

Bulletin

NUMBER: M2024-3

TO: Freddie Mac Multifamily Sellers and Servicers

June 13, 2024



SUBJECTS

In the June 13, 2024 Guide Bulletin, we are updating the Guide as follows:

Originating and underwriting

- Extending the required implementation date for certain [Appraiser Independence Requirements](#)
- Updating certain [Borrower due diligence](#) requirements
- Updating our [property inspection timing](#) requirements
- Updating our [Small Balance Loan Repair Escrow threshold](#)

General Freddie Mac policies and Seller/Servicer eligibility

- Requiring Seller/Servicers have [compliance policies and procedures](#) in place
- Updating certain [information security](#) requirements
- Revising certain [Seller/Servicer change notification](#) requirements

Additional Guide updates and housekeeping items

- Clarifying our [Targeted Affordable Housing](#) requirements
- Updating our [Student Housing](#) requirements
- Clarifying our [servicing property inspection](#) requirements
- Revising our [mechanics' lien waiver](#) requirements
- Updating the [Glossary](#)
- Clarifying our [unacceptable assessment](#) requirements

EFFECTIVE DATES

All revisions announced by this Bulletin are effective immediately unless otherwise noted below.

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 June 13, 2024, Guide Updates Spreadsheet** – a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond
- **New resource: Appendix B to June 13, 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,

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Senior Vice President
Multifamily Underwriting and Credit



Erlita Shively
Vice President
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Originating and underwriting

Appraiser Independence Requirements

We updated the Guide to add Appraiser Independence Requirements in the [April 18, 2024 Bulletin](#). In response to Seller/Servicer feedback, we are allowing additional time to fully implement some of the new requirements in Section 60.2.

Sellers may implement the below requirements immediately but are only required to implement them for loans taken under Seller Application as of **September 2, 2024**:

- 60.2(b)1, 2, 3 and 5
- 60.2(c)2
- 60.2(d)

Seller/Servicers should review our Appraiser Independence Requirement [FAQs](#) or contact the Appraisal Team at Multifamily_Appraisals@freddiemac.com for any questions.

Borrower due diligence

Borrower and Key Borrower Principal Certificates

We are consolidating the Borrower, Key Borrower Principal and SBL Certificates into one [Form 1115, Borrower and Key Borrower Principal Certificate](#). We are also changing how we define “felony” for the purposes of completing the certificate.

Additionally, we are adding a new standardized certification, [Form 1112, Borrower and Key Borrower Principal Blanket Certification](#), that will be required as part of the full underwriting package submission. With this new blanket certification, Borrowers and Key Borrower Principals will now complete a single certification for multiple documents. The certification for Form 1115 remains within the form.

Seller/Servicers are encouraged to begin using the revised [Form 1115](#) and new [Form 1112](#) immediately. However, the previous version of Form 1115 and alternate certifications in lieu of Form 1112 will continue to be accepted for transactions currently in process.

This change impacts multiple sections, forms, exhibits and the Glossary. Refer to the Appendix A, Guide Updates Spreadsheet, for this Bulletin posted at <https://mf.freddiemac.com/lenders/guide/bulletins.html> for details.

General Borrower and Key Borrower Principal requirements

We are updating Sections 9.2(a) and 9SBL.2(c) to require that Sellers immediately notify Freddie Mac if a Key Borrower Principal, or Borrower Principal with direct or indirect control of Borrower, is a trust or other investment vehicle controlled by or created on behalf of any IRA, pension fund or other retirement fund. We are also clarifying that a pension or retirement fund account is not an acceptable Borrower.

Property inspection timing

We are updating the Guide to require that Seller/Servicers must conduct property inspections within 90 days of Freddie Mac's receipt of a full underwriting package for all transactions with a standard delivery and a minimum property inspection within 90 days of Freddie Mac's receipt of a preliminary underwriting package for an early rate lock delivery. Note for transactions in process, where the 90 day limit may be exceeded, contact your Freddie Mac Underwriting team.



We are updating Sections 8.15(c), 8.16(c) and (e), 8SBL.15(c), 55.2, 55SBL.2, the [Interactive Conventional and TAH Cash Underwriting Checklist](#) and [SBL Dynamic Underwriting Checklist](#) to reflect this change.

Small Balance Loan (SBL) Repair Escrow threshold

We are updating Section 8SBL.17 to state that Repair Escrows will be required for all deals with Priority Repairs of \$25,000 or more identified in the Physical Risk Report.

General Freddie Mac policies and Seller/Servicer eligibility

Compliance policies and procedures

Effective January 1, 2025

We are creating new Section 2.19(a) to require Seller/Servicers have policies and procedures to ensure compliance with:

- Applicable laws, regulations and orders, including the fair lending and consumer protection laws and regulations listed in Section 5.7(a); and
- Freddie Mac requirements

Seller/Servicers must have training that implements compliance with the policies and procedures and monitor the adequacy of the policies and procedures on at least an annual basis.

