



Bulletin

NUMBER: M2017-7

TO: Freddie Mac Multifamily Sellers and Servicers

October 12, 2017

SUBJECTS

With this Bulletin for the Multifamily Seller/Servicer Guide (Guide), Freddie Mac is:

- Adding the Freddie Mac Multifamily Green Advantage[®] suite of offerings to the Guide.
- Eliminating the early rate-lock delivery option for SBL Mortgages.
- Updating Forms 1115 and 1115-SBL so that Borrowers, Borrower Principals and Non-U.S. Equity Holders will no longer be required to indicate whether they are listed on the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) Specially Designated Nationals List. Note that removal of these questions does not change the obligations, representations or warranties of those individuals or entities.
- Updating our requirements for notification and reporting of casualty and natural disaster losses.
- Revising requirements for the submission of the preliminary legal issues memorandum (PLIM) for Special Servicing Requests.
- Updating property inspection requirements for SBL Mortgages.
- Revising requirements for monitoring ongoing Property Improvement Alterations.
- Revising our requirements for a waiver of insurance requirements.

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, with the exception of the text of Chapters 24 and 65, which will be published in black. If you have any questions about this Bulletin, please call your Freddie Mac representative.

Sincerely,

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Green Advantage[®]

We are adding the Green Advantage suite of offerings to the Guide, which consists of the following:

- A new Chapter 24 containing a description of the Green Advantage offerings, which include Green Up[®], Green Up Plus[®], Green Certified, Green Rebate and C-PACE Consent
- A new Chapter 65 containing the requirements for the Green Assessment[®] and the Green Assessment Plus[®] reports (collectively, the Green Reports)
- Revisions to Section 39.4(a) containing the additional requirements for the monitoring of Green Improvements, which are Property improvements for energy and water conservation identified for a Green Up or Green Up Plus loan option
- A new Section 39.10 describing the Benchmarking Metrics that the Borrower must report if the Borrower has committed to the Green Up or the Green Up Plus loan option

As a result of the addition of Chapter 65: Green Report Requirements, we are moving the existing third-party reports chapters to a new series of Chapters, as follows:

- Chapter 60: Appraiser and Appraisal Requirements (formerly Chapter 12)
- Chapter 61: Environmental Requirements (formerly Chapter 13)
- Chapter 62: Property Condition Requirements (formerly Chapter 14)
- Chapter 62SBL: SBL Physical Risk Report Requirements (formerly Chapter 14SBL)
- Chapter 63: Construction Reports
- Chapter 64: Seismic Risk Assessment Requirements
- Chapter 64SBL: SBL Seismic Risk Assessment Requirements

Throughout the Guide, all references to Chapters 12-16SBL have been renumbered to Chapters 60-64SBL. All underwriting checklists have also been revised to reflect the renumbering scheme.

We're also adding Form 1106, Green Report, which must be used for the submission of Green Assessment or a Green Assessment Plus.

Eliminating the Early Rate-Lock Delivery Option for SBL Mortgages

Effective as of October 12, 2017, Freddie Mac will no longer offer the early rate-lock delivery option for SBL Mortgages. We have updated Chapter 18SBL to reflect that for SBL Mortgages, Freddie Mac offers only the standard delivery option in which the SBL Mortgage terms, conditions and interest rate are fixed after receipt and approval of the full underwriting package.

In support of this change, we have:

- Removed the provisions related to the early rate-lock delivery path in Sections 18SBL.10 through 18SBL.23. These Sections are now marked as Reserved for future use.
- Updated Exhibit 1 Section 1.2 Small Balance Loan Checklist, available on FreddieMac.com.
- Removed references to an SBL early rate-lock delivery path or an SBL preliminary underwriting package in Sections 6SBL.6, 6SBL.10, 6SBL.13(b), 8SBL.15(a), 8SBL.15(b), 8SBL.15(c), 8SBL.17, 8SBL.18(a), 9SBL.2(a), 9SBL.7, 18SBL.1(e), 18SBL.2, 18SBL.6(a), 18SBL.24, 18SBL.25, 27.2, 27.3(m), 55SBL.2, 62SBL.1, 64SBL.2(c) and 64SBL.5.

