



Bulletin

NUMBER: M2019-5

TO: Freddie Mac Multifamily Sellers and Servicers

December 17, 2019

SUBJECTS

In the December 17, 2019 Guide Bulletin, we are:

- Announcing new requirements with respect to submitting the new Lender's Fee Certification for Conventional & Targeted Affordable Sellers
- Revising our requirements for Small Balance Loan (SBL) property inspections
- Incorporating revised requirements for our Green Advantage[®] offerings
- Revising Form 1106, *Green Report*
- Referring Seller/Servicers to the term sheet posted on FreddieMac.com for loan sizing requirements for Bridge to Resyndication Mortgages
- Retiring the "Rider to Multifamily Loan and Security Agreement – Immediate Deposits"
- Updating our requirements for documenting Borrower insurance compliance
- Simplifying our processes related to telecommunication agreement servicing requests
- Adding Appraisal requirements for Forward Commitment Mortgages
- Changing our radon testing requirements
- Modifying our requirements for determining who must submit Complete Borrower/Borrower Principal Due Diligence Packages
- Making a minor housekeeping change to Form 1115, *Borrower and Borrower Principal Certificate*, and Form 1115SBL, *Borrower and Borrower Principal Certificate - SBL*

Effective dates

Revisions regarding Seller/Servicer requirements with respect to broker or correspondent due diligence will be effective for Mortgages taken under Seller Application on or after January 1, 2020. All other 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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Lender's Fee Certification for Conventional & Targeted Affordable Sellers

We are adding requirements that Conventional and TAH Seller/Serviceicers comply with the policies set forth in the *Third-Party Mortgage Broker/Correspondent Policies* available on FreddieMac.com.

The Optigosm Lender's Fee Certification – Conventional & Targeted Affordable form, also available on FreddieMac.com, must now be delivered to Freddie Mac with the submission of the executed Seller Application.

Section 3.15 is being updated to reflect this change. These requirements will become effective for Conventional and TAH Mortgages taken under Seller Application on or after January 1, 2020.

SBL property inspections changes

We are modifying Section 8SBL.15 to prohibit certain individuals from performing property inspections and to revise the timeline by which we require SBL Sellers to provide us with a current rent roll. Furthermore, we will now require the Seller to randomly select units to be inspected on the day of the site inspection if Freddie Mac is not present. The Borrower or the property manager may not select or recommend the units to be inspected and an inspector may request access to units other than those to which Borrower provided notice of inspection.

We are also requiring that the lease audit be conducted at the time of the site inspection if lease files are maintained on-site.

Bridge to Resyndication Mortgages

We are revising Section 19.2(g) to refer Seller/Serviceicers to the term sheet posted on FreddieMac.com for loan sizing requirements for Bridge to Resyndication Mortgages.

Green Advantage® offerings

We are incorporating revised requirements for Green Up®, Green Up Plus® and Green Certified loans into the Guide as follows:

- At least 50 percent of units must be affordable at incomes from 80 percent to 150 percent of the Area Median Income (AMI) based on the market, as calculated using the Freddie Mac Affordability Test located on FreddieMac.com
- Eligible Mortgages must be a 7- or 10- year fixed rate Mortgage
- The maximum reimbursement for the cost of the Green Report will be \$4,000

Sections 24.2(a), 24.3(a), 24.3(b) and 55.2 have been modified to reflect these changes. We are also revising the Glossary to add an entry for AMI and to update the definition for Minimum Consumption Savings Threshold.

Form 1106, Green Report

We are revising the Form 1106, *Green Report*, to improve back-end data collection capacities, validate inputted data and to enable additional impact reporting (Section VIII, Total Site Consumption and Conservation Measure Details). Section 65.3(b) is being revised to reflect this change.

Replacement Reserve Rider

We are no longer requiring the “Rider to Multifamily Loan and Security Agreement – Immediate Deposits” when monthly deposits to the Replacement Reserve are funded. Section 27.4(g) is being updated and the rider is being retired in support of this change.

