
TO: Freddie Mac Multifamily Sellers and Servicers

September 18, 2014

SUBJECTS

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

- Revising our lender review, processing and consent fee requirements to conform to the evolution of the Servicing Standard set forth in the Loan Documents dated on and after July 1, 2014
- Providing requirements for the timely submission of loan servicing reports, including the Sales Data Update Template and the quarterly Reserves Reporting Template
- Revising our requirements for assessments and postpurchase reporting, including specifying additional reporting requirements for Special Product Type Mortgages
- Requiring Seller/Servicers to submit to Freddie Mac a completed current IRS Form W-8 or W-9, as applicable, to ensure compliance with the Foreign Account Tax Compliance Act
- Adding requirements for the application of principal and interest payments and Reserve funds collected from the Borrower on or before the Freddie Mac Funding Date
- Revising our provisions for Freddie Mac audits to indicate that we may audit a Servicer's servicing of Mortgages included in a Securitization
- Adding language regarding adherence to federal Anti-Money Laundering (AML) requirements
- Requiring Seller/Servicers to report Suspicious Activity (now defined in the Glossary) to Freddie Mac
- Requiring additional information to document evidence of fidelity and E&O insurance
- Revising our requirements regarding conflicts of interest
- Adding instructions for the use of the Geographical Waiver Request
- Updating the language regarding reliance on third-party reports
- Making miscellaneous forms changes

Effective dates

Changes announced by this Bulletin are effective immediately, except for the following:

- The changes to lender review, processing and consent fees apply to all Mortgages originated on Loan Agreements with revision dates on and after July 1, 2014.
- The provisions requiring Seller/Servicers subject to the AML provisions of the Bank Secrecy Act to notify Freddie Mac, as permitted by law, of instances of their noncompliance with AML requirements, and provisions requiring all Seller/Servicers to report Suspicious Activity to Freddie Mac, are effective October 1, 2014.
- The changes to our audit process involving Mortgages included in a Securitization go into effect January 1, 2015.

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

Lender Review, Processing and Consent Fees

We are revising the lender review, processing and consent fee provisions in the Guide to align with the Loan Documents with a revision date of July 1, 2014 or later (“July 1 Documents”). The changes include the removal of fee amounts from the Guide text in Chapters 39, 41, and 43. The fee amounts can now be found in Exhibit 10: Lender Review, Processing, and Consent Fees Schedule, which has been added to the Guide. Exhibit 10 is available on AllRegs.

We have revised the following sections to remove fee amounts, update fee names and otherwise align with the July 1 Documents: 39.4(b)(3), 39.4(e), 39.5(e), 39.6(b), 41.2(d), 41.4(a), 41.9(a), 41.9(c), 43.9(b), 43.10(b), 43.10(e), 43.11(a), 43.11(c), 43.12 and 43.15(a). We recommend that Servicers review Exhibit 10 to ensure that they understand the lender review, processing and consent fees that apply to each Mortgage originated on a Loan Agreement with a revision date prior to July 1, 2014, or on pre-Loan Agreement forms, and to each Mortgage originated on a Loan Agreement with a revision date on or after July 1, 2014.

Timely Submission of Loan Servicing Reports

We are now providing requirements in the Guide for the timely submission of the Sales Data Update Template and the Reserves Reporting Template. The monthly reporting due dates for the Sales Data Update Template are specified on the 2014 Due Date Calendar for Monthly Reporting and Remitting, which is available on FreddieMac.com.

The quarterly Reserves Reporting Template is due by close of business on the 15th day after the last day of the quarter. For example, the due dates for the remainder of 2014 are October 15, 2014 and January 15, 2015. If the 15th day after the last day of the quarter is not a Business Day, the Reserves Reporting Template is due by close of business on the Business Day preceding the 15th day after the last day of the quarter.

Both reporting templates can be found on FreddieMac.com and must be uploaded to the new Loan Servicing site within the Multifamily Document Management System (DMS).

Sections 52.14 and 54.13 have been added to the Guide to reflect these requirements. We have also revised Section 43.25 to remove references to the Sales Data Update Template.

Assessments and Postpurchase Reporting

We are revising our requirements for assessments and postpurchase reporting to

- Provide additional requirements for the property financial statements submitted with the Quarterly Income and Expense Assessment (QIE), and
- To specify additional reporting requirements for Special Product Type Mortgages, currently defined as Value-Add Mortgages and Mortgages that are designated as unstabilized by Freddie Mac in the Property Reporting System (PRS)

To reflect these changes, described further below, Sections 40.15, 40.15(b) and 40.15(c) have been added and Sections 40.1(c), 40.2(a), 40.2(b), 40.4(b) and 40.4(c) have been revised. The Value-Add Loan Monitoring Report, which is to be included in the QIE submission for Value-Add Mortgages, is available on the Asset Management page of FreddieMac.com.

