
TO: Freddie Mac Multifamily Sellers and Servicers

February 27, 2015

SUBJECTS

With this Bulletin for the Multifamily Seller/Servicer Guide (Guide), we are:

- Expanding the list of default analysis items that Servicers must provide to Freddie Mac upon the occurrence of a Delinquency or upon our request
- Adding requirements for the Servicer to notify Freddie Mac of Property Improvement Alterations that the Borrower is undertaking pursuant to the terms of the Loan Agreement and specifying other actions regarding Property Improvement Alterations that the Servicer must take
- Clarifying requirements for the delivery of a letter of credit
- Adding the Seniors Housing Liability Assessment Checklist to the Guide as Exhibit 15
- Making various administrative changes, as follows:
 - Changing the location of certain requirements for the review of General Loan Information
 - Updating the list of Multifamily Software Applications
 - Updating Forms 1148 and 1149 and revising the delivery instructions for these forms, and reformatting Forms 987M, 996M and 1150
 - Updating the instructions for the Mortgage Transaction Narrative Analysis in Section 55.2

We are also making changes to the corresponding chapters of the SBL Addendum, with the exception of the Property Improvement Alterations requirements, which do not apply to SBL Mortgages.

Effective dates

The revisions announced by this Bulletin are effective immediately.

Conclusion

More details on these changes are provided on the pages that follow. Guide text for the changes announced in this Bulletin is highlighted in green on AllRegs. If you have any questions about this Bulletin, please call your Freddie Mac representative.

Sincerely,

David Brickman
Executive Vice President
Multifamily

Default Analysis Items upon the Occurrence of a Delinquency

We are revising Section 44.1(c) to expand the list of default analysis items that Servicers must provide to Freddie Mac upon the occurrence of a Delinquency or upon our request. Servicers must provide an explanation if any Borrower, Borrower Principal (including general partner or managing member or president), or Guarantor or individual with liability for Mortgage amounts

- Has ever been identified, or is presently identified as a "specially designated national and blocked person" (SDN) on the list maintained by the U.S. Treasury Department Office of Foreign Assets Control (OFAC), or
- Appears on the Freddie Mac Exclusionary List or the Freddie Mac Restricted Vendor List.

The Form 1101, Legal Referral Form, is also being revised to reflect this requirement.

Property Improvement Alterations

We are adding our requirements concerning Property Improvement Alterations in Section 43.23. The Borrower must notify the lender when beginning Property Improvement Alterations, and within five Business Days after receipt of the Property Improvement Alterations Notice from the Borrower, the Servicer must electronically submit to Freddie Mac

- A completed version of the new Guide Form 1126, Acknowledgement of Property Improvement Alterations, and
- A copy of the Property Improvement Alterations Notice from the Borrower.

A Mortgage designated for inclusion in a Securitization is subject to additional requirements if the Property Improvement Alterations have commenced, but have not been completed, prior to Securitization. In such cases, prior to Securitization, but no later than 15 days following a request by Freddie Mac, the Servicer must deliver to Freddie Mac a Borrower's certificate that provides the current status of the improvements underway. The Borrower's certificate must be substantially in the form attached to the Loan Agreement; however, if no such certificate is attached to the Loan Agreement, the certificate must include the information listed in Section 43.23(b) and (c).

While Property Improvement Alterations are underway, the Servicer must monitor the Borrower's compliance with the terms of the Loan Agreement and obtain the rent roll on a monthly basis. If the Servicer's review of the rent roll indicates that the occupancy of the Property has decreased to less than the Minimum Occupancy set forth in the Loan Agreement, the Servicer must inform Freddie Mac and submit to Freddie Mac a Borrower's certificate regarding the status of the improvements, and confirmation that continuation of improvements will not cause additional units to be vacated.

The Servicer is also responsible for monitoring the completion of any Property Improvement Alterations, including, when appropriate employing a qualified inspector or physical engineer to inspect the Property Improvement Alterations. When the alterations described in the Property Improvement Alterations Notice have been completed, the Servicer must obtain a Borrower's certificate confirming completion of the Property Improvement Alterations in a good and workmanlike manner and in compliance with all laws (including life safety laws, environmental laws, building codes, zoning ordinances and laws for the handicapped and/or disabled).

These changes can be found in Sections 43.23, 43.23(a), 43.23(b) and 43.23(c). We have also revised the Glossary to add definitions for Minimum Occupancy, Property Improvement Alterations and Property Improvement Alterations Notice. The new Guide Form 1126, Acknowledgement of Property Improvement Alterations, can be found on AllRegs and FreddieMac.com

Clarification Concerning the Delivery of Letters of Credit

We are revising Section 11.2(h) to clarify that for all Mortgages, the Seller must deliver the original letter of credit, the original opinion of issuer's counsel and the Letter of Credit Certification to Freddie Mac with the Final Delivery Package. The Seller/Servicer must continue to provide Freddie Mac with written notice of the expiration of any letter of credit not less than 30 days prior to the expiration of the letter of credit.

See Sections 11.2(h) and 11.2(j).

Seniors Housing Liability Assessment Checklist

In order to make the Seniors Housing Liability Assessment Checklist more accessible, we are adding it to the Guide as Exhibit 15. Accordingly, we are revising Sections 21.2(i) and the Seniors Housing Liability Assessment item in Section 55.2 to refer to Exhibit 15. The new Exhibit will also be posted on the Originate and Underwrite page of FreddieMac.com.

We are removing the Seniors Housing Liability Assessment from the Glossary, since it duplicates the information in Sections 21.2(i) and 55.2.

Administrative Changes

General Loan Information Review for Transfers of Ownership

We are adding to Section 41.1(a) the requirement for the Servicer to review the General Loan Information (GLI) when there is a Transfer of Ownership. If there are any inaccuracies in the GLI, the Servicer must contact Freddie Mac. Previously, this information was found in Chapter 43.

Multifamily Software Applications

We are revising Section 2.12(a) and the Guide Glossary to remove a reference to the retired application "MultiSuite for Assessments" and to reflect updated Multifamily Software Application names. We are also updating Section 2.13(b) to reflect the revised form name for non-Guide forms and to update the email address required for submission of this form.

Updates to Forms

Form 1148, System User Verification and Certification, and Form 1149, System Administrator Verification and Certification, are being updated to clarify that the Forms are to be submitted semi-annually, within 15 Business Days of the receipt of Freddie Mac's request. We are also providing new contact information for these Forms. Sections 2.13(c) and (d) as well as the Guide Directory have been updated to reflect this change.

We are making minor edits to and have reformatted Form 987M, Wire Transfer Authorization – Cash Warehouse Delivery; Form 996M, Warehouse Lender Release of Security Interest; and Form 1150, Wire Transfer Authorization – Non-Warehoused Mortgage.

Mortgage Transaction Narrative Analysis

We are revising the instructions for the Mortgage Transaction Narrative Analysis found in Section 55.2 to include a reference to the Mortgage Transaction Narrative Analysis – Best Practices document, which is available on FreddieMac.com.