

# Bulletin

NUMBER: M2020-5

TO: Freddie Mac Multifamily Sellers and Servicers

December 15, 2020

## SUBJECTS

In the December 15, 2020 Guide Bulletin, we are:

### Anti-financial crime, Office of Foreign Assets Control (OFAC) and fraud compliance

- Updating our requirements for [Freddie Mac Exclusionary List](#), Federal Housing Finance Housing Agency Suspended Counterparty Program and OFAC List searches; and fraud and suspicious activity prevention, detection and reporting training

### Credit and underwriting requirements for SBL Mortgages

- Revising a requirement for [Borrower Principals](#) with Control
- Revising requirements for [Borrower recourse/third-party](#) guaranties
- Revising our requirements for the verification of our monthly collections for [SBL Properties](#)

### Insurance updates

- Updating [umbrella/excess liability](#) limit requirements

### Seniors Housing Mortgages

- Updating occupancy requirements for [Seniors Housing](#) Mortgages

### Forward Commitments

- Adding a requirement for ownership of the Property for a [Forward Commitment](#)

### Underwriting a TAH Mortgage with a HAP Overhang

- Limiting the amount of [HAP Overhang](#) that can be underwritten to 110% of market rents

### Additional Guide updates and housekeeping changes

- Adding a link in the Guide to access an optional [Rent Roll Template](#)
- Clarifying [Section 2.3](#)

## EFFECTIVE DATES

All revisions announced by this Bulletin are effective immediately with the exception of the [AML, OFAC and fraud and suspicious activity prevention, detection and reporting and training](#) changes, which are effective **February 15, 2021**.

## 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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## Anti-financial crime, OFAC and fraud compliance

### Effective February 15, 2021

To ensure Seller/Servicers are maintaining compliance with anti-financial crime, OFAC and fraud prevention, detection and reporting requirements, we will require the Seller/Servicer to have written practices and procedures in place that instruct employees how to (i) conduct searches of the following and (ii) verify and address potential positive and positive matches:

- Exclusionary List
- Federal Housing Finance Agency Suspended Counterparty Program List (FHFA SCP List)
- OFAC Specially Designated Nationals and Blocked Persons (“SDN”) List or OFAC Consolidated Sanctions List

We are also requiring Seller/Servicers to 1) maintain evidence of the screening of the above (e.g., screenshots of the searches) in the Mortgage File in the connection with the origination of a Mortgage and 2) provide evidence of the screening of the above in the materials submitted in connection with any Servicing-related transaction, as applicable.

Additionally, we are:

- Requiring Seller/Servicers to maintain a log of suspicious activity involving any Freddie Mac Mortgage that has been investigated by the Seller/Servicer and reported in accordance with Section 7.2 of the Guide
- Clarifying our requirements for Seller/Servicer’s hiring and training employees on fraud and suspicious activity prevention, detection and reporting

We have created a [Best Practices Manual – Anti-Financial Crime, OFAC and Fraud Compliance](#), which includes suggestions and best practices for Seller/Servicers to develop and implement these requirements.

We are updating Sections 2.18(c), 2.22, 2.23, 2.24, 7.1 (a) and (b) and 43.28 to reflect these changes.

## Credit and underwriting requirements for SBL Mortgages

To maintain prudent credit and underwriting requirements for SBL Mortgages, we are revising the following:

### Borrower Principals with Control

We are clarifying the Borrower Principal ownership and Control updates we made to Section 9SBL.2(c)2 in the September 30, 2020 Bulletin as follows:

- For each option, the Borrower Principal must meet the requirements at the time of Seller Application
- For each option, if there are multiple Borrower Principals with Control, at least one Borrower Principal with Control of Borrower must meet the requirements
- For the first option, the Borrower Principal’s Control of a multifamily property for the preceding five years is no longer limited to the subject Property, but can include any multifamily property

### Borrower recourse/third-party guaranties

To mitigate the risk associated with Mortgages secured by SBL Properties located in Very Small Markets (as provided in the [SBL Market Tiering](#) spreadsheet), we are updating the Guide to state that we may require Seller/Servicers to have Borrower recourse/third-party guaranties for these Properties)

We are updating Section 18SBL.2 to reflect these changes.

## Verification of monthly collections for SBL Properties

For refinance loan requests, we are now requiring property financial statements with six months trailing monthly property collections instead of three months. For acquisition loan requests, property financial statements with trailing three months monthly property collections is still required.

We are updating Section 55SBL.2 and the Dynamic Checklist to reflect these changes.

## Insurance updates: umbrella/excess liability limits

We are updating our Umbrella/Excess Liability (UL/EL) limit requirements, moving from a two-factor basis (number of properties and number of stories) to a basis of aggregate number of units covered by a UL/EL policy. Seller/Service providers will need to collect information on the aggregate number of units covered by a Sponsor's UL/EL policies and will be required to enter that information into our system of record, Insurance Compliance Tool (ICT).

Updated insurance requirements are to be applied no later than the next insurance policy renewal dates following the publication of this Bulletin.

We are updating Sections 31.16 and 31.17 to reflect this change.

## Occupancy requirements for Seniors Housing Mortgages

We are requiring a Seniors Housing Property to have demonstrated a stabilized occupancy for the trailing three-month average prior to underwriting, with stabilized occupancy defined as occupancy of at least 85 percent of the living units. Previously, Freddie Mac defined stabilized occupancy as 90 percent of the units.

These changes align with current industry standards and can be found in Section 21.3(f).

## Forward Commitments

We are adding a requirement that a Property securing a Mortgage purchased under a Forward Commitment must be owned by the Borrower or under contract with the intent to purchase within 90 days of interest rate lock. This change eliminates the risk of extending a Forward Commitment when the Property is not under control.

These changes apply to TAH Cash Forward Commitments, Bond Credit Enhancement Forward Commitments and TAH TEL Forward Commitments, and can be found in Sections 19A.1(b), 25A.1(c) and 28A.1(c).

## Underwriting a TAH Mortgage with a HAP Overhang

For clarity and transparency, we are updating the Guide to provide a limit for the amount of HAP Overhang that can be underwritten to 110 percent of market rents, based on the Freddie Mac underwriter's determination of rents. The Mortgage must still be able to pass the refinance test at market rents.

This change can be found in Section 23.3(c), which we have also reworded for greater clarity.

## **Additional Guide updates and housekeeping changes**

### **Rent Roll Template**

To assist Seller/Serviceicers in creating rent rolls that meet our requirements, we have created an optional [Rent Roll Template](#). For easy access to the template located on [Freddiemac.com](https://www.freddiemac.com), we are adding a link to it in Sections 55.2 and 55SBL.2.

### **Clarifications to Section 2.3**

We are clarifying the language regarding Freddie Mac's right to limit the number and amount of multifamily Mortgages in Section 2.3.