

# Bulletin

NUMBER: M2023-1

TO: Freddie Mac Multifamily Sellers and Servicers

February 16, 2023



## SUBJECTS

In the February 16, 2023, Guide Bulletin, we are updating the Guide as follows:

### Environmental requirements

- Updating [radon testing](#) requirements in accordance with new [Exhibit 11, Radon Testing and Mitigation Standards](#)
- Reorganizing [Chapter 61](#) and aligning the requirements with the most recent ASTM standards

### Appraisal requirements

- Updating the Guide to refer to the [Additional Appraisal Requirements Memorandum](#)

### Preferred Equity

- Clarifying our definitions of [Common Equity and Preferred Equity](#)

### New or revised documentation to the underwriting package

- Requiring Seller/Servicers to notify Freddie Mac when uploading [new or revised documentation](#) to the underwriting package

### Seller/Servicer name change

- Increasing the time frame required for notifying Freddie Mac of a [Seller/Servicer name change](#)

### Seller/Servicer termination

- Requiring the return or destruction of Freddie Mac information following [Seller/Servicer termination](#)

### Additional Guide updates and housekeeping items

- Clarifying our [fraud reporting](#) requirements
- Clarifying our [flood insurance](#) requirements
- Revising our underwriting criteria for [Section 8 vouchers](#)
- Replacing references to Freddie Mac Customer Compliance Management with [Counterparty Risk & Compliance](#)

## 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



## Environmental requirements

### Radon testing requirements

We are updating our radon testing requirements in Section 61.14 and providing them in new [Exhibit 11, Radon Testing and Mitigation Standards](#), for ease of reference.

Below is a comparison of the new testing requirements, which must be implemented for Properties taken under application after June 30, 2023, to the current requirements, which may continue to be implemented for Properties taken under application on or prior to June 30, 2023:

Standard	For Properties taken under application <i>after</i> June 30, 2023:	For Properties taken under application <i>on or prior to</i> June 30, 2023:
<b>Initial testing protocol</b>	A minimum of <b>25 percent</b> of all ground-contact units at the Property, with no fewer than one radon test per each building having ground-contact units.	A minimum of <b>10 percent</b> of ground-contact units at the Property must be subject to the initial round of radon testing, with no fewer than one radon test per each building having ground-contact units.
<b>Follow-up testing protocol</b>	<p>After completion of the initial radon testing, if <b>any building at the Property has at least one unit with an elevated radon concentration equal to or greater than 4.0 pCi/L</b>, the Environmental Professional must either:</p> <ul style="list-style-type: none"> <li>• Recommend installation of a radon mitigation system in all buildings having a unit with a radon concentration of 4.0 pCi/L or above; or</li> <li>• Conduct a follow-up second round of testing within each building having a unit with an initial radon test level at the 4.0 pCi/L threshold or higher, using either short- or long-term testing. The second round of testing must cover at least 25 percent of the ground contact units in that building, selected at the Environmental Professional’s professional judgment (but must include each unit that tested at 4.0 pCi/L or greater during the first round of testing).</li> </ul>	Follow-up radon testing is only required to occur in <b>each unit that tested at 4.0 pCi/L or greater</b> during the initial round of testing.

All radon testing will be managed by the environmental consultant, who must be an “Environmental Professional” as that term is defined in 40 CFR § 312.10. Seller/Service providers should refer to [Exhibit 11](#) for full radon testing requirements. These radon testing requirement updates do not apply to SBL Mortgages. We are



deferring radon testing updates for loans originated under our SBL program until we can re-assess and provide additional guidance.

## Chapter 61 reorganization

We are reorganizing our environmental requirements in Chapter 61 for better consistency and to align with the most recent ASTM standard E1527, including:

- Environmental consultant qualification requirements
- Assessment methodologies and report format requirements

Environmental assessments and reports must be prepared by an environmental consultant who is an “Environmental Professional” as defined in 40 CFR § 312.10 and who meets the qualifications and requirements specified in Section 61.17.

