

Bulletin

NUMBER: M2021-5

TO: Freddie Mac Multifamily Sellers and Servicers

October 21, 2021

SUBJECTS

In the October 21, 2021 Guide Bulletin, we are updating the Guide as follows:

Seller/Servicer and vendor risk mitigation

- Updating certain [Seller/Servicer and vendor risk mitigation](#) requirements

Targeted Affordable Housing (TAH) Mortgages

- Updating several [TAH Mortgage](#) requirements

Manufactured Housing Community (MHC) Mortgages

- Requiring [MHC Tenant Protections](#) on all MHC Mortgages, unless MHROC, government-owned, or non-profit-owned

Reporting IRS Form 1099-A and 1099-C filings

- Updating our requirements for reporting [IRS Form 1099-A and 1099-C filings](#)

Form 1107M, Multifamily Seller/Servicer Change Notification

- Updating the Guide to require all completed [Form 1107Ms](#) be submitted to us via email

EFFECTIVE DATES

All revisions announced by this Bulletin are effective immediately.

GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, access the Guide Updates Spreadsheet for this Bulletin posted at <https://mf.freddiemac.com/lenders/guide/bulletins.html>.

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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Seller/Servicer and vendor risk mitigation

After analysis and review of industry best practices, we are updating requirements related to Seller/Servicer risk mitigation, including those related to Seller/Servicer vendors. These changes aim to enhance the requirements and provide greater specificity.

The revisions include, but are not limited to:

- Enhancing the minimum information security requirements in Section 2.26 for Seller/Servicers and adding that its vendors that have the potential to create information security risk or compliance risk for Freddie Mac (“Material Vendors”), must maintain the same minimum standards
- Enhancing the minimum Seller/Servicer Security Breach and Business Disruption notification requirements
- Specifying Freddie Mac’s remedies in the event of breach by a Seller/Servicer
- Adding Glossary definitions for “Change of Control,” “Material Vendor,” “Senior Management” and updating the Glossary to include terms defined within Sections 2.20 and 2.26

Additionally, we are revising Section 3.8 to change the required notifications and time frames to Freddie Mac when certain changes to the Seller/Servicer’s organization or status are going to or have occurred, including:

Change	Previous notification to Freddie Mac	New notification to Freddie Mac
A major change in ownership or organization including, but not limited to, mergers, consolidations and/or Change of Control	At least 45 days before the change	At least 60 days before the change
Changes in name, address, banking relationships and d/b/a names	At least five Business Days before the effective date of the change	At least 14 days before the effective date of the change

We are also requiring Seller/Servicers to notify us at least 14 days prior to the effective date of any contract between the Seller/Servicer and a vendor that will have or is reasonably likely to have a Material Adverse Effect.

We are updating Sections 2.14(e), 2.20, 2.26, 3.8, 47.1(a) and the Glossary to reflect these changes.

TAH Mortgages

We are updating our TAH Mortgage requirements as follows:

- For TAH Tax-Exempt Loans (TELs) and Bond Credit Enhancement Mortgages with subordinate debt, we are adding the requirement that if interest compounds on soft subordinate debt, it must compound at a rate equal to or less than the current [Applicable Federal Rate](#)
- For TAH Cash Preservation Rehabilitation Mortgages with Low-Income Housing Tax Credit (LIHTC), we are adjusting the additional collateral needed until stabilization to fund any gap between the level of debt the Property is able to support based on its current Net Operating Income (NOI) and the Mortgage amount supported by the post-rehabilitation NOI. The amount of the additional collateral is now sized as the difference between the UPB supported by the “as-stabilized” NOI and the UPB supported by the “as-is” NOI.

- For TAH Cash, TEL and Bond Credit Enhancement Mortgages originated under Forward Commitments, we are:
 - Removing the standard review option for Freddie Mac’s review of construction documentation. All construction documentation reviews are now completed following the previously in place requirements for expedited reviews and must meet all requirements previously in place for expedited reviews in Chapters 19A, 25A or 28A. However, as there is now only one review option, we are updating the Guide to no longer refer to it as an “expedited” review.
 - Updating the requirements for an extension of the Forward Commitment, including the charge of a fee for the first extension and the requirement for a new appraisal if the Forward Commitment Maturity Date has been extended for a total of 12 months

We are updating Sections 3.13, 19.2(e), 19A.1(d), 19A.4, 19A.13(b), 25.2(e), 25A.1(e), 25A.4, 25A.12(b), 28.2(e), 28A.1(e), 28A.4, 28A.12(b), 55.2, 63.3(c), and Exhibits 1.30 and 1.32 to reflect these changes.

MHC Mortgages

We are updating the Guide to require that all MHC Mortgages include MHC Tenant Protections, unless MHROC, government-owned, or non-profit-owned. All new MHC deals quoted on or after September 1, 2021 must include MHC Tenant Protections, as defined by the Federal Housing Finance Agency’s Duty to Serve program.

We are updating Sections 22.1(a), 22.2(p), 22.12, 55.2, and Exhibit 1.1, *Conventional Underwriting Checklist*, to reflect these changes.

IRS Form 1099-A and 1099-C reporting

We are updating our requirements for reporting IRS Form 1099-A and 1099-C filings to clarify that for the Payer’s TIN field, the trust’s TIN should be used for securitized loans. Additionally, we are updating Form 1065M, *Report of IRS Form 1099-A and 1099-C Filings*, to add a field for the IRS assigned Transmitter Control Code (“TCC”), remove outdated information and adjust the Freddie Mac address for where the form should be submitted.

Sections 43.3(a), 54.5(c) and (d) and Form 1065M are being updated to reflect this change.

Form 1107M, Multifamily Seller/Service Change Notification

We are updating Section 3.9 to require Seller/Service to send all completed Form 1107M organizational changes (as required in Section 3.8) to us via email at Multifamily_Eligibility@FreddieMac.com.