



Bulletin

NUMBER: M2016-2

TO: Freddie Mac Multifamily Sellers and Servicers

April 4, 2016

SUBJECTS

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

- Revising our requirements to limit the number of entities that must complete Form 1116, Real Estate Schedule, and Form 1115, Borrower and Borrower Principal Certificate or Form 1115, Borrower and Borrower Principal Certificate—SBL
- Revising our requirements to limit the number of entities that must submit credit reports and financial statements in the underwriting package
- Making an addition to our requirements for the preliminary legal issues memorandum (PLIM)
- Adding a Glossary definition for Floating-Rate Mortgages

We are also revising Chapter 55 of the Small Balance Loan (SBL) Addendum in support of these changes.

Effective dates

All 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

Revisions to Underwriting Package Requirements pertaining to Borrowers and Borrower Principals

In many cases, Borrower organizational structures are complex, with intermediate levels between the direct owners of the Borrower and the entities and individuals that have ultimate control over or ownership of the Borrower. While it is critical for Freddie Mac to understand the credit and experience of the direct owners of the Borrower, the guarantors, and the individuals that manage or control the Borrower, we want to simplify the process of preparing prescreen and underwriting packages.

Accordingly, we are no longer requiring Sellers to submit in the underwriting package or the prescreen package the following forms and documents for intermediate levels in a Borrower Principal's organizational structure:

- Form 1115, Borrower and Borrower Certificate or Form 1115, Borrower and Borrower Certificate – SBL, as applicable
- Form 1116, Real Estate Schedule
- Financial statements of the Borrower Principal

In addition, we are no longer requiring credit reports to be submitted for newly-formed entities.

In support of these changes, we are adding the following definitions to the Glossary and to Form 1115, Form 1115-SBL and Form 1116:

- Required Borrower Principal
- First Level Owner
- Last Level Owner
- Pass-through Entity
- Required Entity

We are also revising the definition of a Non-U.S. Equity Holder; however, the new definition does not affect the certifications required for a Non-U.S. Equity Holder.

Since the new definitions materially change long standing definitions, we recommend that Seller/Service providers review these changes in their entirety and encourage Seller/Service providers to participate in our upcoming Regional Seller Workshops, the schedule for which is available on FreddieMac.com. We also urge our Seller/Service providers to work with their Borrowers and Borrower Principals to ensure they are familiar with the definitions and instructions found on the Forms 1115 and the Form 1116.

These changes apply to both SBL and non-SBL Mortgages.

Addition to Requirements for the PLIM

In Guide Section 6.4(b), we are now requiring the Seller/Service provider and its counsel to state in the PLIM whether the Borrower was already formed prior to the commencement of the proposed transaction or, if it is newly formed, how long it has been in existence. This change does not apply to SBL Mortgages.

Change to the Glossary

We are adding an entry for Floating-Rate Mortgages to the Glossary.