



Bulletin

NUMBER: M2018-3

TO: Freddie Mac Multifamily Sellers and Servicers

June 29, 2018

SUBJECTS

In the June 29, 2018 Guide Bulletin, we are:

- Announcing that Freddie Mac will consider purchasing Mortgages secured by Manufactured Housing Resident-Owned Communities (MHROCs)
- Announcing that we will no longer purchase SBL Mortgages secured by a Property owned by a cooperative and revising our underwriting documentation and delivery requirements for non-SBL Properties owned by a cooperative
- Specifying that a Borrower may not enter into a residential, commercial or corporate lease with any tenant who is participating in home sharing activities
- Clarifying our net worth and liquidity requirements for foreign Borrower Principal guarantors of SBL Mortgages
- Streamlining document delivery requirements for servicing transactions involving transfers of ownership
- Moving the SBL Minimum Origination Fee table from the Guide to the *Freddie Mac Multifamily Small Balance Loan Pricing Grid Information* document published on FreddieMac.com
- Modifying submission requirements for reporting on a Value-Add Mortgage
- Updating Chapter 46, SBL Collateral, Repurchase, Loss, and Securitization, regarding the SBL securitization B-Pieces
- Removing fire retardant plywood and problem drywall from the problematic materials list
- Revising the Form 1105, *Property Condition Assessment*, to add new sections for private utilities and Manufactured Housing
- Clarifying that we require an Architectural Consultants to provide a Replacement Reserve schedule as part of the pre-construction analysis report
- Discontinuing our practice of pre-approving Green Consultants and will now rely on Sellers to ensure that Green Consultants meet our requirements
- Clarifying Seller/Servicer obligations regarding use of the Freddie Mac Exclusionary List
- Making minor housekeeping changes

Effective dates

All 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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Leanne Spies
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Manufactured Housing Resident-Owned Communities (MHROCs)

We are announcing that Freddie Mac will consider purchasing Mortgages secured by Manufactured Housing Resident-Owned Communities (MHROC). We have revised Chapter 22 to include the definition of an MHROC, and to indicate that our purchase is subject to the Mortgage meeting the applicable requirements set forth in Chapter 22 and certain additional requirements as determined by Freddie Mac. Sellers should contact the Applicable Freddie Mac Multifamily Regional Office that serves the region where the Property is located, for additional information. In support of this change, we are revising Sections 22.1(a), 22.1(b), and 22.2.

We are also revising Sections 22.14 to indicate that if the Property is an MHROC, the Seller must complete and submit, at underwriting, an MHC Questionnaire and a Manufactured Housing Resident-Owned Community Analysis, the forms of which are available on FreddieMac.com. We are revising Section 55.2, and Exhibit 1: Section 1.1, Conventional Underwriting Checklist to reflect this change.

Modifications to our requirements for Cooperatives

We are announcing that we will no longer consider purchasing an SBL Mortgage secured by a Property owned by a cooperative housing corporation. We are revising Sections 8SBL.18(b), 9SBL.2(a), and 55.2 to reflect this change.

For non-SBL Mortgages that are secured by a Property owned by a cooperative, we are making the following changes to our underwriting documentation and delivery requirements:

- Financial statements required of any one owner that holds 50 percent or more of the Cooperative's shares must now be certified or audited
- Form 1116, Real Estate Schedule, may be waived under certain conditions.

Section 55.2 has been revised to reflect these changes.

Home sharing activities

We are revising Sections 8.2(a) and 8SBL.2(a) to specify that the Borrower may not enter into a residential, commercial or corporate lease with any tenant who is participating in home sharing activities. The Property Inspection Form, available on FreddieMac.com, has been updated to inquire about home sharing activities.

SBL foreign Borrower Principal guarantors

For SBL Mortgages, we are revising Section 9SBL.2 to clarify the net worth and liquidity requirements applicable to a foreign Borrower Principal guarantor when a financially compliant United States guarantor is not part of the transaction.

Streamlining document delivery requirements for certain servicing transactions

For servicing transactions involving transfers of ownership, we are easing the document delivery burden by significantly reducing the number of documents for which delivery of an original is required.

Sections 41.1(a), 41.2(a), 41.2(b), 41.2(c), 41.2 (d), 41.3(a), 41.3(b), 41.3(c), 41.3(d), 41.3 (e), 41.4(a), 41.4(e), 41.5, 41.6(g), 41.7, 41.8(a), 41.8(b), 41.8(c), and 41.9(d) in Chapter 41, Transfers of Ownership, Sections 41SBL.1(a), 41SBL.1(c), 41SBL.2(a), 41SBL.2(b), 41SBL.2(c), 41SBL.2 (d), 41SBL.3(a), 41SBL.3(b), 41SBL.3(c), 41SBL.3(d), 41SBL.3 (e), 41SBL.5, 41SBL.6(g), 41SBL.7, 41SBL.8(a), 41SBL.8(b), and 41SBL.8(c) in Chapter 41SBL, SBL Transfers of Ownership, and the Glossary are being revised in support of this change. The changes in these Chapters should be reviewed in their entirety.

