



Bulletin

NUMBER: M2018-5

TO: Freddie Mac Multifamily Sellers and Servicers

December 14, 2018

SUBJECTS

In the December 14, 2018 Guide Bulletin, we are:

- Providing Seller/Servicers additional time to notify us of a change in senior management or membership of their boards of directors, when the change is not in connection with a transaction requiring immediate notice
- Clarifying that Minimum Origination Fees must be collected by the Seller and may not be used to reimburse closing costs.
- Revising our Property insurance requirements
- Clarifying the timing for submission of an assessment via PRS for securitized Mortgages where Freddie Mac is the master servicer
- Easing the burden associated with loan title policy updates in connection with Texas loan assumption transactions
- Requiring Servicers to electronically deliver to Freddie Mac evidence of any UCC continuation statement filed or recorded
- Clarifying requirements that need to be met for charging a Transfer Fee in connection with an SBL Transfer of Ownership
- Stating that the Note is the only original document Freddie Mac will deliver to Seller after payment in full of a Mortgage
- Announcing upcoming changes to our Annual Certification Process
- Announcing upcoming changes to our Seller/Servicer Organizational Change notification process

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. If you have any questions about this Bulletin, please call your Freddie Mac representative.

Sincerely,

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Senior Vice President
Multifamily Underwriting and Credit

Leanne Spies
Senior Vice President
Multifamily Asset Management and Operations

Seller/Service change notification requirements

We are now providing our Seller/Service providers with additional time to notify us of a change in their managing executives, key operating personnel, or the membership of its board of directors, when the change is not in connection with a transaction requiring immediate notice. Section 3.8 has been modified to reflect this change.

Minimum Origination Fees

We are revising our requirements set forth in Section 17.1(f) or 18SBL.1(f), to clarify that the Minimum Origination Fee must be collected by the Seller and may not be used to reimburse closing costs.

Insurance Requirements

Clarification of Insurance Terms

We are refining our definitions for certain insurance terms listed in Section 31.1(d) including those for Specific and Blanket Insurance Limits, Blanket Insurance Policies, Replacement Cost Value and Schedule of Values.

Mortgagee clause and additional insured

We are revising Section 31.2(e) to clarify that if umbrella or excess liability policies follow the form of the underlying CGL policy, no additional verification of Additional Insured status is required.

Blanket or Master Insurance Policies

We have re-organized our content with respect to Blanket or Master Insurance Policies by moving our general provisions regarding acceptable Borrower use of Blanket or Master Insurance policies to Section 3.3, Blanket or Master Insurance Policies. We reiterate, here, that Seller/Service providers must evaluate any concentrations of insurable value covered by Blanket Insurance Limits.

In support of this change, we have re-numbered and renamed old Sections 31.3, Acceptable Insurers and 31.4, Property damage insurance to new Sections 31.4, Acceptable Insurers and 31.5, Property damage (All-Risk) insurance, respectively.

Property damage insurance and application of Specific vs Blanket Insurance Limits

We are revising Section 31.5 to clarify our property damage All-Risk requirements when Specific and Blanket Insurance Limits are used.

Windstorm coverage

We are modifying Section 31.7(a) to clarify our requirements for general wind/hail and Named Storm coverage, and have eliminated the section addressing “Non-Tier 1” properties, as those are included within the scope of All-Risk requirements. Our Named Storm coverage and deductible requirements are now outlined in Section 31.7(b) and (c), but the requirements remain the same.

We have also updated Section 31.7(d) to state that the maximum Coinsurance required by the policy be 80 percent rather than 90 percent when Borrowers can only obtain windstorm coverage through a State Windpool that includes coinsurance.

Flood insurance

We are updating our flood insurance requirements outlined in Sections 31.8(c) to clarify that the blanket-limit requirements are applicable to buildings within a MSA that are located in Special Flood Hazard Areas and covered by Blanket Insurance Limits. We have also updated maximum flood insurance deductibles identified in 31.8(d).

Builder’s Risk insurance

We are revising Section 31.11 to make clear that Freddie Mac requires construction or rehabilitation projects to be fully insured, and if coverage is not included in a Borrower’s primary property policy, a separate Builder’s Risk policy will be required.

Reinstatement of coverage

We are removing the content of Section 31.23 as it is not practical or necessary to require Seller/Servicers to reinstate coverage when blanket limit/shared limit coverage is in place. We will instead rely upon the ongoing reviews, as well as the ability of Seller/Servicers to force place coverage when necessary, to ensure that borrowers maintain adequate coverage.

Timing of assessments, via PRS, for securitized Mortgages

For a Property where the Mortgage has been securitized and Freddie Mac is the master servicer, we are clarifying that the due date for submitting assessments via PRS is the earlier of the date specified in the applicable sub-servicing agreement or the date set forth in the table in Section 40.2(b).

Title Updates in Texas Loan Assumptions

We are easing the burden associated with loan title policy updates in connection with Texas loan assumption transactions. Sections 41.6(g) and 41SBL.6(g) have been revised to clarify that for Texas loan assumptions, in lieu of a new title policy or down-date endorsement to the original title policy, it is acceptable to provide a certificate from the applicable title company, dated no earlier than the date of recordation of the Assumption Agreement, listing all matters that affect title to the Property which have been placed of record since the effective date of such policy, and a T-38 Endorsement.

SBL Transfer of Ownership Fees

We are updating our requirements regarding SBL Transfers of Ownership to clarify when a Transfer Fee is due under Section 7.05 of the Loan Agreement – SBL and what due diligence is required for non-managing member/limited partner transfers of greater than 50%. Sections 41SBL.4 and 41SBL.9 have been revised in support of these changes.

Uniform Commercial Code (UCC) financing statement continuations; evidence of filing/recordation

We are modifying Section 43.5(a) to require Servicers to electronically deliver to Freddie Mac, promptly after filing or recordation, evidence of any UCC continuation statement.

Documentation delivered after payment-in-full

We have updated Section 43.17(d) to state that the Note is the only original document Freddie Mac will return to Seller after payment in full of a Mortgage.

Changes to the Annual Certification Process

We rely on the annual certification reports to provide a snapshot of the status of our Seller/Servicers and Servicers, and their ability to continue doing business with Freddie Mac. For Seller/Servicers and Servicers with a fiscal year ending on December 31, 2018, the following forms will be due to Freddie Mac on March 31, 2019:

- Form 16M, Multifamily Annual Certification Report
- Form 17M, Multifamily Annual Certification Report – Structured Transaction & Tax-Exempt Bond Seller/Servicers
- Form 1110M, Multifamily Annual Certification Report – Servicer Only

Beginning in 2019, Seller/Servicers and Servicers will be able to digitally e-sign their annual certification forms in the Multifamily Eligibility System (MES). Freddie Mac will officially release the updated Forms 16M, 17M and 1110M in MES in early 2019 and will provide details regarding the changes to these forms in an upcoming Guide Bulletin.

Changes to Submission Process for Form 1107, Multifamily Seller/Servicer Change Notification

Beginning in 2019, Form 1107M, Multifamily Seller/Servicer Change Notification, will be created and submitted to Freddie Mac through the Multifamily Eligibility System. Upcoming changes to the Form 1107M process were communicated to Seller/Servicers in November, 2018 and training on the new process was held on December 11th and 13th, 2018.

Please contact multifamily_eligibility@freddiemac.com with any questions regarding the new Seller/Servicer Change Notification process.