

# Bulletin

NUMBER: M2023-7

TO: Freddie Mac Multifamily Sellers and Servicers  
December 14, 2023



## SUBJECTS

In the December 14, 2023 Guide Bulletin, we are updating the Guide as follows:

### Originating and underwriting

- Updating our [property inspection](#) requirements
- Adding requirements for [Properties subject to a solar agreement](#)
- Adding requirements for Seniors Housing [Memory Care Properties](#)
- Adding [chain of custody](#) requirements to due diligence documentation

### Servicing and asset management

- Reorganizing and updating our requirements in [Chapter 44](#)
- Clarifying our [Purchase Agreement Analysis](#) requirements for Transfers of Ownership

### Insurance

- Updating certain [insurance](#) requirements

### Seller/Servicer eligibility

- Revising our requirements for Seller/Servicers with [broker/correspondent](#) relationships
- Updating our minimum Seller/Servicer [financial eligibility](#) requirements
- Requiring Seller/Servicers to notify us of a [major operational change](#) in the Seller/Servicers' organization

### Third-party reports

- Updating [Form 1105, Property Condition Assessment](#)
- Updating [Form 1106, Green Report](#)

### Additional Guide updates and housekeeping items

- Clarifying our [fair lending](#) requirements
- Clarifying our Forward Commitment Conversion [legal analyses](#) requirements
- Updating the [Optigo® Lender's Index Lock Certification for Brokered Loans](#)
- Updating the [SBL Dynamic Underwriting Checklist](#)
- Guide [enhancements](#)

## EFFECTIVE DATES

All revisions announced by this Bulletin are effective immediately unless otherwise noted below.

## 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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Senior Vice President  
Multifamily Underwriting and Credit

Erlita Shively  
Vice President  
Multifamily Counterparty Risk Management



## Originating and underwriting

### Property inspections

We are updating the Guide to require that Sellers must now disclose the names and company names of any parties present during the property inspection and management interview at the time of underwriting.

We are updating Sections 8.15(a)(b), 8.16 and (b), 8SBL.15(b), the *OptigoHappy application* and the Property Inspection and Lease Audit forms to reflect these changes.

### Properties subject to a solar agreement

We are adding requirements to the Guide for the purchase of a Mortgage secured by a Property that is subject to a solar agreement. For Freddie Mac to purchase a Mortgage secured by a Property that is subject to a solar lease, the Solar Agreement must meet the requirements outlined in the Guide.

We are updating Sections 8.21 and 8.22 to reflect these changes.

### Seniors Housing – Memory Care Properties

We are updating the Guide to require that Seller/Serviceers must identify Properties where 100% of the units are dedicated to Memory Care. Stand-Alone Memory Care will now be recognized as a distinct Seniors Housing product type.

We are updating Sections 21.2(j) and 21.3(a) to reflect this change.

### Due diligence – Chain of custody requirements

We are requiring that all source documentation, due diligence and other underwriting documentation relating to the Property, the Borrower and the Borrower Principal(s) to be submitted as part of the underwriting Package as set forth in Chapters 55 and 55SBL (other than Freddie Mac required third-party reports), must be delivered directly to the Seller/Serviceer by the Borrower and/or the Borrower Principal or the member, partner, director or employee of the Borrower or Borrower Principal's firm authorized to deliver such documentation on behalf of the Borrower or Borrower Principal.

We are updating Sections 55.1(a) and 55SBL.1(a) to reflect these changes.

## Insurance

We are updating certain insurance requirements to:

- Clarify that the Borrower must maintain commercial auto liability insurance for vehicles owned, hired, or used by anyone for business at the Property
- Require that for all Mortgages serviced by Seller/Serviceers on behalf of Freddie Mac, Seller/Serviceers must evaluate the Borrower's insurance coverage as policies renew and provide updates to insurance records in the Insurance Compliance Tool (ICT), per the requirements in Section 31.19(b)

We are updating Sections 31.16(c) and 31.19(b) to reflect these changes.



## Servicing and asset management

### Chapter 44, *Delinquency, Default and Loss Mitigation Strategies*

We are reorganizing Chapter 44 and updating it to:

- Clarify non-monetary default requirements
- Require Servicers to promptly report to Freddie Mac life and safety matters affecting the tenants and condition of the property

We are additionally updating Sections 2.23, 2.24 and 54.2 to reflect these changes.

### Purchase Agreement Analysis for Transfers of Ownership

We are clarifying that Servicer’s counsel must complete the analysis using the newly created [Purchase Agreement Analysis](#) form. This is not a new requirement; we are simply aligning the requirements in Section 41.4(a) and 41SBL.4(d) with requirements in Sections 55.2 and 55SBL.2.

## Seller/Servicer eligibility

### Seller/Servicer broker/correspondent relationships

As recently [announced](#), we are changing some of our requirements on brokered loans. With this Bulletin, we are updating Section 3.15 to:

- Incorporate provisions from the Third-Party Mortgage Broker/Correspondent Policies document, including required disclosure of a broker/correspondent involved in a transaction (now required earlier in the transaction). We have removed the Third-Party Mortgage Broker/Correspondent Policies document from our website.
- Require all due diligence, source documentation and other underwriting information related to the Borrower, Borrower Principals and the Property to be delivered directly to the Optigo Lender
- Require the Seller/Servicer to certify that, prior to an Index Lock on a broker/correspondent transaction, it has either conducted a preliminary property inspection or for a refinancing of a Freddie Mac loan, reviewed a recent property inspection, and that all documentation has been received directly from the Borrower

We are also updating the Optigo® Lender’s Fee Certification to remove the reference to the Third-Party Mortgage Broker/Correspondent Policies formerly located on [freddiemac.com](http://freddiemac.com), which have been replaced by the Broker/Correspondent provisions in Section 3.15, and to align the Fee Certification with the updated provisions in Section 3.15.