We are updating Chapter 61 and Sections 22.2(o), 43.26, 55.2, 55SBL.2, 62SBL.5 through 62SBL.13, 66.5 through 66.16 and 66.19 and [Form 1103, Environmental Site Assessment](#), to reflect these changes.

## Appraisal requirements

We are updating the Guide to refer to the [Additional Appraisal Requirements Memorandum](#). The memorandum requires that all Appraisal reports with an effective date of value of February 20, 2023 or later include:

- At least one relevant listing or pending sale (other than the subject property). If a similar listing or pending sale is unavailable, the Appraisal must include an adequate explanation of the efforts undertaken to find relevant comparables.
- Current surveys/interviews of local real estate participants for knowledge of the property’s submarket and investment considerations, as rationale for the capitalization rate and market conditions adjustment. These surveys/interviews must be dated within 60 days before the effective date of value.

## Preferred Equity

We are clarifying our definitions of Common Equity and Preferred Equity investments in Section 9.9 to state that any Common Equity investments in the Borrower’s organizational structure made by the Preferred Equity investor, or its affiliate(s), will be considered to be a Preferred Equity investment for purposes of the Guide.

## New or revised documentation to the underwriting package

We are updating Sections 55.1 and 55SBL.1 to require Seller/Service providers to notify the primary underwriter when uploading documentation or revised documentation to DMS after Rate Lock or issuance of an Acceptance Letter for an Early Rate Lock Agreement (ERLA).

## Seller/Service provider name change

We are updating Section 3.8 to require Seller/Service providers to submit Form 1107M, *Multifamily Seller/Service provider Change Notification*, at least **30 days** (previously 14 days) prior to the effective date that:

- The Seller/Service provider will change its name
- The Seller/Service provider will change a “Doing Business As” (“DBA”) name



This additional time allows for the necessary review of document and system updates associated with the name change and mitigates the risks associated with incorrect Seller/Servicer names on Loan Documents, including potential funding delays.

## **Seller/Servicer termination**

In our continued efforts to mitigate information security risk, we are adding requirements to Section 4.5(c) for the return or destruction of Freddie Mac information upon Seller/Servicer termination. Following termination, the Seller/Servicer will promptly return to Freddie Mac or securely destroy all information that Freddie Mac has identified as “confidential information” under Section 2.8 or that the Seller/Servicer knows, or should know, should be treated as confidential information.

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

### **Fraud reporting**

We are clarifying our fraud reporting requirements in Section 7.2(a). Seller/Servicers must report to Freddie Mac within one Business Day after the Seller/Servicer obtains information, receives allegations, or otherwise learns that any of the activities in Section 7.2(a) may be occurring or may have occurred during origination or Servicing of a Mortgage.

### **Flood insurance**

We are clarifying our flood zone determination requirements in Section 31.8(a) as follows:

- Seller/Servicers must ensure all structures at the Property will be evaluated when ordering the [FEMA Standard Flood Hazard Determination Form \(SFHDF\)](#)
- In addition to providing the Property address listed in the Collateral Description of the SFHDF, Seller/Servicers must provide to the vendor supplemental information such as the Property’s legal description or parcel descriptions

### **Section 8 vouchers**

We are revising our underwriting criteria for Section 8 vouchers in Section 23.3(d). Provided that all other requirements in Section 23.3(d) are met, voucher income exceeding LIHTC rents may be included in underwritten income even if the LIHTC Regulatory Agreement does not expressly permit the property owner to retain excess Section 8 income.

### **Freddie Mac contact update: Counterparty Risk & Compliance**

We are updating the Guide to reflect the Customer Compliance Management team’s new name, Counterparty Risk & Compliance. There are no updates to the contact information for the team; only the name has changed.

We are updating Sections 2.19(a), 3.8(a), 3.16, 32.12(a), 42.3(a) and (b), 42.5(d) and 42.6(a), 46SBL.2(a) and (b) and the Directory to reflect these changes.