

# Bulletin

NUMBER: M2024-6

TO: Freddie Mac Multifamily Sellers and Servicers  
December 12, 2024



## SUBJECTS

In the December 12, 2024 Guide Bulletin, we are updating the Guide as follows:

### **Seller/Servicer representations and warranties and fraud reporting and screening clarifications**

- Adding a Guide section regarding determination of materiality for the purpose of Seller/Servicer [representation and warranties and clarifying certain fraud reporting and screening](#) requirements

### **Information security and business continuity**

- Updating our [information security and business continuity](#) requirements

### **Operational and other repairs**

- Updating our [operational and other repair category](#) requirements

### **Properties affected by natural disasters**

- Incorporating due diligence requirements for [Properties affected by natural disasters](#) into the Guide

### **Additional Guide updates and housekeeping items**

- Clarifying certain [Borrower](#) requirements
- Revising [Form 1112, Borrower and Key Borrower Principal Blanket Certification](#)
- Clarifying certain [Small Balance Loan \(SBL\)](#) requirements
- Updating our [Ground Lease appraisal](#) requirements
- Revising certain [system administrator](#) requirements

## 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 December 12, 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 December 12, 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



## **Seller/Service representation and warranties – determination of materiality and fraud reporting and screening clarifications**

We are updating the Guide to add new Section 5.18, which states that Freddie Mac will have sole discretion in determining the materiality of any Seller/Service representation and warranty, including those in certifications, forms, commitments, or other documents.

We are additionally clarifying certain requirements in Chapter 2, including those regarding fraud reporting and Freddie Mac Exclusionary List screening.

We are updating Sections 2.1, 2.7(b), 2.18, 2.19(c) and 2.22 and the Directory to reflect these changes.

## **Information security and business continuity**

### **Effective April 1, 2025**

To provide Seller/Service with sufficient time to incorporate these requirements into their processes, we are including in this Guide Bulletin the information about our updated information security requirements regarding the following, to be effective April 1, 2025:

- Data transmission and data loss prevention
- Vulnerability management and penetration testing
- Data Encryption
- Incident management
- Granting, removing and reviewing access
- Authentication requirements and guidelines
- Cloud computing
- Security Incident notification requirements
  - Seller/Service will be required to report incidents to us by completing the [Freddie Mac Incident Intake Form](#)
  - If the Seller/Service is unable to access the form, notification may be done via email at [Information\\_Security@freddiemac.com](mailto:Information_Security@freddiemac.com), [Privacy\\_Incident\\_Management@freddiemac.com](mailto:Privacy_Incident_Management@freddiemac.com) and [MF\\_Data\\_Security\\_and\\_Privacy@freddiemac.com](mailto:MF_Data_Security_and_Privacy@freddiemac.com) (ensure to include all email addresses) or by calling (571) 382-3333

Additionally, the updated requirements will include the following:

- Requirement for Business Continuity Plan training
- Addition of document retention and destruction requirements
- Addition of requirements for the use of artificial intelligence and machine learning

We are updating Sections 2.20 and 2.26 and the Glossary and adding Sections 2.29 and 2.30 to reflect these requirements for implementation in April 2025.



Additionally, we are updating the [Information Security Best Practices](#) manual to assist Seller/Service providers and its vendors in understanding our information security requirements.

## Operational and other repair category updates

### *Operational Repairs and revised repair definitions*

We are updating the Guide to enhance repair category definitions and their application, including removing the category of Operational Repairs. Seller/Service providers will need to work with the consultants who prepare the Property Condition Reports and Physical Risk Reports to incorporate the revised repair definitions.

We are updating Sections 8.17, 8SBL.17, 19.2, 62.1- 62.4, 62.6, 62SBL.1- 62SBL.4, 66.1, 66.2, Glossary, [Form 1104, SBL Physical Risk Report](#), [Form 1105, Property Condition Assessment](#), and [Form 1108, Physical Risk Report](#), to reflect these changes.

For continuation of business through the end of the year, all loans with a property condition report or physical risk report completed by December 31, 2024 may use the versions of the forms in effect prior to this update.

### *Priority Repairs and Borrower remediation plans*

For loans taken under Seller Application after December 31, 2024, if there is either a high dollar amount of Priority Repairs (the greater of 100 bps of the loan amount or \$200,000; \$75,000 for Small Balance Loan transactions) or certain types of Priority Repairs categorized as potentially impacting habitability (material repairs related to structure, moisture/mold, or major building systems), a remediation plan will be required outlining the steps that the Borrower will take to address the Priority Repairs. Guidance for completing the remediation plan is available at Guidance – [Priority Repair Remediation Plan](#).

We are updating Sections 8.17 and 8SBL.17 to reflect these changes.

