

# Bulletin

NUMBER: M2023-2

TO: Freddie Mac Multifamily Sellers and Servicers

April 13, 2023



## SUBJECTS

In the April 13, 2023, Guide Bulletin, we are updating the Guide as follows:

### **Borrower due diligence**

- Updating our [Borrower due diligence requirements](#)

### **TAH Preservation Rehabilitation Mortgages**

- Updating the Guide to reflect the expansion of our [TAH Preservation to Rehabilitation program](#)

### **Green Advantage<sup>®</sup> eligibility**

- Expanding eligibility for [Green Up<sup>®</sup> and Green Up Plus<sup>®</sup>](#)

### **Property inspections and lease audits**

- Strengthening and expanding our [property inspection and lease audit requirements](#)

### **Floating-Rate Mortgage financial assessments**

Updating our requirements for reporting debt service, any income from interest rate cap agreements, and escrows required for replacement rate cap agreements (or other derivatives) on the Annual and Quarterly Financial submissions for [Floating-Rate Mortgages](#)

### **myOptigo<sup>®</sup> Servicer Remittances**

- Replacing the Global Payment Inc (GPI) remittance process with [myOptigo<sup>®</sup> Servicer Remittances](#)

### **CSO form for Mortgages with Required Rent Restrictions**

- Creating a new [Chief Servicing Officer Certification form](#) for Mortgages with Required Rent Restrictions

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

- Revising our annual servicing inspection requirements for [TAH Mortgages with HUD involvement](#)
- Clarifying requirements for [historical property operating statements](#)
- Referring to the [Additional Appraisal Requirements Memorandum](#) in our underwriting documentation checklists and Guide sections
- Notifying Seller/Servicers that our [Early Indication Review](#) process requirements for Transfers of Ownership will be removed from the Guide in a future Bulletin

## 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  
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## Borrower due diligence

We are updating our Borrower Principal classifications, including by adding the new term Key Borrower Principal, and simplifying Borrower due diligence requirements to focus on areas of true risk when assessing financial condition, credit, and real estate experience. By streamlining our Borrower due diligence requirements, we are eliminating multiple layers of different Borrower Principal types which can be confusing to Seller/Service providers. Updates include, but are not limited to, the following:

### Key Borrower Principal

We are removing our defined term Required Borrower Principal and adding the new term Key Borrower Principal. It is defined as:

- Any Guarantor, regardless of the amount of ownership interest in the Borrower and even if not in the organizational structure of the Borrower
- LIHTC Syndicator
- Seniors Housing Operator
- Any operator of the Property that is a Master Tenant under a master lease structure (e.g., a Delaware Statutory Trust or Shariah-compliant loan)
- Any person or entity that has Ultimate Control (direct or indirect) of the Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated master tenant
- Any Pre-Approved Transferee
- Any non-Controlling person or entity that meets both of the following conditions:
  - Has aggregate ownership (direct or indirect) of 50% or more of the Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated master tenant
  - Is not owned by any other person or entity that also has aggregate ownership (direct or indirect) of 50% or more of the Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant
- Any individual or entity that does not meet the criteria set forth above but who is determined by Freddie Mac to be a Key Borrower Principal. These may include individuals or entities defined as a Required Equity Owner in the Loan Agreement.

[Form 1115](#) and [1115SBL](#) must be completed by Borrowers and Key Borrower Principals.

### Web Searches

We are replacing the term Web Negative News Searches with Web Searches and included the property management company as one of the parties to be searched.

The Borrower due diligence changes impact multiple sections, exhibits, forms and the Glossary. Refer to the Guide Updates Spreadsheet for this Bulletin posted at <https://mf.freddiemac.com/lenders/guide/bulletins.html> for details.

## TAH Preservation Rehabilitation Mortgages

As recently announced, we are expanding the TAH Preservation Rehabilitation program to include Non-LIHTC Properties that require rehabilitation.

We are updating Section 19.2 and the Glossary to reflect these changes.



## Green Advantage® eligibility

As recently [announced](#), we are expanding the Properties eligible for our Green Up® and Green Up Plus® offerings by removing affordability thresholds for Conventional Cash Mortgages and TAH Cash Preservation Mortgages. We are also updating our requirements in Section 24.2(a) to allow for both fixed-rate and floating-rate 7 or 10-year loans.

## Property inspections and lease audits

We are updating our property inspection requirements in Sections 8.15(b), 8SBL.15(b) and 22.8 to better address and reflect risk in the post-COVID-19 business environment.