SBL Minimum Origination Fee table

For SBL Mortgages, we are removing the Minimum Origination Fee table from the Guide and directing Seller/Servicers to use the *Freddie Mac Multifamily Small Balance Loan Pricing Grid Information* document published on FreddieMac.com. Section 18SBL.1(f) has been revised to reflect this change.

Submission of reporting documentation for Value-Add Mortgages

For Value-Add Mortgages, we are revising Section 40.16 to indicate that documents submitted via the Freddie Mac Documentation Management System (DMS) must use the document type “Value-Add Reporting.”

Updating Chapter 46 SBL Collateral, Loss, Repurchase and Servicing

We are updating Chapter 46 to reflect that Freddie Mac will be placing SBL Mortgages into securitizations for which the most subordinate class of securities, known as the “B-Piece”, will be purchased by a third-party selected by Freddie Mac. Freddie Mac has communicated with SBL Sellers who had previously selected the Seller B-Piece Purchase option regarding the timing of the transition to Freddie Mac placement of SBL securitization B-Pieces.

In support of this change, we are renaming Chapter 46SBL to Chapter 46SBL, *SBL Collateral, Loss, Repurchase and Servicing*, and we are removing references to the Seller B-Piece Purchase option from the Guide. SBL Seller/Servicers should review Chapter 46SBL in its entirety.

In conjunction with this Bulletin, we are deleting the SBL B-Piece Information currently posted on FreddieMac.com.

Inspection requirement updates

We are removing fire retardant plywood and problem drywall from the problematic materials list, and we are adding language to clarify that overload protection devices that are not tamper-proof must be replaced prior to the Mortgage Origination Date. Sections, 62.5(c) and 62SBL.5(c) have been modified in support of this change. We are also making non-substantive editorial changes to Sections, 62.4 and 62SBL.1(a).

Form 1105, Property Condition Assessment

We are revising the Form 1105, *Property Condition Assessment*, to add a private utilities section (Section IV, Private Wells, Wastewater Treatment Systems, and Lift Stations) and a Manufactured Housing section (Section V, Manufactured Housing Communities). Section 62.6 has also been updated in support of these changes.

Pre-construction analysis Report

We are revising Section 63.3 to clarify that, as part of the pre-construction analysis report, the Architectural Consultant must provide a Replacement Reserve schedule for the life of the loan plus two years, up to a maximum of 12 years.

Discontinuing pre-Approval of Green Report consultants

We are removing the Green Consultant list from FreddieMac.com and we will no longer pre-approve Green Consultants. Seller/Serviceers must select Green Consultants in accordance with Sections 65.1 and 65.2 that meet the required credentials, licensing, certifications, membership and affiliations set forth in Sections 65.7.

Exclusionary List

We are making the following updates to our requirements regarding the Freddie Mac Exclusionary List:

- Revising Section 2.18(g) to clarify that with regard to a Transfer of Ownership, the Servicer must represent and warrant that it has complied with the requirements of Section 2.18(c)(3).
- Updating Section 2.18(k) to indicate that the Seller/Servicer must indemnify Freddie Mac for any loss, damage, or expense resulting from the Seller/Servicer's unauthorized use of the Exclusionary List or information contained on the Exclusionary List.
- Revising Section 2.18(d) as we will no longer place a name on the Freddie Mac Exclusionary List solely because the person or entity has been designated a suspended Counterparty by the Federal Housing Finance Agency.

Additionally, we are making non-substantive edits to Section 2.18, Freddie Mac Exclusionary List, for the sake of consistency when referring to individuals or entities whose names appear on the Federal Housing Finance Agency Suspended Counterparty Program List. Sections 2.18(b), 2.18(c), 2.18(d), 2.18(f), 2.18(h), and 2.18(j) have been revised in support of this change.

Miscellaneous housekeeping changes

- We are removing language referencing the Securitization of Mortgages from Section 31.9(b)(3) to eliminate confusion about our requirements regarding the submission of documentation when seismic risk changes occur after Freddie Mac has purchased a Mortgage.
- We are revising the name of Section 39.4 to read "*Required repairs, Green Improvements and Repair Reserve Servicing for non-SBL Mortgages, or for SBL Mortgages with Loan Agreements dated 11-02-2015 or earlier.*"
- Form 1104, *SBL Physical Risk Report* is being updated to resolve a technical problem.