We are updating Section 55.2 and multiple exhibits to refer to the [Optigo Lender’s Fee Certification – Conventional and Targeted Affordable Housing](#) form, if applicable. Refer to the Guide Updates Spreadsheet for this Bulletin posted at <https://mf.freddiemac.com/lenders/guide/bulletins.html> for details.

We are also updating the Optigo® Lender’s [Index Lock Certification for Broker/Correspondent Loans](#) to address the delivery of due diligence to Optigo Lenders from parties authorized by the Borrower and Borrower Principals to do so. See additional details in the “[Index Lock Certification Broker/Correspondent Loans](#)” section below.



## Seller/Servicer financial eligibility

We are updating our minimum Seller/Servicer net worth requirements in Section 3.3(a) to align with industry practice and the market environment as follows:

- The minimum net worth requirement has been changed to a minimum tangible net worth requirement
- Tangible net worth is defined as net worth (as determined in accordance with generally accepted accounting principles (GAAP)) less restricted cash, less receivables due from related parties, less goodwill and other intangible assets, less carrying value of pledged assets, less restricted retained earnings, less deferred tax assets
- The minimum tangible net worth requirement is the greater of: \$7.5 million, or \$2.5 million plus 10 bps of total servicing portfolio UPB
- Minimum capital ratio (tangible net worth divided by total assets) is 6%

These requirements, as amended, will be effective for financial reporting for the period ending June 30, 2024. Seller/Servicers must meet these financial eligibility requirements on a quarterly basis.

## Seller/Servicer organizational changes

We are updating Section 3.8(a) to require Seller/Servicers to request Freddie Mac's prior written approval via [Form 1107M, Multifamily Seller/Servicer Change Notification](#), at least 60 days before a major change in the Seller/Servicers' organization that has an effect on the operational capabilities of the Seller/Servicer as it relates to its business with Freddie Mac.

We are also updating [Form 1107M](#) to reflect this change.

## Third-party reports

### Property Condition Assessment

We are updating Section I: Summary of [Form 1105, Property Condition Assessment](#), to include a new subsection, List of Parties Present, which requires a list of all parties present during inspections.

We are also updating Section 62.6(a) to reflect this change and are clarifying this requirement for Physical Risk Reports in Section 62.4, 62SBL.3(f), 66.3(f) and 66.4.

### Green Report

We are updating [Form 1106, Green Report](#), to reflect updated greenhouse gas emissions figures and to improve the data validation and usability of the form. Updates include:

- Integration of the latest changes to the EPA Power Profiler, v12.1, for greenhouse gas calculations
- Updated validation requirements for "Energy Star Score" and "EPA 1-100 Water Sense Score" to require a minimum entry of "1"
- Addition of a drop-down list of utilities to the "fuel source" questions in Section III and IV for heating and water heaters
- Simplified certification section to more easily allow for email and signature input



## Additional Guide updates and housekeeping items

### Fair lending

We are clarifying certain requirements related to fair lending as follows:

- Freddie Mac reserves the right to reject any Mortgage supported by an Appraisal that makes reference to Prohibited Factors (as defined in Section 60.8) or incorporates subjective terminology or veiled language that may indicate underlying bias or discrimination
- Appraisers should not reference prohibited factor information when evaluating census data and clarifying the meaning of “commonly known environmental concerns” to avoid subjectivity in appraiser opinions
- Familial status is a protected class in Section 3.17

For Seniors Housing, as with our other products, Freddie Mac can set credit parameters to any Seniors Housing transaction based on underwriting criteria. Certain criteria for Forward Commitment Property Inspections in Section 8.16(b) and Manufactured Home and Manufactured Housing Community evaluations in Sections 22.2 and 22.6

We are updating Section 3.17, 8.16(b), 18SBL.1, 21.1, 22.1(a), 22.2(a)(g), 22.6(b)(c), 28.1, 28A.1(a), 60.8, 60.12(b), 60.13, 60.24 and 60.25 to reflect these changes.

### Forward Commitment Conversion legal analyses

We are updating Section 19A.12(d) to clarify that Seller’s counsel must prepare updated legal analyses at Conversion and email them to the Freddie Mac TAH in-house attorney assigned to that deal.

### SBL Dynamic Underwriting Checklist

We are updating certain functionality features of the [SBL Dynamic Underwriting Checklist](#) to improve the user experience.

### Index Lock Certification Broker/Correspondent Loans

We are updating the Optigo® Lender’s Index Lock Certification for Broker/Correspondent Loans as follows:

- Defining the “Index Lock Agreement”
- Adding a reference to “source documents”
- Recognizing that the Proposed Borrower or Proposed Borrower Principal may have an authorized member, partner, director or employee sign and submit the required documents on its behalf
- Including in the Index Lock Certification confirmation that the Seller/Servicer has (a) reviewed the due diligence, financial statements, and source documentation, and (b) either conducted a preliminary property inspection of the Proposed Property or, for a refinance of a Freddie Mac Mortgage, reviewed a servicing inspection of the Proposed Property, in accordance with Section 3.15(c) of the Guide
- Providing that the Index Lock Certification must be executed as of the date of Index Lock by the same authorized representative of the Seller/Servicer who executed the Index Lock Agreement



## Guide enhancements

In response to Seller/Service feedback, we are making the following enhancements:

- Updating our AllRegs User Guides, [FAQs](#) and Guide Topic Resource
- Announcing the new [AllRegs Access Guide](#) for technical help with accessing the Guide on AllRegs
- Updating additional navigation features