Removing OFAC-related Questions from the Forms 1115 and 1115-SBL

We will no longer require the Forms 1115 and 1115-SBL to collect information as to whether the Borrower, Borrower Principal or Non-U.S. Equity Holder is listed on the OFAC Specially Designated Nationals list. The Forms have been revised to remove the OFAC-related questions. The changes to the Forms 1115 and 1115-SBL do not affect any of the Seller or Servicer's existing requirements set forth in the Guide related to OFAC compliance.

Notification and Reporting of Casualty and Natural Disaster Losses

We are updating our requirements in Section 43.8 to specify that Part I of Form 1140, Hazard Loss Notification, must be used to notify Freddie Mac within 14 calendar days (as opposed to the former requirement of seven calendar days) after the Servicer learns that a Property loss or damage has occurred, if the following conditions are met:

- There has been an event of default under the Loan Documents
- Death or serious injury has resulted from the event
- The Mortgage was originated as a held-for-sale asset, but has not yet been securitized
- The Mortgage is an SBL Mortgage and the estimated loss is greater than \$25,000
- The Mortgage is a non-SBL Mortgage and the estimated loss is greater than \$50,000

If the above conditions are met, the Servicer must submit Part I of Form 1140 to Freddie Mac via the Document Management System (DMS).

In addition to the conditions already specified in the Guide, Freddie Mac approval of the Borrower's restoration plans is required when:

- The estimated loss amount is greater than \$500,000 or 10 percent of outstanding UPB
- The Mortgage has not been securitized, has a Risk Rating greater than six and the estimated loss is greater than \$50,000
- The Borrower's insurance coverage is insufficient to cover the loss to the Property or loss of rents/business income and the estimated loss amount is greater than \$50,000

If Freddie Mac approval of the Borrower's restoration plans is not required, then the Servicer must provide Form 1140 Part I – Update within 90 calendar days after the Servicer initially notified Freddie Mac of the loss, or earlier at Freddie Mac's request.

These changes can be found in Section 43.8(a). In support of these changes, we are revising Form 1140, Hazard Loss Notification and Plan.

We are also revising Section 43.8(f): Notice of completion of restoration of the Property. If the Servicer decides to require written confirmation of completion from the Borrower, this requirement may be met with the submission of the Freddie Mac Multifamily Completion of Restoration Certificate, executed by the Borrower.

Submitting a PLIM for a Special Servicing Request

We are revising Sections 6.4(a) and 6SBL.7 to indicate that a PLIM does not need to be submitted for all Special Servicing Requests; instead, a PLIM is only required for certain Special Servicing Requests as specified in the applicable provisions concerning the Servicing Request.

Seller/Servicers must continue submitting a PLIM for all Transfers of Ownership, and for non-SBL Mortgages, with the underwriting package.

Property inspections for SBL Mortgages

We are revising our requirements for conducting SBL property inspections. The Seller must inspect

- A representative sample of all units, with no few than two units and no more than five units, preferably selected by the inspector
- All Down Units
- All commercial units
- A representative sample of vacant units, occupied units, unit types and floor level units, including top floor and bottom floor units

These changes can be found in Section 8SBL.15(b).

Property Improvement Alterations

Currently, Section 43.23(b) requires the Servicer to obtain and review the rent roll on a monthly basis while Property Improvement Alterations are taking place. We are now requiring the Servicer to obtain and review the rent roll only on a quarterly basis.

Waiver of Insurance Requirements

When a Servicer requests a waiver of insurance requirements, Freddie Mac will no longer require the request to be accompanied by a certificate executed by a Chief Servicing Officer. However, for any other type of waiver or requested adjustment to the Loan Documents, the Servicer must submit both a General Servicing Request and a certificate executed by a Chief Servicing Officer.

These changes can be found in Section 43.14(c).