

Bulletin

NUMBER: M2024-2

TO: Freddie Mac Multifamily Sellers and Servicers

April 18, 2024



SUBJECTS

In the April 18, 2024 Guide Bulletin, we are updating the Guide as follows:

Originating and underwriting

- Updating our [property and Borrower due diligence requirements](#)
- Updating our [Hybrid ARM SBL Mortgage requirements](#)
- Adding new [Appraiser Independence Requirements](#) to the Guide

Servicing and asset management

- Updating our [Special Servicing Requests](#) requirements
- Updating our [institutional eligibility requirements](#)
- Updating our [negative news reporting requirements](#)
- Permitting sending [maturity letters](#) to Borrowers via email

Title insurance

- Requiring Seller/Servicers to notify us if the Seller/Servicer, for cause, [discontinues the use of a Title Company](#) in connection with a Freddie Mac transaction
- Specifying that Freddie Mac may refuse to accept Mortgages for purchase or approve an assumption of a Mortgage involving a [Title Company on the Multifamily Restricted Vendor List](#)

Final Delivery Instructions

- Revising our [wire transfer instructions](#)

Additional Guide updates and housekeeping items

- Revising our [Manufactured Housing Communities \(MHC\) home installation](#) requirements
- Clarifying our servicing inspection requirements for the collection of Reserve deposits for [Replacement Reserves](#)
- Clarifying our [accounting reporting due date requirements](#)
- Clarifying that [Preferred Equity is not permitted in SBL](#)
- Linking to our recently posted [Solar Agreement](#) documentation
- Notifying Seller/Servicers of our recent [Loan Document](#) updates

EFFECTIVE DATES

All revisions announced by this Bulletin are effective immediately, except the [Hybrid ARM SBL Mortgage](#) updates which are effective on May 1, 2024.

GUIDE UPDATES SPREADSHEET AND REDLINED GUIDE CHAPTER CHANGES

Visit <https://mf.freddiemac.com/lenders/guide/bulletins.html> for the following resources to this Bulletin:

- **Appendix A to April 18, 2024, Guide Updates Spreadsheet** – a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond



- **Appendix B to April 18, 2024, Redlined Guide Chapter Changes** – a PDF showing the redlined changes announced in this Bulletin to each revised Guide chapter, Glossary and Directory

CONCLUSION

More details on these changes are provided on the pages that follow. Guide text additions made in this Bulletin are color-coded in green on AllRegs®. If you have any questions about this Bulletin, please call your Freddie Mac representative.

Sincerely,

Ian Ouwerkerk
Senior Vice President
Multifamily Underwriting and Credit

Erlita Shively
Vice President
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Originating and underwriting

Property and Borrower due diligence

We continue to explore enhancements to our due diligence requirements at the time of origination and underwriting of a Mortgage to mitigate and deter potential fraud risk.

Property inspections and lease audits

We are updating our property inspection and lease audit requirements to:

- Increase our unit inspection and lease audit sample sizes
- Introduce an additional lease audit verification step involving a validation of the lease to a tenant ledger report or similar documentation. This is applicable to all product types.
- Clarify unit inspection and lease audit requirements for Student Housing Properties where leases are by the bed or bedroom rent
- Clarify that the preliminary inspection required prior to Index Lock only applies to those transactions involving a broker or correspondent, as outlined in Section 3.15

Additionally, we are updating references to our property inspection and lease audit forms to refer to the new consolidated [form](#) for all product types.

We are updating Sections 8.15, 8.20, 8SBL.15 and 22.8 to reflect these changes.

Key Borrower Principal due diligence

We are introducing additional Key Borrower Principal due diligence requirements as follows:

- Requiring that each Key Borrower Principal with Ultimate Control or each Guarantor meeting the new definitions of (i) First-Time Sponsor or (ii) Limited Multifamily Experience Sponsor (and for SBL Mortgages, the experience set forth in Section 9SBL.2), provide:
 - Bank or brokerage statements to validate the Liquidity reported in their respective financial statement (not applicable to U.S. publicly traded companies)
 - [Form 1116, Real Estate Schedule](#), that has been verified by the Seller/Servicer as to that party's ownership of each residential asset (other than a personal residence) reflected in the schedule
- Updating the Mortgage transaction narrative analysis document requirements in Section 55.2 to require an indicator if the Key Borrower Principal is a First-Time Sponsor or Limited Multifamily Experience Sponsor
- Defining "First-Time Sponsor," "Limited Multifamily Experience Sponsor" and "Liquidity"

We are updating Section 3.3(a), 9.2(d), 9SBL.2(c), 9SBL.14, 11.6(a, b and c), 55.2, 55SBL.2, the Glossary, [Exhibit 1.1, Conventional Underwriting Checklist](#), [Interactive Conventional and TAH Cash Underwriting Checklist](#) and [SBL Dynamic Underwriting Checklist](#), to reflect these changes.

