

Bulletin

NUMBER: M2024-5

TO: Freddie Mac Multifamily Sellers and Servicers

October 17, 2024



SUBJECTS

In the October 17, 2024 Guide Bulletin, we are updating the Guide as follows:

Title Companies

- Updating and clarifying certain requirements regarding [Title Companies](#)

Seller/Servicer financial eligibility

- Revising the definition of [Liquid Assets](#) for the purposes of Seller/Servicer eligibility in Section 3.3(a)

Servicing

- Updating our [property management](#) requirements
- Updating our [Servicing repair and inspection](#) requirements

Additional Guide updates and housekeeping items

- Reminding Seller/Servicers of our recent [Public Records Search Requirements](#) updates
- Clarifying our [permitted Mortgage amount](#) requirements for acquisition financing and certain refinances
- Clarifying our [Key Borrower Principal due diligence](#) requirements
- Clarifying our [Real Estate Schedule verification applicability](#) requirements
- Clarifying our [Housing Assistance Payments \(HAP\) contract due diligence](#) requirements
- Updating the [SBL Dynamic Underwriting Checklist](#)
- Updating our [Guide Resources](#)

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 October 17, 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 October 17, 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,

Ian Ouwerkerk

Senior Vice President

Multifamily Underwriting and Credit



Erlita Shively
Vice President
Multifamily Counterparty Risk Management



Title Companies

We are updating and clarifying our requirements as follows:

- We are clarifying the provision regarding selection of Title Companies and information about a Title Company's placement on our Restricted Vendor List.
- As announced in the [August 15, 2024 Bulletin](#), we require the use of a Title Insurance Underwriter on acquisition loans for all escrow and settlement functions for both the Mortgage transaction and the acquisition of the Property. We are clarifying that either an affiliate under identical ownership or a wholly-owned subsidiary of the Title Insurance Underwriter may be used.
- We are additionally clarifying that the title insurance requirements for acquisition loans apply to Mortgage originations, which includes Supplemental Mortgages made in connection with any acquisition of the related Property and the assumption of the related senior Mortgage(s).
- For acquisition Mortgage origination transactions, if the law of the jurisdiction in which the Property is located prohibits the use of anyone other than a licensed attorney for escrow and/or settlement functions, and the Seller/Servicer, Seller/Servicer's counsel or Single Counsel has confirmed that the Title Insurance Underwriter or its wholly-owned subsidiary or affiliate under identical ownership does not have a licensed attorney on staff in such jurisdiction who can fulfill this requirement, the Seller/Servicer's counsel or Single Counsel, as applicable, must notify the applicable Freddie Mac transactional attorney prior to the Seller/Servicer's submission of the full underwriting package.
- Finally, we are updating Section 29SBL.1 to clarify that the cross reference to reinsurance and coinsurance in Section 29.1 is intended to apply to a pool of SBL Mortgages, as Freddie Mac does not expect that any single SBL Mortgage will require reinsurance and/or coinsurance.

We are updating Sections 29.1 and 29SBL.1 to reflect these changes.

Seller/Servicer financial eligibility

We are revising the definition of Liquid Assets for the purposes of Seller/Servicer eligibility in Section 3.3(a) only (not for Guarantors or any other purposes) to align with industry practice. The new definition is as follows:

Cash and cash equivalents, Treasury bills, money market investments or certificates of deposit with maturities of one year or less, or allowable marketable securities which include short-term, investment-grade securities either held for sale or trading, such as agency mortgage-backed securities, obligations from Government Sponsored Enterprises, and Treasury obligations.

The revised Liquid Assets definition will be effective for financial reporting for the period ending **June 30, 2025**.

We are updating Section 3.3 and the Glossary to reflect this change.

Servicing

Property management

We are updating the property management requirements in Section 43.19 to:



- Address sub-managers in addition to proposed property managers
- Clarify that for each proposed property management company and/or proposed sub-management company, the Servicer must certify that it has performed applicable searches in accordance with Section 2.18, 2.23, 2.24 and 9.3

We are additionally updating the [Property Management Change Request Form](#) and [Property Management Change Certification](#) to reflect these changes.

Servicing repairs and inspections

SBL Mortgages

We are updating our requirements for SBL Mortgages as follows:

- Adding criteria for Servicer delegated approvals of repair agreement extensions
- To recognize the smaller unit totals in some SBL Properties, we are adjusting our unit inspection requirements for Properties with 50 units or less
- Clarifying that annual inspections may be required on SBL Mortgages if the Property has an outstanding Hazard Loss, or the prior year inspection resulted in property condition issues for which the Borrower hasn't provided updates
- Require a [Notice of Default and Reservation of Rights \(SBL\)](#) form be issued upon an inspection rating of 4 or 5 in addition to triggering collection of deferred reserves for an SBL Mortgage originated on a Loan Agreement form with a revision date prior to 07-31-2024

We are updating Sections 39.4(b), 40.2(b), 40.7(a) and 40.7(d) to reflect these changes.

Priority Repairs, Life Safety Hazards

We are updating the Guide to require that:

- Any item listed as a PR-90 Repair that has not been completed must be classified as an Imminent Life Safety
- Any item listed as a Priority Repair that has not been completed must be classified as Potential Life Safety Hazard on the inspection unless it is the cause of ongoing substantive damage to the asset, in which case it must be classified as an Imminent Life Safety Hazard

We are updating Section 40.7(d) to reflect these changes.

Additional Guide updates, reminders and housekeeping items

Public Records Search Requirements

As announced on [August 28, 2024](#), we updated the [Public Records Search Requirements](#). Ensure that you have reviewed the announcement and are referring to the updated document for our current Public Records Search Requirements.



Permitted Mortgage amount – Acquisition financing and certain refinances

We are updating Section 10.18(c) to clarify that allocation to intangible assets in connection with an acquisition of the Property is permitted if the final loan amount, as reflected on the final settlement statement, doesn't exceed 90% of the real property allocation.

We are also updating Section 10.18 to cross-reference the requirements for settlement statement content regarding closing costs in Section 32.3; and updating Section 32.3 to cross-reference the requirements for total acquisition costs, permitted closing costs and allocations for intangibles in Section 10.18.

Key Borrower Principal due diligence

We are updating Section 9.2(d) to clarify that only Key Borrower Principals who are expressly identified in the applicable Guide sections may be subject to enhanced due diligence requirements.

Real Estate Schedule verification applicability

We are updating Section 11.6(a) to clarify that [Form 1116, Real Estate Schedule](#), verification is not applicable to U.S. Public Companies or Governmental Entities that are First-Time Sponsors or Limited Multifamily Experience Sponsors.

Housing Assistance Payments (HAP) contract due diligence

We are updating Section 55SBL.2 and the [SBL Dynamic Underwriting Checklist](#) to clarify that deals with HAP contracts are not permitted in SBL.

SBL Dynamic Underwriting Checklist

We are updating the [SBL Dynamic Underwriting Checklist](#) for better Guide alignment and to improve the user experience.

Guide resources

We are updating the [Guide Topic Resource](#) to include our products as well as links to Optigo Academy trainings. We are also updating the [AllRegs User Guide](#) to reflect recent changes. You can find all our Guide resources on this recently updated page on AllRegs.