## Properties affected by natural disasters

We are creating new Section 11.8 to outline the due diligence procedures for Properties affected by significant natural disasters.

1. For Conventional, Seniors, Targeted Affordable Housing (TAH), Structured & Facility Mortgages in the quote stage, and Small Balance Loans (SBL) under Seller Application that are in process when a natural disaster occurs:
  - If the property condition consultant's inspection takes place after the disaster, no further action is required
  - If the inspection occurred before the disaster:
    - The Seller/Service provider must include the [Borrower Certification of Weather-Related Event](#) in the underwriting package, specifically addressing any property impact
    - Freddie Mac may request additional information or further inspections at its discretion
2. For Mortgage loans in process during a natural disaster that could impact the property condition (including those with an underwriting package delivered to Freddie Mac, awaiting Index Lock, under a Letter of Commitment or Early Rate Lock Application, or prior to Freddie Mac's purchase), Seller/Service providers must:



- Submit the [Borrower Certification of Weather-Related Event](#), detailing any property impact
  - Provide written confirmation of sufficient property damage coverage, including All-Risk, Business Income/Rental Value Insurance, and any other applicable coverage
  - For acquisition Mortgages, confirm no changes to the Purchase and Sale Agreement. If changes exist, submit the revised agreement and updated analysis.
3. For loans committed to Freddie Mac but not yet purchased, Seller/Serviceicers must report any affected Properties to the [Surveillance – Compliance Team](#) with damage updates as they become available. Seller/Serviceicers should also coordinate with the *Multifamily Purchase* Team, as loan funding may be delayed for damage assessments.

## Additional Guide updates and housekeeping items

### Borrower requirements

We are updating our Borrower requirements to:

- Permit a Tennessee obligated member entity as an acceptable type of Borrower in limited circumstances and subject to additional requirements
- Clarify that for any Mortgage with a Guarantor, at least one Guarantor must have Control of the Borrower, unless previously disclosed to and approved by Freddie Mac
- Revise our requirements to clarify that the Key Borrower Principal must have had a similar Key Borrower Principal role in a prior multifamily transaction within the past 10 years in order not to be considered a First-Time Sponsor
- Remove all outdated references to Borrowers that are individuals. We are confirming that Borrowers must be entities.

We are additionally updating certain SBL Key Borrower Principal requirements (see section [below](#)).

We are updating Sections 9.2(a) and (d), 9SBL.2(a), 41.4(a), 41SBL.4(d), 55.2, 55SBL.2, Glossary, [Interactive Conventional and TAH Cash Underwriting Checklist](#) and [SBL Dynamic Underwriting Checklist](#), to reflect these changes.

### Borrower and Key Borrower Principal Blanket Certification

We are revising [Form 1112, Borrower and Key Borrower Principal Blanket Certification](#), to allow an attachment to the form if there is insufficient space to list out all documents being certified. Each attachment should be clearly labeled and referenced within the form.



## SBL requirements

### *Key Borrower Principals*

We are updating Section 9SBL.2(c) to clarify that Key Borrower Principals that directly or indirectly control an entity Borrower must either be a United States entity, or U.S. citizen/lawful permanent resident. Additionally, if an individual Key Borrower Principal has primary responsibility for daily operations of the Property, they must manage and/or own United States real estate assets other than the subject Property and have a demonstrated understanding of United States real estate practices.

### *Mortgage characteristics*

We are updating Section 18SBL.2 to clarify that we will not require additional Borrower recourse for Properties in Very Small Markets, as indicated in the [SBL Marketing Tiering Spreadsheet](#) or as determined at other times at our discretion.

### *Electrical capacity*

We are updating Section 62SBL.5(c) to clarify that the minimum amperage acceptable to each unit in an SBL Property is 60 amperes, except that 40 amperes is the minimum allowable service level acceptable without a load analysis, provided that the conditions of Section 62SBL.5(c)1 are met. The exception to permit 40 amperes without a load analysis is not limited to Properties in SBL Top Markets.

Additionally, we are updating [Form 1104, SBL Physical Risk Report](#), to reflect this change.

## Ground Lease appraisals

We are updating Section 60.31(a) to require that for appraisals of Ground Leases where the Ground Lessor does not join in the Mortgage (unsubordinated ground lease), in addition to providing an as-is estimate of the leasehold market value, the appraiser must also provide an as-is estimate of the leased fee market value of the subject on the date of value.

## System administrator requirements

We are clarifying Section 2.13(b) to state that when an employee or vendor for a Seller/Servicer no longer requires access to any Freddie Mac Multifamily Software Application or Freddie Mac Approved Third Party Application, the system administrator must take the actions listed in Section 2.13(b) in a timely manner instead of within 30 days of the employee's departure or transition.