Additionally, Seller/Servicers must report any non-compliant or potential non-compliant activity to Freddie Mac *Multifamily Counterparty Risk & Compliance* via email at Multifamily_Eligibility@freddiemac.com within five Business Days of the Seller/Servicer becoming aware of the activity.

We are additionally updating Sections 2.19(b) and 3.15(a) to refer to Section 2.19(a).

Information security

Security Incident notifications

We are updating our requirements in Section 2.26(c) for notifying Freddie Mac of a Security Incident to:

- Require Seller/Servicer's notify Freddie Mac of any Security Incident involving a parent or subsidiary company's system
- Provide a phone number for reporting incidents if a Seller/Servicer is not able to email Freddie Mac

We are additionally specifying that Material Vendors that present information security risk to Freddie Mac need to meet the business continuity plan requirements in Section 2.20(a) and the information security program requirements in Section 2.26.

Restricted access from foreign countries

We are updating Section 2.14(d) to specify that Freddie Mac may utilize traffic filtering or block or otherwise restrict the access of Seller/Servicers, their third parties and/or their respective authorized users from certain countries or regions outside the United States.



Seller/Servicer change notification

Changes requiring 60-day advance notice and Freddie Mac approval

We are clarifying our major change reporting requirements in Section 3.8(a) to specify the types of changes that require, or may require, a processing fee and/or additional information beyond the submission of a completed [Form 1107M](#), *Multifamily Seller/Servicer Change Notification*.

Changes requiring immediate notification to Freddie Mac

We are updating the Guide to require Seller/Servicers report to Freddie Mac if any of the events listed in Section 3.8(d) occurs for any person or entity with either a direct or indirect controlling interest in Seller/Servicer or an aggregate direct or indirect ownership interest in Seller/Servicer of 25% or more (a “Seller/Servicer Parent”).

Such events include:

- Disputes, litigation or other adversary proceedings, or
- If a trustee, receiver, custodian, conservator, liquidator or similar entity or individual has been appointed for the Seller/Servicer or a Seller/Servicer Parent or its property

Changes requiring subsequent notice to Freddie Mac

We are updating Section 3.8(e) to require Seller/Servicers to report their Chief Information Security Officers to Freddie Mac via [Form 1107M](#). The Chief Information Security Officers must be reported to us by **July 31, 2024**. Moving forward, Seller/Servicers must report changes to this officer to us within 30 days via [Form 1107M](#).

Additional Guide updates and housekeeping items

Targeted Affordable Housing (TAH)

Forward Commitments fees

As previously [announced](#), changes to the fees required for TAH Forward transactions (including TEL) were made effective for quotes on or after April 1, 2024. Fees will be listed in the Forward Commitment.

We are updating the Guide to reflect this change and clarify certain requirements in Sections 19A.6(a-c), 19A.12(d), 19A.13(b-d), 19A.17(d), 25A.3 and (a), 25A.6 and 25A.8(b).

Underwriting Checklists

We are updating [Exhibit 1.26, Targeted Affordable Housing Cash Mortgage Standard Delivery Full Underwriting & Early Rate-Lock Checklist](#), [Exhibit 1.30, Targeted Affordable Housing Cash Mortgage Forward Commitment Full Underwriting Checklist](#), and [Exhibit 1.31, Targeted Affordable Housing Cash Mortgage Conversion Checklist](#), for better Guide alignment.

Student Housing Mortgages

We are updating Section 8.20(b) to clarify that for a Letter of Commitment issued for a Mortgage securing a Student Housing Property between January 1 and the start of the next school year, the Borrower must establish a pre-leasing debt service Reserve, equal to three months of amortizing debt service if the loan is amortizing for the full term, or interest only debt service if the loan is PIO or Interest Only (IO) for the full term.



Servicing property inspections

We are clarifying the process in Section 40.7(d) for Servicers to send a Notice of Default and Reservation of Rights when the Borrower fails to fully remediate Deferred Maintenance or fails to provide an acceptable action plan.

Mechanic's lien waivers

We are clarifying Sections 39.4(c) and 39.6(a) to only require mechanic's lien waivers for Repair Reserves and Replacement Reserves if requested by the Seller/Servicer.

Glossary

Securitization definition

We are updating the Glossary definition of Securitization to include partnership trusts, which are used in the Tax-Exempt Loan securitization program.

Additional updates

We are updating the Glossary to add additional terms defined elsewhere in the Guide and for consistency.

Unacceptable assessments

We are updating Section 40.10 to clarify the application of this section.