



# Bulletin

NUMBER: M2020-2

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TO: Freddie Mac Multifamily Sellers and Servicers

June 25, 2020

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## SUBJECTS

In the June 25, 2020 Guide Bulletin, we are:

- Adding myOptigo to the list of Multifamily Software Applications
- Clarifying certain Electronic Signature requirements for Seller/Servicers
- Updating and clarifying our conflict of interest requirements
- Increasing our maximum initial principal balances for Mortgages from FRED (Mortgages less than or equal to \$15 million) to the Middle Market Focus (Mortgages less than or equal to \$20 million)
- Clarifying our Minimum Origination Fee requirements for free buy-up incentives
- Updating our requirements for Housing Assistance Payment (HAP) contracts with respect to Transition Reserves
- Clarifying our requirements for ground lease insurance and condemnation provisions
- Updating our Borrower Principal due diligence requirements for Transfers of Ownership
- Updating the Guide to reflect COVID-19 related changes that impact the Small Balance Loans (SBL) Lenders' obligations
- Removing and updating certain requirements for rent rolls
- Updating the various Letter Agreements for Custodial Accounts (Forms 1057, 1057A, 1058, 1059, and 1060) to include Freddie Mac's mailing address
- Making minor housekeeping changes to Form 1106, *Green Assessment*, and the Glossary

## 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 additions made in this Bulletin are color-coded in green on AllRegs<sup>®</sup>. 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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## myOptigo

myOptigo<sup>SM</sup> is a centralized platform where Sellers, Servicers, investors and Multifamily staff will eventually do all their Freddie Mac business. Quote submission is the first feature available and other capabilities will be incorporated soon. We are working to get all Optigo<sup>®</sup> Lenders onboarded into the system and will provide more details about the platform in future communications and on [mf.freddiemac.com](http://mf.freddiemac.com).

With this Bulletin, we are adding the myOptigo platform to the list of Multifamily Software Applications in Section 2.12(a) and the Glossary. Seller/Servicers must follow requirements listed in Sections 2.12, 2.13 and 2.21 that apply to Multifamily Software Applications.

## Electronic Signatures

We are clarifying in Section 2.14(f) that the Seller/Servicer agrees that its Electronic Signature (when permitted to conduct certain transactions) is deemed as valid as its ink counterpart on paper. Therefore, the Seller/Servicer is not required to conduct due diligence on Document Management System (DMS) or on any signing technology embedded in a form downloaded from [mf.freddiemac.com](http://mf.freddiemac.com), nor does such Electronic Signature constitute any Seller/Servicer representation or warranty regarding the same.

## Equity Conflicts of Interest

We are providing clarity on conflicts of interest that should be disclosed to Freddie Mac and may have additional impacts on the Optigo lender's role in the transaction. The Seller/Servicer conflicts of interest that must be disclosed to Freddie Mac are now defined as "Equity Conflicts of Interest."

We are clarifying that the following are not considered Equity Conflicts of Interest:

- Interests held through equity investments made in third-party investment vehicles (such as REITs not managed by the Seller/Servicer, mutual funds, exchange-traded funds, index funds, and SEC-registered funds) that directly or indirectly own and/or control the Property.
- Low-Income Housing Tax Credit (LIHTC) transactions in which the investor and syndicator are affiliated.

Additionally, we are further delineating disclosure and other requirements for Equity Conflicts of Interests, including definitions of ownership by Optigo lenders, executive and non-executive employees of Optigo lenders, and their family members.

Review our updated [Equity Conflicts of Interest Determination Chart](#) for a quick reference resource on Equity Conflicts of Interest requirements.

We are creating new Section 2.25 and updating Sections 9.2(a), 9SBL.2(a), 36.18(a), 36.18(b), 40.13(a), 40.13(e), 40.14(a), 41.4, 41SBL.4(c), 55.2, 55.3, 55SBL.2, Glossary, Exhibit 1.1, *Conventional Interactive Checklist*, Exhibit 1.26, *Targeted Affordable Housing Cash Mortgage Standard Delivery Full Underwriting & Early Rate-Lock Checklist*, Exhibit 1.29, *Targeted Affordable Housing Bond Credit Enhancement Mortgage Tax-Exempt Loans Full Underwriting Checklist*, Exhibit 1.30, *Targeted Affordable Housing Cash Mortgage Forward Commitment Full*

*Underwriting Checklist*, and Exhibit 1.32, *Targeted Affordable Housing Bond Credit Enhancement Mortgage Tax-Exempt Loan Forward Commitment Underwriting Checklist*, to reflect these changes.