Hybrid ARM SBL Mortgages

Effective May 1, 2024

We are updating our Hybrid ARM SBL Mortgage requirements in Section 18SBL.2. Following the initial fixed-rate period, there is an adjustable-rate period through maturity for Hybrid ARM SBL Mortgages 10 years total term on hybrid loans with initial fixed-rate periods of 5 and 7 years. There is no change to the 20 years total term on hybrid loans with an initial fixed-rate period of 10 years.



Appraiser Independence Requirements

We are adding new Appraiser Independence Requirements in Section 60.2. These requirements set forth standards to safeguard the independence, objectivity and impartiality of appraisers and other Independent Parties. They require that:

- Seller/Servicers ensure that the valuation process is not directed or influenced in any way by third parties and
- Appraisal functions (ordering and reviewing appraisals) must be separate from the mortgage origination process

We are updating Sections 60.1, 60.2, 60.9, 60.12, 60.14 and 60.31 and the Directory to reflect this change.

Servicing and asset management

Special Servicing Requests

We are updating our requirements for Special Servicing Requests as follows:

- Requiring Servicers to add a comment in Property Reporting System (PRS) to notify Freddie Mac when an extension request will be submitted
- Removing the requirement for Servicers to notify Borrowers via email for repair extensions or modifications. Instead, Servicers must, within five Business Days of receiving such request, enter the request in CRT and electronically deliver the [Repair/Rehab Agreement Extension/Modification Request](#) form, including any necessary supporting documentation. This can be done via CRT rather than uploading it directly to Document Management System (DMS).
- Removing the requirement for Servicers to notify Borrowers via email for permitted Transfers of Ownership. Instead, Servicers must, within five Business Days of learning of the transfer, enter it in CRT and include any necessary supporting documentation. This can be done via CRT rather than uploading it directly to Document Management System (DMS).
- Updating our late charge waiver process to align with the process for other delegated requests
- Clarifying that our process for property management changes that do not require a full review is applicable if the new company is on the Freddie Mac [Property Management Company List](#)

We are also making additional clarifications, including revising references from Telecommunications Agreement Servicing Request to Infrastructure Agreement Servicing Request.

We are updating multiple sections within Chapters 36, 39, 41, 41SBL and 43 to reflect these changes. Review the Appendix A to April 18, 2024, Guide Updates Spreadsheet, at <https://mf.freddiemac.com/lenders/guide/bulletins.html> for a list of the updated sections.

Institutional eligibility

We are updating Section 52.9 to require that if a Servicer's depository institution becomes ineligible, the Servicer has up to 60 days (increased from 30 days) from the date all applicable ratings are released to establish a new Custodial Account.

Additionally, we are updating the definition of Eligible Institution in the Glossary to refer to Section 52.2(a) for the short-term unsecured debt obligation minimum rating requirements.



Property and Borrower negative news or events

In response to Seller/Servicer feedback, we are adjusting our negative news or events reporting requirements in Section 43.34 that could reflect adversely upon the Borrower, any Borrower Principal or the Property, as follows:

- Seller/Servicer must report any news or events that have occurred within the last 12 months
- Any negative news or event must be reported to MF_Loan_Compliance@freddiemac.com

Maturity letters

We are updating Section 43.13(b) to include the option to send maturity letters to Borrowers via email as well as by certified mail.

Title insurance

Notification of discontinued use of a Title Company

We are updating Sections 29.1(c) and 29SBL.1(c) to require Seller/Servicers send written notification immediately to the *Applicable Freddie Mac Multifamily Regional Office* or applicable *Small Balance Regional Office* if the Seller/Servicer, for cause, has discontinued the use of a title insurance underwriter, title insurance agency and/or escrow and settlement company (individually and collectively sometimes referred to as the “Title Company”) in connection with a Freddie Mac transaction within the past 12 months. The TAH Seller/Servicer must send written notification immediately to the *Multifamily TAH Underwriter*. For Mortgage assumptions, the Seller/Servicer must notify Freddie Mac *Asset Management, Borrower Transactions* or *Structured Transactions*, depending on the product type.