This includes strengthening our complete property inspections requirements as follows:

- If inspecting five percent of the total number of units (or for SBL Mortgages, the greater of five percent of the total number of units or three units) results in an insufficient number of units to meet lease audit requirements, additional units must be inspected to meet those requirements
- If Freddie Mac is on-site and participating in the inspection, Freddie Mac will select the units to be inspected. If Freddie Mac is not present, the Seller will select the units to be inspected. Neither the Borrower nor the property manager may select or recommend the units to be inspected.
- A representative sample of ongoing or recently completed unit renovations, must be inspected, if applicable
- There must be verification of reported completed or in process capital improvements
- If Freddie Mac delegates the property inspection to the Seller, at least one photograph of each occupied unit inspected must be provided

Additionally, we are expanding our lease audit requirements to include representative samples of:

- Leases from any inspected corporate units
- Leases signed within the last 60 days

As part of these changes, corporate leases will be required to be identified on the rent roll, similar to how employee units, model units, and rental office units are currently identified. We are updating Sections 55.2, 55SBL.2, the [Interactive Conventional and TAH Cash Underwriting Checklist](#) and [SBL Dynamic Underwriting Checklist](#) to reflect this change to our rent roll requirements.

## Floating-Rate Mortgage assessments

As recently announced, we are providing updates regarding post-purchase reporting of Floating-Rate Mortgages on the Annual or Quarterly Financial submissions.

We are updating Section 40.2(a) to require the following for Floating-Rate Mortgages, notwithstanding anything to the contrary contained in the CREFC IRP:

- Any payments (income) received from interest rate cap agreements or other derivatives must be excluded from “other income”
- Any expenses related to replacement interest rate caps or other derivatives must be excluded from “other expenses”

Accordingly, the reported debt service must reflect the sum of uncapped interest, principal and replacement rate cap escrow amounts less any income received from interest rate caps or other derivatives.



As a reminder, in consideration of the revised requirements, we are extending the Annual Financial CREFC template due date in the Property Reporting System for Floating-Rate Mortgages from May 31 to June 15, 2023.

Review our [FAQs](#) for further guidance.

## **myOptigo® Servicer Remittances**

As recently announced, we are replacing the Global Payment Inc (GPI) remittance process with our improved solution, myOptigo® Servicer Remittances. Servicers will begin utilizing myOptigo® Servicer Remittances to request principal and interest (P&I) remittances over the next few months. All Servicers will be required to indicate remittance amounts two days prior to funds being drafted in myOptigo® Servicer Remittances by **June 12, 2023**. Guidance on how to use the portal can be found in the [myOptigo® Servicer Remittances User Guide](#). Servicers will be contacted by the Multifamily Technology team with onboarding information in the coming weeks.

We are updating Sections 25.20, 28.20, 40.7(d), 43.18, 44.1(b), 50.7, 52.3, 53.7 through 53.11, 54.10 and 54.14(d) and will delete Exhibit 4, *Cash Remittance System*, to reflect these changes.

## **CSO form for Mortgages with Required Rent Restrictions**

As recently announced, we are creating a new [Chief Servicing Officer Certification form](#) for CSOs to complete for Mortgages with Required Rent Restrictions Rider to the Loan Agreement. We are adding requirements in new Section 40.17 for the Servicer to submit to Freddie Mac information related to the Borrower's compliance with the Required Rent Restrictions Rider to the Multifamily Loan and Security Agreement.

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

### **TAH Mortgages with HUD involvement**

For loans with HUD involvement, we are updating Section 40.7(d) to require the Servicer to reconcile the latest HUD REAC (Real Estate Assessment Center) Inspection to the Servicer's inspection. The Servicer must discuss any material differences with the Borrower. The Servicer must include information regarding the latest REAC inspection score and note any material differences between the two inspections within the General Comments section of the AIF assessment.

### **Historical property operating statements**

We are clarifying our historical property operating statement requirements to align with current practice. We are requiring three years of historical property operating statements, or length since the completion of construction of the Property, whichever is less, for all Conventional and TAH Mortgages, regardless of the original principal balance.

We are updating Section 55.2 and the [Conventional Interactive and TAH Cash Underwriting Checklist](#) to reflect this change.

### **Additional Appraisal Requirements Memorandum**

As announced in the February 16, 2023 Bulletin, we updated the Guide to refer to the Additional Appraisal Requirements Memorandum for additional requirements on Appraisal reports, including at least one relevant listing or pending sale (other than the subject property) and current surveys/interviews of local real estate participants for knowledge of the property's submarket and investment considerations.



We are updating Sections 55.2, 55SBL.2, the Interactive Conventional and TAH Cash Underwriting Checklist and SBL Dynamic Underwriting Checklist to refer to the Additional Appraisal Requirements Memorandum.

### **Transfers of Ownership – Early Indication Review process**

As recently announced, we are removing our Early Indication Review process requirements for Transfers of Ownership. We are assessing Guide impacts, including the removal of Section 41.4(b), and will update the Guide to reflect this change in an upcoming Bulletin.