
TO: Freddie Mac Targeted Affordable Housing Sellers and Servicers

April 30, 2013

SUBJECTS

With this Bulletin for the Delegated Underwriting for Targeted Affordable Housing Guide (TAH Guide), we are:

- Adding a new chapter to provide our requirements for assessing seismic risk
- Changing our requirements for postpurchase assessments
- Excepting Mortgages secured by a property owned by a Cooperative from the requirement to submit quarterly financial reports
- Revising our insurance requirements for certain third party consultants and clarifying our requirements for Ordinance and Law Insurance coverage
- Updating our requirements with respect to the eligibility status of a Custodial Account depository institution
- Revising and adding categories for minority-owned businesses to Form 16M – Multifamily Annual Certification Report and Form 1107M – Multifamily Seller/Servicer Change Notification
- Updating our title insurance policy requirements
- Revising our provisions regarding commercial usage to explicitly include leases for oil, gas and minerals located on or beneath the Property
- Clarifying our requirements for ground leases and survey waivers with respect to Supplemental Mortgages, as well as making other housekeeping changes

Effective dates

All of the changes announced by this Bulletin are effective immediately, except the following:

- Changes to the requirements for postpurchase assessments go into effect July 1, 2013
- Revised insurance requirements for third party consultants and inspectors go into effect June 1, 2013
- New seismic risk requirements go into effect on June 1, 2013

Conclusion

More details on these changes are provided on the pages that follow. For complete details see the applicable chapters and sections of the TAH Guide on AllRegs. All TAH Guide text for the changes described in this Bulletin is highlighted in green. However, since Chapter 16 is completely new, we have chosen to display its text in black.

If you have any questions about the content of this Bulletin, please call your Freddie Mac representative.

Sincerely,

David Brickman
Senior Vice President
Multifamily

Seismic Risk Assessment Chapter

We are adding a new chapter to the Seller/Servicer Guide to contain our requirements for the Seismic Risk Assessment (SRA), which takes the place of the Site Specific Seismic Report (SSSR). The new chapter provides:

- Your responsibilities with respect to the retention of a seismic risk consultant
- Required qualifications for the seismic risk consultant
- Property risk factors that necessitate an SRA
- Inspection requirements and SRA content requirements
- The certification that can be provided in lieu of an SRA if the Property risk factors do not necessitate an SRA

The new chapter is being added to the Seller/Servicer Guide as Chapter 16. We have added new TAH Guide Chapter 16 to incorporate the provisions of the Seller/Servicer Guide by reference. To accommodate the new chapter, we have moved the provisions previously found in Chapter 16 of the TAH Guide to Sections 10.6 through 10.17 of Chapter 10 of the TAH Guide, which has been renamed Credit Tools and Applications, Mortgage and Mortgage Origination Fundamentals and incorporates Sections 10.7 through 10.16 of the Seller/Servicer Guide by reference. The provisions of the relocated Sections have not substantively changed.

Additionally, Seller/Servicer Guide Sections 14.4, 14.5(a), 14.6(a) and Form 1105 – Multifamily Property Condition Form have been revised to require the property condition consultant to include in the property condition report an evaluation of any high risk seismic factors. They are incorporated into the TAH Guide by reference.

Other changes to accommodate the new chapter have been made to TAH Guide Section 5.3 and the following Seller/Servicer Guide Sections: 8.14, 17.1(b), 17.1(g), 19.1(b), 19.1(g), 20.1, 21.1, 31.9 and 41.7, which, where applicable, are incorporated into the TAH Guide by reference.

The new seismic risk requirements go into effect for all SRAs ordered on or after June 1, 2013. In addition, you must begin requiring the use of the new versions of Form 1105 and Form 1117 on this date. We recommend that you read Chapter 16 of the Seller/Servicer Guide in its entirety to gain an understanding of our requirements for reporting seismic risk.

Postpurchase Assessments

We are revising the requirements for postpurchase assessments in Seller/Servicer Guide Chapter 40. For a Mortgage with an unpaid principal balance (“UPB”) of less than or equal to one million dollars, both the Loan Management Form (LMF) and the Annual Inspection form (AIF) must be submitted at the end of the calendar quarter of the biennial anniversary of the Origination Date. This change is effective for assessments due on or after July 1, 2013.

Following the first anniversary of the origination date of a CME Mortgage, all of the different assessment types will be required, including the Annual Income and Expense Assessment (AIE), the Quarterly Income and Expense Assessment (QIE), the LMF and the AIF on the same schedule as that described above. This change is also effective for assessments due on or after July 1, 2013.

In other changes applicable to the AIF, we will offer to inspect Properties where the Mortgage has a Risk Rating greater than seven. Each December, instead of providing you with a list of Properties that we will inspect, we will ask you to indicate whether you want us to inspect a Property or if you want to perform the inspection itself.

We have revised Sections 40.2(b) and 40.14 of the Seller/Service Guide to reflect these changes which are incorporated into the TAH Guide by reference.

Mortgages secured by a Property owned by a Cooperative

We are no longer requiring you to submit the Quarterly Income and Expense Assessment (QIE) for Mortgages secured by a Property owned by a Cooperative. In addition, unless we request otherwise, you will not be required to provide the current maintenance roll or statement of income and expenses for the Cooperative Borrower's operation of the Property at the end of each calendar quarter following purchase.

We have revised Sections 40.2(a)(1), 40.11 and 40.14(a)(1) of the Seller/Service Guide to reflect this change. We have also modified Section 40.11 of the Seller/Service Guide to reserve the right to require the most recent approved annual operating budget and the most recent capital expense study/plan at our request. These changes are incorporated into the TAH Guide by reference.