Title Companies on the Multifamily Restricted Vendor List

We are updating Sections 29.1(c) and 29SBL.1(c) to state that Freddie Mac may refuse to accept Mortgages for purchase or approve an assumption of a Mortgage involving a Title Company on the [Multifamily Restricted Vendor List](#). If a Title Company appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that Title Company until notified otherwise by Freddie Mac. The decision to place a Title Company on the Multifamily Restricted Vendor List is solely within Freddie Mac’s discretion.

We are additionally clarifying references to Seller/Servicers and title insurance parties throughout Chapters 29 and 29SBL and updating Sections 2.19(b), 6.12, 7.1(b), 8.12(c), 19A.13(b)(c), 19A.14(b), 28A.15(b), 41.6(g), 41SBL.6(g), 43.10(b), 43.10(g), 43.11(f), 43.29(d), 43.30(d) and the Glossary to reflect these changes.

Final Delivery Instructions

Wire transfer instructions

We are updating Section 32.12(b) to require Sellers to provide additional information related to wire transfer instructions to include a completed, current version of the IRS Form W-8 or W-9 for each entity in the transaction that will receive funds directly from Freddie Mac via wire transfer. The entities include the Seller, the warehouse lender, a Title Company, etc., as applicable. These changes support Freddie Mac’s implementation of the ISO 20022 standard.

We are additionally updating [Form 483, Wire Transfer Authorization](#), [Form 988M, Multifamily Certificate of Authorized Representative](#), [Form 989M, Multifamily Certificate of Corporate Secretary](#), and [Form 990M, Certificate of Limited Liability Company Secretary/Authorized Representative](#), to reflect this change and to clarify existing instructions.



Additional Guide updates and housekeeping items

Manufactured Housing Communities (MHC) home installations

We are simplifying the Manufactured Home installation confirmation process in Section 22.6(b). The property condition consultant must continue to confirm that the installation of the Manufactured Homes is in compliance with all zoning and building codes, but will no longer be required to perform an additional check on 10 percent of the Manufactured Homes (up to a maximum of 20 Manufactured Homes) to verify home installation compliance.

Servicing inspections: Collection of Reserve deposits for Replacement Reserves

We are updating Section 40.7(d) to clarify that if a loan is added to the CREFC Watchlist due to the assessment inspection listing a property condition rating of 4 or 5, and Replacement Reserve deposits have been deferred pursuant to the terms of the Loan Agreement, there is no opportunity to revert the collection of the Reserve deposits back to deferred when the loan is removed from the CREFC Watchlist.

Accounting reporting due dates

We are updating Section 50.10(e) to align with the [2024 Reporting & Remitting Calendar](#). The accounting reporting due date for all loans that are not in CME securitizations, Gold PCs, or 55-Day PCs, is **five** Business Days after the accounting cutoff date.

Preferred Equity not permitted for SBL

We are clarifying Section 9SBL.9 to state that Preferred Equity is not permitted for SBL Mortgages.

Solar Agreement documents

In the December 14, 2023 Bulletin, we provided requirements for Properties subject to Solar Agreements in the Guide. We have since posted the Solar Agreement documents on the Legal Documents [page](#) and are updating Section 8.21 to link to the [Solar Analysis](#), [SNDA - Solar Agreements](#) and the [Solar Agreement Rider to Loan Agreement](#).

Other Loan Documents

On March 26, 2024, we posted Loan Document updates to our website for the following forms:

Legal Documents page

- Conventional Cash and Targeted Affordable Housing (TAH) Unfunded Forward Documents
- Small Balance Loan (SBL) Documents
- Preservation Rehab Documents
- Tax-Exempt Loan (TEL) Documents

Purchase & Deliver page

- Final Delivery Instructions and Final Delivery Package Table of Contents (for all Mortgages other than SBL and TEL)
- Final Delivery Instructions and Final Delivery Package Table of Contents – SBL
- Final Delivery Instructions and Final Delivery Package Table of Contents – TEL (Immediate)
- Final Delivery Instructions and Final Delivery Package Table of Contents – TEL (Conversion)



This Loan Document update included revisions to the following analyses:

- Partial and Fractured Condominium Analysis
- Purchase Agreement Analysis
- Regulatory Agreement Analysis

For the applicable form and version of each Loan Document, please refer to the Currently Acceptable Multifamily Loan Documents list or, for SBL Mortgages, the Currently Acceptable Multifamily Loan Documents – SBL list, both available at mf.freddiemac.com/lenders/legal.