

Bulletin

NUMBER: M2013-6

TO: Freddie Mac Targeted Affordable Housing Sellers

December 10, 2013

SUBJECTS

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

- Establishing new requirements for the Seller/Service's Business Continuity Plan
- Revising our requirements for the full underwriting package submission of a wood-damaging insect report or a certification from the Property's pest control provider
- Revising our requirements for testing for polychlorinated biphenyls (PCBs) and radon
- Revising our requirements for the Property's zoning reports with respect to Certificates of Occupancy

Effective dates

All of the changes announced by this TAH Guide Bulletin are effective immediately; however, March 1, 2014 is the deadline for you to have implemented a Business Continuity Plan in compliance with the new TAH Guide requirements.

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,

David Brickman
Senior Vice President
Multifamily

Business Continuity Plan

Effective March 1, 2014, we are requiring you to have in place a business continuity and disaster recovery plan (Business Continuity Plan) that provides for the assured and continuous delivery of core operations in the event of a disaster or business interruption. You are required to test your Business Continuity Plan annually and retain evidence of the test results.

Section 2.20 of the Seller/Service Guide, which has been incorporated into the TAH Guide by reference, has been added to provide complete details regarding the content of the Business Continuity Plan.

Wood-damaging Insect Report

As part of the full underwriting package, you must now submit one of the following for any building with a structure or significant components that could be subject to damage by wood-damaging insects:

- A wood-damaging insect inspection report stating that there is no evidence of wood-damaging insect infestation, or
- Certification from the Property's pest control provider stating that there is no evidence of wood-damaging insect infestation and that the Property is regularly inspected and/or treated.

The report must be dated within six months prior to the date of submission of the full underwriting package to us. We will also require a Repair Reserve for any areas damaged by wood-damaging insects.

We have added Section 8.2(e) and have revised Section 14.5(e) of the Seller/Service Guide to reflect these revisions. Both of these sections have been incorporated into the TAH Guide by reference.

Testing for PCBs and Radon

We are making the following changes to our requirements with respect to PCBs and radon:

- If a utility owns the electrical transformers and capacitors, the environmental consultant can obtain confirmation of ownership via a written statement or a documented phone call.
- For utility-owned equipment for which the PCB content is unknown or confirmed to be in excess of 50 PPM, the environmental consultant is required to recommend an O&M program which takes into account the ownership of the equipment.
- When testing the Property for radon, the environmental consultant is now permitted the option of providing oversight of testing performed by others. The environmental consultant must review all test results and render an opinion; if the test results reveal elevated radon levels, the environmental consultant must provide resolution.
- If any of the initial tests indicate radon concentrations greater than or equal to 4 pCi/L, then the environmental consultant must recommend additional long-term testing commensurate with the risk identified by the short-term results.

The PCB changes can be found in Section 13.11(b) of the Seller/Service Guide and Section 13.11(c) of the TAH Guide. Section 13.11(b) has been incorporated into the TAH Guide by reference.

The radon changes can be found in Sections 13.15(a) and 13.15(c) of the TAH Guide and Section 13.15(b) of the Seller/Service Guide, which has been incorporated into the TAH Guide by reference.

Zoning Report

We are revising our requirements for the Property's zoning report. If all Certificates of Occupancy are not available for a Property, the zoning report must state that this absence is not a zoning violation and will not give rise to any zoning enforcement action affecting the Property. If such a statement cannot be included, the zoning report must include an explanation of why the statement is not applicable, based on the facts and circumstances related to the Property or the requirements of the applicable jurisdiction.

See Sections 8.5(b) and 8.5(e) of the TAH Guide for complete details, including the precise wording of the statement to appear on the zoning report.