QIE Submissions

The QIE submission must now include the following:

- A year-to-date or a trailing 12-month, quarter-ending property financial statement certified by the Borrower, for a Mortgage with a Freddie Mac Funding Date prior to March 1, 2014
- A trailing 12-month property financial statement certified by the Borrower, for a Mortgage with a Freddie Mac Funding Date after March 1, 2014

Value-Add Mortgages

For Value-Add Mortgages, the Servicer must now submit:

- An Annual Income and Expense Assessment (AIE) on March 31 submitted through PRS
- The Detailed QIE instead of the Abbreviated QIE
- With all QIE and AIE submissions, a Borrower Quarterly Certification Value-Add Transaction (included in the original loan documentation) executed by the Borrower, to confirm Borrower compliance with Value-Add requirements
- With all QIE and AIE submissions, a Value-Add Loan Monitoring Report and relevant attachments, to describe the progress made against the Value-Add Schedule of Work that was included in the final loan package and to provide the Servicer's opinion regarding whether the Value-Add requirements are being met

The Detailed QIE, the Borrower Quarterly Certification and the Value-Add Loan Monitoring Report must be submitted to Freddie Mac by May 31, August 31 and November 30 each year. The first quarter reports due by May 31 must be submitted through Multifamily DMS; second and third quarter reports due by August 31 and November 30 must be submitted through PRS. All quarterly reporting must reflect trailing 12-month financial statements.

With respect to the Freddie Mac Annual Inspection Form (AIF) for Value-Add Mortgages, the Servicer must address the status of each Value-Add component described in the Value-Add Schedule of Work that was included in the final loan package.

Mortgages Securing Properties Designated as Unstabilized by Freddie Mac

For Mortgages Freddie Mac has designated as unstabilized in PRS, the Servicer must:

- Use the Detailed QIE instead of the Abbreviated QIE
- Submit the unstabilized Excel form included as part of the AIE and Detailed QIE templates, completing all required fields

Submission of a first quarter QIE is not required. The Servicer must submit the Detailed QIE for second and third quarter reporting to Freddie Mac through PRS by August 31 and November 30 of each year.

Foreign Account Tax Compliance Act

To comply with the Foreign Account Tax Compliance Act (FATCA), all Seller/Servicers establishing new wire transfer instructions with Freddie Mac and any existing Seller/Servicer requesting a change to existing wire instructions must provide Freddie Mac with an executed IRS Form W-9 (U.S. Individuals/Entities) or IRS Form W-8 (Non-U.S. Individuals/Entities), as applicable, when submitting Wire Transfer Authorization – Form 483M. To comply with FATCA, the Seller/Servicer must use the most recently published versions of the W-9 or W-8.

Signed originals or copies of IRS Form W-9 or W-10 are acceptable. The Seller/Servicer must submit the forms to the *Multifamily Cash Desk*. The Cash Desk will retain these forms on file for future transactions.

Seller/Servicers who have previously established wire transfer instructions and do not currently expect to make any wire instruction changes have until December 31, 2014 to provide Freddie Mac with an original or a copy of an executed up-to-date Form W-9 or Form W-8. Freddie Mac will send a reminder email as the deadline approaches.

These changes can be found in Section 32.12(b) and on the Wire Transfer Authorization – Form 483M.

Application of Funds Collected from the Borrower to Custodial Accounts

We have revised the Guide to require any unapplied principal and interest payments and all Reserve funds collected from the Borrower on or prior to the Freddie Mac Funding Date to be deposited into the applicable Custodial Accounts no later than two Business Days after the Freddie Mac Funding Date. We have added Section 52.7(c) to reflect this change.

Freddie Mac Audit of Seller/Servicers' Servicing of Mortgages Included in a Securitization

Beginning in 2015, Freddie Mac is expanding its audit process to include the audit of Seller/Servicer's Servicing activities relating to Mortgages included in a Securitization. Freddie Mac will verify the Seller/Servicer's compliance with the terms and conditions of applicable Pooling and Servicing Agreements (PSAs) as well as with the terms and conditions of the Purchase and Servicing Documents. These changes can be found in Section 2.7.

