



Bulletin

NUMBER: M2013-3

TO: Freddie Mac Targeted Affordable Housing Sellers and Servicers

June 28, 2013

SUBJECTS

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

- Updating our requirements for the Servicing of Mortgages including making modifications to your responsibility following a casualty loss and revising Forms 1140 and 1140-DR
- Updating our requirements with respect to the Freddie Mac Exclusionary List
- Revising our requirements with respect to appraiser certifications
- Standardizing the reliance language for the Appraisal, the environmental report, the property condition report, the Level 1 Seismic Risk Assessment (SRA) and certain construction reports for Forward Commitments
- Requiring additional documentation as part of the underwriting package for Properties where problematic materials, equipment or systems have been detected
- Making miscellaneous revisions clarifying our requirements regarding
 - Aluminum wiring
 - Our itemized survey and/or plat exceptions
 - Compliance with our deadlines in connection with your cooperation with us to prevent and investigate fraud

Effective dates

The change to our requirements for Properties with problematic materials, equipment or systems goes into effect for all applicable underwriting packages submitted on or after July 15, 2013.

All of the other changes announced by this Bulletin are effective immediately.

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

Sincerely,

David Brickman
Senior Vice President
Multifamily

Revisions to transaction-related requirements for Servicing of Mortgages

We have made the following revisions to our Servicing requirements:

- We have revised Seller/Servicer Guide Section 43.1, incorporated into the TAH Guide by reference, to require you to send corrected data, via email, to Freddie Mac *Multifamily Asset Management, Servicer and Data Management* if your required view of General Loan Information (GLI) identifies any inaccuracies. We have updated the Seller/Servicer Guide Directory in support of this change.
- We have updated our Notice and Form 1140 requirements regarding casualty losses and natural disaster losses. Our revised procedures require you to submit Parts I and II of Form 1140 after learning that a loss or damage has occurred. Part I, Hazard Loss Notification and Plan – Overview must be submitted within seven Business Days after learning that a loss or damage has occurred, and Part II, Hazard Loss Notification and Plan – Submission Details within 30 Days after learning that a loss or damage has occurred.

Furthermore, you must now obtain our approval of your recommendations for monitoring the repair and restoration of the Property or application of funds to the unpaid principal balance (UPB) if:

- The Mortgage is in default.
- The amount of loss or damage exceeds, or is expected to exceed, the lesser of 15 percent of the UPB or \$3 million.
- The Mortgage has a Risk Rating greater than six.
- The insurance coverage is insufficient to cover the loss to the Property or loss of rents/business income.

If any of the conditions listed above exists at or following the date of the loss, we prohibit you from disbursing insurance proceeds to the Borrower until we have given you our written approval regarding the handling of the loss or damage. Upon our approval of the plan, you must submit Form 1140-DR, Multifamily Hazard Loss Disbursement Request Form, for each draw request.

If none of the conditions listed above exists at or following the date of the loss, you will direct the resolution of the loss and your submission of Form 1140, Part II to us will be for notification only.

We have revised Seller/Servicer Guide Section 43.8 and Forms 1140 and 1140-DR, incorporated into this TAH Guide by reference, in support of these changes.

Use of the Freddie Mac Exclusionary List

We are updating our requirements for the Freddie Mac Exclusionary List as follows:

- Specifying that persons or entities on the Exclusionary List are prohibited from doing business with us, either directly or indirectly
- Specifying that we update the Exclusionary List at least monthly
- Adding theft or misappropriation of funds as an example of grounds for placement on the Exclusionary List
- Adding that a person or entity may be added to the Exclusionary List if designated as a Suspended Counterparty by the Federal Housing Finance Agency (FHFA) as part of FHFA's Suspended Counterparty Program

Our process for placement on the Exclusionary List outlined in the Seller/Service Guide does not apply to Suspended Counterparties; such party's rights are governed by FHFA's Suspended Counterparty Program.

To accommodate these changes, we have revised Sections 2.18(a), 2.18(b), 2.18(d), 2.18(f) and 2.18(h) of the Seller/Service Guide, which are incorporated into the TAH Guide by reference.

Appraiser Certification

We are revising our requirements for the appraisers who are signing the Appraisal to:

- Eliminate references to a "supervising appraiser", and
- Require anyone signing the Appraisal to comply with the requirements of Chapter 12, inspect the Property and accept full responsibility for the contents of the Appraisal.

These changes can be found in Seller/Service Guide Section 12.5 and are incorporated into the TAH Guide by reference.

Standardization of Reliance Language for Third-Party Reports

We are revising the reliance language for Appraisals, environmental reports, property condition reports, Level 1 SRAs and certain construction reports for Forward Commitments to:

- Standardize the reliance language
- Require that the reliance language be added to third-party reports for non-CME Mortgages
- Expand the list of parties that may rely on the third-party reports

These changes can be found in Sections 12.12, 13.2(b), 15.7(b), 15.10(c) and 15.11(c) of the TAH Guide and Sections 14.3(c) and 16.5 of the Seller/Service Guide, which are incorporated into the TAH Guide by reference.

Problematic Materials, Equipment and Systems

We have revised our requirements for Properties where problematic materials, equipment or systems have been detected, such as aluminum wiring, fire-retardant-treated plywood, problem drywall or other building components that historically have performed poorly or have been subject to recalls or class action lawsuits. In such instances, you must

- Obtain certification from the appraiser that the problematic materials, equipment and systems were considered in the evaluation of the Property
- Provide evidence that there is no exclusion in the hazard insurance policy for damage caused by the problematic materials, equipment and systems

If required, the additional documentation must be included in the conversion underwriting package for Forward Commitments. We have revised Section 14.2 of the TAH Guide to reflect this change.

Miscellaneous

Aluminum Wiring

We have clarified the requirements for Properties where aluminum wiring is present to state that all electrical devices must have code-compliant connections that are rated to accept aluminum wiring; otherwise, code-compliant repairs must be made before the Origination Date. This revision can be found in Seller/Service Guide Section 14.5(c) and is incorporated into the TAH Guide by reference.

Itemized survey and/or plat exceptions

We have revised Seller/Service Guide Section 29.2(e)(17), incorporated by reference into the TAH Guide, to clarify that non-structural items that do not violate any zoning laws or regulations to which the Property may be subject (e.g., fences, boundary walls, or signs that lie within the building setback lines) may qualify for the safe-harbor category of Seller/Service Guide Section 29.2(e)(17) provided they meet all of the requirements of that Section.

Cooperation to prevent and detect fraud

We have modified Section 7.3 of the Seller/Service Guide, which describes your duty to cooperate with us to prevent and investigate fraud, to require that you comply with any deadlines specified by us for providing information, documentation, records, access to individuals or any other requested assistance. These requirements are incorporated into the TAH Guide by reference.