### Middle Market Focus

We are replacing FRED with the Middle Market Focus. This increases the maximum initial principal balance of a Mortgage to \$20 million (\$25 million for Supplemental Mortgages) from \$15 million (\$20 million for Supplemental Mortgages). We are updating Sections 8.5(f), 9.2(e), 27.4(p), 41.4(c), 55.2, 60.12(g), 66.1, and Exhibit 1.1, *Conventional Underwriting Checklists*, to reflect these changes.

### Minimum Origination Fee

We are clarifying in Section 17.1(f) that buy-ups collected at no cost to the Borrower due to qualified Mortgage characteristics cannot be included in the required Minimum Origination Fee.

### Transition Reserves for Long-Term and Short-Term Section 8 contracts

Transition Reserves are generally required for a Short-Term Section 8 contract; however, Section 23.3 contains a list of conditions for a Long-Term Section 8 contract to be exempt from the requirement for a Transition Reserve. In the Bulletin, we are revising this list as follows:

- Adding that the guarantor must be approved by Freddie Mac
- Adding that the Property must be in good condition
- Removing specific requirements for the Borrower Principal's net worth and liquidity

Additionally, we are clarifying that all conditions provided in the two scenarios for release of the Transition Reserve must be met for Freddie Mac to release the Transition Reserve upon written request from the Borrower/Borrower Principal.

### Ground lease insurance provisions

We are updating Section 30.3(a) and (b) to make our requirements for ground leases consistent with the application of insurance and condemnation proceeds provisions of our Loan Agreement.

### Borrower Principal due diligence

We are updating Section 41.4 to reflect Borrower Principal due diligence requirements specifically in the Early Indication process, including the requirement that the Borrower Principal complete a standard certification. This certification ensures that we have a consistent and accurate Organizational Chart for the purpose of Know Your Customer.

### COVID-19 SBL Lenders' obligations

We are updating Sections 46SBL.4(c) and (e) to reflect the temporary COVID-19 related changes announced on March 30, 2020 as follows:

- For SBL Mortgages for which the Borrower participates in the COVID-19 forbearance, with respect to the SBL Repurchase Obligation, we are extending the Seller/Service's monetary default Delinquency Period from 60 to 120 days following the end of forbearance

- We are suspending the Lenders' monetary repurchase obligation during the forbearance period, with the monetary SBL Repurchase Obligation resuming at the end of the forbearance period
- The Seller/Servicer's Repurchase Period for Mortgages with COVID-19 forbearance will now be 12 months from the Origination Date of the SBL Mortgage plus the number of months for which the SBL Mortgage receives forbearance
- The Repurchase Period will be extending for six months if funds from the COVID-19 Debt Service Reserve, if applicable, are used to make any Required Loan Payment during the final three months of the Initial Repurchase Period

### Rent rolls

We are removing the requirements in Section 55.2 and Exhibit 1.1, *Conventional UW Checklist*, for the Excel<sup>®</sup> rent roll used by the appraiser on Mortgages where the UPB is over \$50 million.

We are updating Sections 55.2 and 55SBL.2 to clarify what must be included on the rent roll. Seller/Servicers must review the rent roll to ensure all required information is included prior to providing the rent roll to Freddie Mac.

### Letter Agreements

For Seller/Servicer ease of reference, we are updating the following forms to include the mailing address for sending the forms to Freddie Mac:

- Form 1057, *Letter Agreement for Servicer's Principal and Interest or P & I Disbursement Clearing Custodial Account*
- Form 1057A, *Letter Agreement for Securities Custodial Account for Tax-exempt Bond Transactions*
- Form 1058, *Letter Agreement for Servicer's Reserve Custodial Account*
- Form 1059, *Letter Agreement for Principal and Interest or P & I Disbursement Clearing Custodial Account*
- Form 1060, *Letter Agreement for Reserve Custodial Account*

We are also revising Sections 30.7, 39.4(d), 52.6(a) and 52.6(b) to refer to the address on the form itself. These changes will eliminate the need to consult the Guide Directory for the address to send the form to Freddie Mac.

### Housekeeping changes

#### Form 1106, *Green Assessment*

Two versions of Form 1106, *Green Assessment*, have been released since our previous Bulletin on February 28, 2020. v5.0 was released for use on April 8, 2020 and was replaced by v5.1, which was released for immediate use on May 12, 2020. The notable updates to the form include:

- Integration of the latest changes to the EPA Power Profiler, v9.0 for greenhouse gas calculations (v5.0)
- Allow for the entry of both seven- and eight-digit Portfolio Manager IDs (v5.0)
- Correction to the code issue that restricted insertion of certifying signatures (v5.1)

## Glossary

We are updating the Glossary to include some abbreviations used in the Guide.