Compliance with Anti-Money Laundering Programs and the Reporting of Suspicious Activity

We are revising the Guide to require that a Seller/Servicer specifically represent and warrant its compliance with:

- The foreign assets control regulations, 31 C.F.R. Chapter V, as amended, and any authorizing legislation or executive order relating thereto, as administered by the Office of Foreign Assets Control (OFAC) within the United States Department of the Treasury (collectively "OFAC Regulations")
- The Bank Secrecy Act, the Money Laundering Control Act and Title III of the USA PATRIOT Act and applicable implementing federal regulations

Thus, Seller/Servicers who are subject to the anti-money laundering provisions of the Bank Secrecy Act must establish and maintain an effective program to ensure compliance with all applicable provisions of the Bank Secrecy Act and implementing federal regulations. Seller/Servicers must notify Freddie Mac, as permitted by law, of any confirmed instances of non-compliance or compliance failure related to the requirements of the Bank Secrecy Act, the Money Laundering Control Act, or Title III of the USA Patriot Act.

In addition, Freddie Mac now requires all Seller/Servicers, including those not subject to the anti-money laundering provisions of the Bank Secrecy Act, to develop internal controls, policies and procedures designed to detect Suspicious Activity related to a Mortgage, and report such Suspicious Activity to Freddie Mac. Seller/Servicers must also cooperate with Freddie Mac to prevent and investigate Suspicious Activity, where permitted by law. We are defining "Suspicious Activity" in the Guide Glossary. We are also adding language to clarify our guidelines on sharing information about a Financial Crimes Enforcement Network Suspicious Activity Report (SAR), to avoid disclosures that are prohibited by law.

We have added Section 2.22 and have revised Sections 2.19, 5.6(a), 7.2(a), 7.2(c) and 7.3 to reflect these changes. We have added the definition of Suspicious Activity to the Glossary. The title of Chapter 7 has also been revised to indicate that it contains requirements for the reporting of Suspicious Activity.

Documentation of Fidelity and E&O Insurance

Freddie Mac is now requiring that the documentation for evidence of fidelity and E&O insurance include two additional pieces of information:

- Entity covered by the insurance policy
- The name of the loss payee

This change can be found in Section 3.15(d).

Conflicts of Interest

In Section 9.2(a) we are revising our requirements to state that the Seller must notify Freddie Mac at the time the Seller delivers the underwriting package if the Seller owns a direct or indirect interest in the Property or the Borrower. The Seller must disclose in writing the nature and extent of the ownership interest.

In addition, we have revised Section 36.18 to require that a Seller/Servicer immediately provide written notice to Freddie Mac when the Servicer becomes or intends to become the owner of a direct or indirect interest in the Property or the Borrower. Freddie Mac may require that the Servicer repurchase a Mortgage or transfer the Servicing of a Mortgage if Freddie Mac determines that its ownership interest in the Property or the Borrower is likely to result in inadequate Servicing of the Mortgage.

In both cases we have clarified that “Seller/Servicer” includes its employees, officers and directors. We have also clarified that the term “a direct or indirect interest in the Property or the Borrower” includes a lien on the Property, or a security interest, preferred equity interest or participation interest in the Borrower.

Geographical Waiver Request

We are adding to the Guide instructions for the use of the Geographical Waiver Request form, which may be used in the following instances:

- To seek approval for a one-time geographical waiver request
- If a branch production office’s selling approval is suspended or terminated, to seek approval for another branch production office to complete the full underwriting package

The Seller must complete the request, available on FreddieMac.com, and submit it to the Managing Regional Director of the *Applicable Freddie Mac Multifamily Regional Office* serving the proposed geographic area.

Sections 3.2 and 4.10(c) have been revised to reflect this change.

Reliance Language for Third Party Reports

We are updating the reliance language in Section 11.4 so that it is consistent with the reliance language applicable to other third party reports such as appraisals, environmental reports and property condition reports.

Miscellaneous Form Changes

Sections 17.23(b), 17.23(c), 20.14(b), 32.12(b), 33.4, 39.6(a), 40.15(a), 43.10(e), 43.11(a), 43.11(b), 43.11(c), 43.14(b) and 55.3 have been revised to accommodate the following forms changes.

Guide Forms Update

- In addition to the changes made to accommodate FATCA, we have changed the title of the Form 483M to the Wire Transfer Authorization.
- We are removing from the Guide the Satisfactory Completion Certificate – Form 442, since this form is no longer in use.

The updated Wire Transfer Authorization form is available on AllRegs and on FreddieMac.com.

Non-Guide Forms Update

We are changing the name of the following non-Guide forms that are referenced in the Guide:

- Multifamily Portfolio Services Property Partial Release Form to the Property Partial Release Request
- Multifamily Portfolio Services Easement Form to the Easement Request
- Multifamily Portfolio Services Collateral Release/Extension Form to the Release/Extension of Monetary Collateral Request
- Conflicts Check Form to the TAH Bond Credit Enhancement Mortgage Transaction Parties and Details