Documentation of Borrower insurance compliance

Sections 31.19, 31.20, 31.21 and 31.22(b) are being modified to align our requirements for documenting Borrower insurance compliance with current insurance industry standards. We are also clarifying that Seller/Service providers are to use the Insurance Compliance Tool (ICT) to evaluate and document the Borrower’s insurance coverage at loan origination or as policies renew during the post-purchase reporting period. We are updating the entries for Evidence of Insurance in Sections 55.2 and 55SBL.2 and revising Exhibit 1.2, *SBL Underwriting Checklist*, to reflect this change.

Telecommunication Agreement Servicing Requests

We are updating Section 43.32 to simplify the Borrower consent request process with respect to approval of Telecommunication Agreement Servicing Requests as defined in that Section. The revisions should substantially reduce the administrative burden associated with such requests. Section 29.2(e)(21) is also being modified in support of this change.

Sections 43.10 and 43.24 are also being updated to clarify that they do not apply to Telecommunications Agreement Servicing Requests as they are defined in Section 43.32.

Appraisal requirements for Forward Commitment Mortgages

We are revising Appraisal requirements for Forward Commitment Mortgages and indicating when a new or updated Appraisal will be required at Conversion. We are adding Section 60.30 and revising Sections 60.24 and 55.2 to reflect this change.

Radon Policy Changes

We are modifying Section 61.15(a) to allow the consultant greater discretion for determining when testing is done. The Environmental Protection Agency (EPA) radon map may be used as part of the consultant’s determination but may not be the primary or sole determining factor. Additionally, for refinances of an existing Freddie Mac Mortgage, the consultant will have the option to rely on previous testing. Sections 61.15(b) and 61.15(d) are being modified to allow testing to be completed post-origination.

Borrower Due Diligence

We are updating our requirements for determining who must submit Complete Borrower/Borrower Principal Due Diligence Packages. The Glossary is being modified to replace the defined terms First Level Owner, Intermediate Level Owner, Final Level Owner and Pass-through Entity with the defined terms First Level Borrower Principal, Intermediate Borrower Principal, Final Level Borrower Principal and Pass-Through Entity Borrower Principal, respectively.

- If an entity meets the required characteristics of a First Level Borrower Principal or a Final Level Borrower Principal, the entity is considered a Required Borrower Principal and must submit a Complete Borrower/Borrower Principal Due Diligence Package.
- An Intermediate Level Borrower Principal or a Pass-Through Entity Borrower Principal is not required to submit a Complete Borrower/Borrower Principal Due Diligence Package but must be disclosed on the Organizational Chart and will be subject to all Office of Foreign Assets Control (OFAC) and Anti-Money Laundering (AML) Laws compliance related obligations set forth in the Guide.

We are also adding the definition for a Private Investment Fund. If an entity meets the required characteristics of a Private Investment Fund, the entity will be considered a Final Level Borrower Principal and will be required to submit a Complete Borrower/Borrower Principal Due Diligence Package. Borrower Principals beyond a Private Investment Fund will be subject to Office of Foreign Assets Control (OFAC) and Anti-Money Laundering (AML) Laws compliance-related obligations as set forth in the Guide.

Finally, the Operator of a Seniors Housing Property will no longer be included in the Glossary definition of the term Borrower Principal.

Forms 1115, *Borrower and Borrower Principal Certificate*, and 1115SBL, *Borrower and Borrower Principal Certificate - SBL* and Form 1116, *Real Estate Schedule*, are being updated to reflect the new terms and definitions.

Housekeeping changes

We are revising the Borrower Principal sections of Form 1115, *Borrower and Borrower Principal Certificate*, and Form 1115SBL, *Borrower and Borrower Principal Certificate – SBL*, to clarify that question 3(b) is applicable only when the Borrower Principal is an entity. If the Borrower Principal is an individual, the option marked “N/A” (not applicable) may be checked.