



Bulletin

NUMBER: M2019-2

TO: Freddie Mac Multifamily Sellers and Servicers

April 30, 2019

SUBJECTS

In the April 30, 2019 Guide Bulletin, we are:

- Enhancing our property inspection and due diligence requirements
- Clarifying a Foreign Guarantor's obligations to maintain minimum liquidity in a U.S. bank account
- Clarifying the commitment date for SBL Mortgages
- Modifying the TAH Forward Commitment Conversion Underwriting Checklists to require a certified cost accounting rather than an audited cost certification to document total project costs
- Reinstating wind/hail deductibles inadvertently removed when we re-organized the requirements in our December 14th, 2018, Guide Bulletin
- Updating our requirements for completing and validating wire instruction and authorization documentation. We are also changing the name of our Multifamily Cash Desk group to Multifamily Cash Management
- Modifying the certification language on Form 1107M, *Multifamily Seller/Servicer Change Notification*
- Changing the name of Multifamily Servicer and Data Management group to Multifamily Asset Performance and Compliance

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,

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Multifamily Underwriting and Credit

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Enhanced property inspection and due diligence requirements

We are revising Section 8.15(b) to reflect enhanced requirements regarding property inspections and due diligence. We now require:

- Inspection of a representative sample of any owner-operated guest suites, corporate leases, or units leased to short-term stay operators
- The Seller/Service to inform the Borrower that inspection notices must be sent to a larger sample of units (selected by the inspector) so that the inspector may select an appropriate sample of units on the day of the inspection
- Additional documentation to be provided for the inspection, including a rent roll dated the date of the inspection, a sample residential lease, a lease audit of at least 50 percent of the units that are inspected, and an indication on the *Property Inspection and Lease Audit form* (available on FreddieMac.com) of the number of units that were notified of the inspection

Section 55.2 and Exhibit 1: *Underwriting Checklists*, Sections 1.1 and 1.26 are also being updated to reflect this change.

Foreign Guarantors' obligations to maintain minimum liquidity in a U.S. bank account

We are updating Sections 9.11 and 9SBL.2(e) to clarify that the requirement for a Foreign Guarantor to maintain five percent of the original principal balance of the Mortgage in a U.S. bank account allows the amount to be held in more than one U.S. bank.

If there is more than one Foreign Guarantor, the minimum five percent to be held in a U.S. bank account may be held by the Foreign Guarantors in the aggregate.

We have added an entry for Foreign Guarantor to the Glossary which refers to Sections 9.11 and 9SBL.2(e), as applicable.

SBL Commitment Expiration Date

We are updating Section 18SBL.6(c) to clarify that a commitment for an SBL Mortgage expires on the "Commitment Expiration Date" specified in the Letter of Commitment.

Underwriting requirements for TAH Conversion Mortgages

We are modifying the underwriting checklist for TAH Forward Commitment Mortgages at time of Conversion to require submission of a certified cost accounting rather than an audited cost certification to document total project costs, including hard and soft costs. Sections 55.2, and Exhibit 1: *Underwriting Checklists*, Section 1.31 and Section 1.33 are being updated to reflect this change.

Insurance

We are reinstating wind/hail deductibles inadvertently removed when we re-organized the Windstorm requirements in our December 14th, 2018, Guide Bulletin. The reinstated allowance of the deductible of up to five percent per unit of insurance can be found in Section 31.17. Section 31.5(d) has also been updated to clarify the maximum per occurrence deductibles when All-Risk coverage is provided by a Blanket Insurance Limit.

Cash Management updates

The Cash Desk is now Cash Management

We are changing the name of the *Multifamily Cash Desk* group to *Multifamily Cash Management*. The new name reflects the broader responsibilities of this Multifamily group. The Guide Directory and Sections 2.16, 3.8(a), 17.11(e), 18SBL.6(e), 19.8(e), 19A.8(e), 25.6, 28.6, 32.12, 32.12(b), 33.4, 41.9(d), 41SBL.9(d), 42.3(b), 43.10(e), 43.11(c), 43.11(d), 43.15(a), 43.29(b), 43.29(c), 43.32(d), 44.6(c), 50.7, 53.7(d), 53.7(g), 53.9(b), 55.1(a), 55.2, and 55SBL.1(a) have been updated in support of this change.

Wire Instruction and Certificates of Incumbency Documentation

We are updating our requirements for completing and validating our wire instructions and authorization documentation as follows:

- Clarifying that if the following Forms are signed electronically, the electronic signature must be a representation of the actual signature of the signer:
 - 483M, *Wire Transfer Authorization*,
 - 988M, *Certificate of Authorized Representative*,
 - 989M, *Certificate of Corporate Secretary (Certificate of Incumbency)*
 - 990M, *Certificate of Limited Liability Company Secretary/Authorized Representative*
- Requiring Seller/Service providers to provide the name and contact information for two persons authorized to contact Freddie Mac's Service bureau, Global Payments Inc., regarding transfers of funds when completing Forms 1057, *Letter Agreement for Servicer's Principal and Interest or P & I Disbursement Clearing Custodial Account (Certificate of Incumbency)* and 1059, *Letter Agreement for Principal and Interest or P & I Disbursement Clearing Custodial Account*. Section 53.7 and Forms 1057 and 1059 have been updated to reflect this change.
- Revising Section 32.12(a) and Forms 483M, 988M, 989M, 990M to indicate that *Multifamily Cash Management* will periodically request Authorized Signers to confirm the accuracy of their wire instructions. *Multifamily Cash Management* sends such requests for confirmation to Seller/Service providers via secure email.
- We are also adding the *Multifamily Cash Management* email address to Form 483M. The email address should be used to contact *Multifamily Cash Management* with any questions regarding these Forms.

Form 1107M, Multifamily Seller/Service Change Notification

We are modifying the certification language on Form 1107M, *Multifamily Seller/Service Change Notification*. No other changes have been made to the Form.

Service and Data Management is now Asset Performance and Compliance

We are changing the name of our *Multifamily Service and Data Management* team to *Multifamily Asset Performance and Compliance*. We are revising the Guide Directory and updating Sections 11.2(e), 21.19(a), 21.19(b), 25.16(e), 25.24, 28.16(e), 28.24, 31.8(f), 31.9 (b), 31.14, 31.22(a), 31.24(b), 31.24(c), 31.24(d), 31.27, 39.2(a), 39.2(c), 39.6(d), 40.2(a), 40.2(c), 40.1, 40.15, 43.8(f), 43.8(g), 43.23(b), 47.3, and 53.9(d) to reflect the new name and email address.

We are also revising certain references to indicate when responsibilities have shifted to a different Multifamily group in the following Guide Sections:

- Section 11.2(e) now references *Multifamily Asset Management, Structured Transactions or Borrower Transactions*, as applicable
- Sections 25.16(e) and 28.16(e) now reference *Multifamily Loan Accounting*
- Section 53.9(d) now references *Multifamily Asset Resolution*
- Several Sections in Chapter 31 now reference *Multifamily Asset Management, Borrower Transactions*