamily-prs.covius.com/Main.aspx>

Questions? Email MF_Loan_Compliance@freddiemac.com