Changes to Insurance Requirements

Third Party Consultants

Effective June 1, we are revising our insurance requirements for third party consultants. Seller/Service Guide Section 31.26, incorporated into this TAH Guide by reference, has been revised to identify which third party consultants are required to carry levels of general and professional liability coverage.

Ordinance and Law Insurance Coverage

Ordinance and Law coverage for a legally non-conforming Property is not required if the Seller/Service provides Freddie Mac with evidence of a 100 percent rebuild allowance. We are revising the language of Seller/Service Guide Section 31.12 to clarify that Ordinance and Law coverage is required if the zoning law rebuild allowance is restricted to less than 12 months under which the reconstruction must be under permit or construction. This change is effective immediately.

Updates to Contact Information for Insurance

We've added references to the Multifamily TAH Underwriter as one of the points of contacts in Seller/Service Guide Sections 31.2(b), 31.14, 31.19(a) and 31.27.

Custodial Account Depository Ratings

We are adopting a single-tier rating system with regard to our Custodial Account Depository rating requirements. Upon establishing Custodial Accounts and on an ongoing basis, you must ensure that each FDIC-insured depository institution holding custodial accounts meets the minimum acceptable rating of at least two of the following rating agencies: Fitch Ratings, Standard & Poor's Ratings or Moody's Investors Service.

We have also clarified that for Cap Fee Reserve Funds or Principal Reserve Funds on TAH Bond Credit Enhanced Mortgages, the minimum rating requirements for this type of Custodial Account are established at the fund level.

Sections 52.2 and 52.9 of the Seller/Service Guide have been revised to reflect these changes and are incorporated into the TAH Guide by reference.

Revisions to Diversity Categories on Forms 16M and 1107M

We have updated Form 16M and Form 1107M to reflect revised definitions for the diversity categories, consistent with the Housing and Economic Recovery Act of 2008 (HERA) and the Federal Housing Finance Agency (FHFA) implementing regulations. We are also adding two additional diversity categories relating to your ownership information that we will begin collecting. The updated forms have been posted to FreddieMac.com and must be used beginning April 30, 2013. Form 1107M can also be found on AllRegs.

Title Insurance Policy, Forms and Endorsement

We have updated our title insurance policy provisions to clarify our requirements and to reflect changes to industry forms including updates to ALTA Form names, endorsements, and adoption dates. Please note the following changes in particular:

- Section 29.1(e) of the Seller/Servicer Guide, incorporated into the TAH Guide by reference, has been revised to require that the title insurance policy include Freddie Mac's successors or assigns as named insured
- Section 29.1(g) of the Seller/Servicer Guide, incorporated into the TAH Guide by reference, has been revised to require that the following endorsements be attached to the title insurance policy:
 - ALTA Form 17.2-06 Utility Access endorsement
 - ALTA Form 28.1-06 Encroachments – Boundaries and Easements (Adopted 04-02-2012)
 - ALTA Form 35.1-06 Minerals and Other Subsurface Substances (Adopted 04-02-2012)
 - Waiver of Compulsory Arbitration Endorsement
 - Mortgage Recording Tax Endorsement

The Section has also been revised to require that the Access endorsement (or substitute) indicate that the Property is contiguous to and has pedestrian and vehicular access to a physically open street identified by name.

- Sections 29.1(i) and 29.1(j) of the Seller/Servicer Guide, incorporated into the TAH Guide by reference, have been revised to require that the title policy include the date of recording when identifying recorded documents.
- Section 29.1(i) of the Seller/Servicer Guide has been revised and Section 29.1(k) of the Seller/Servicer Guide has been added to require an Insured Closing Protection Letter if the recordation of the documents or the escrow and disbursement of funds in connection with the origination of the Mortgage are being handled by a title agent rather than a branch officer of the title insurer. Both Sections are incorporated into the TAH Guide by reference.
- Section 29.2 of the TAH Guide has been revised to require more detail in Seller's analysis of title exceptions and provide greater detail on safe harbor categories. In addition, the following safe harbor categories have been added to Section 29.2 of the Seller/Servicer Guide, incorporated into the TAH Guide by reference:
 - Waterfront Property or Property Bounded by Water
 - Redevelopment and Urban Renewal Plans
 - Improvements Designated as Landmarks
 - \$1.00 Condemnation Clause in Deeds
- Section 29.3 of the Seller/Servicer Guide, incorporated into the TAH Guide by reference, has been updated to remove the requirement that the Surveyor's Certifications be for the benefit of Freddie Mac and its successors and assigns.

Leases for Oil, Gas and Minerals

We have added language to Seller/Servicer Guide Section 8.2(b), incorporated into the TAH Guide by reference, to indicate that we consider leases for oil, gas and minerals located on or beneath the Property to be commercial usage.

We have also revised Seller/Servicer Guide Section 8.11(a)(3), incorporated into the TAH Guide by reference, to explicitly require the inclusion of income from leases for oil, gas and minerals when determining whether a Commercial Lease Analysis Form must be submitted.

Housekeeping and Clarifications

Ground Leases

We are revising the language of the Ground Lease Analysis form found on FreddieMac.com to make it clear to your counsel that that any provision requiring a tenant to rebuild following a substantial casualty or condemnation must be highlighted for us. We have made related changes to Seller/Servicer Guide Section 30.2(b)(5), incorporated into the TAH Guide by reference.

Survey waivers for Supplemental Mortgages

Seller/Servicer Guide Section 29.5(c), incorporated into the TAH Guide by reference, has been revised to clarify that you must request a waiver of the survey requirement with respect to a Supplemental Mortgage even when we have waived the requirement for a survey with respect to the senior Mortgage.