

Bulletin

NUMBER: M2013-1

TO: Freddie Mac Targeted Affordable Housing Sellers and Servicers

February 28, 2013

SUBJECTS

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

- Revising our provisions for Borrowers, Borrower/Sponsors and guarantors to require:
 - The Borrower to be an entity formed in the United States
 - Each Borrower/Sponsor with direct ownership in the Borrower to be a United States citizen or entity
 - Foreign guarantors or United States citizen guarantors who reside abroad to meet certain requirements in order to be acceptable to us
 - Seller's counsel to provide us with the new Investment Fund Analysis form as part of the preliminary legal issues memorandum (PLIM) for a Borrower/Sponsor or guarantor that is an investment fund
- Updating and reformatting our provisions regarding legal services in Chapter 6
- Adding a requirement to provide an analysis of title policy exceptions for condominium/cooperative conversion restrictions
- Expanding your responsibilities with respect to the retention and management of the environmental consultant and the property condition consultant
- Directing you to submit executed Letter Agreements to Customer Compliance Management

Effective dates

All of the 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. Effective with this Bulletin, highlighted text will be used to indicate TAH Guide text that has been revised in the current calendar year.

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 Affecting Borrowers, Borrower/Sponsors and Guarantors

We are clarifying our requirements with respect to Borrowers whose ownership structure includes foreign entities and guarantors who are foreign individuals, foreign entities or United States citizens residing abroad. In addition, we are introducing a new form to be completed by your counsel when any Borrower/Sponsor or guarantor is an investment fund. Sections 9.9 through 9.16 of the TAH Guide are being renumbered to reflect the addition of three new sections to this chapter.

Borrowers and Borrower/Sponsors

We have revised Section 9.2 of the TAH Guide to require the Borrower to be an entity formed in the United States and each Borrower/Sponsor with a direct ownership in the Borrower to be a United States citizen or entity. However, an entity formed in a foreign country may hold a direct or indirect interest in a United States-chartered Borrower/Sponsor that has a direct ownership interest in the Borrower.

Foreign Guarantors

We have revised the Guide to state that we may approve a guarantor that is

- A United States citizen who does not reside in the United States,
- Not a United States citizen, or
- Not a United States entity.

If Freddie Mac approves such a guarantor, the guarantor may be required to

- Appoint an agent in the United States acceptable to us for service of process
- Maintain, in an account held by a United States bank acceptable to us, a minimum liquidity of 10 percent of the original principal balance of the Mortgage, or other amount required by us
- Deliver an opinion of counsel, provided by a firm acceptable to us, as to the enforceability of a United States judgment in the guarantor's country of origin, formation or residence, and an outline of the requirements for domesticating a United States judgment in such country

This change can be found in Section 9.11 of the Seller/Servicer Guide, and is incorporated into the TAH Guide by reference.

Investment Fund Analysis Form

For a Borrower/Sponsor or guarantor that is an investment fund, we are adding a requirement for the Seller's counsel to complete the new Investment Fund Analysis form, which is available on the Multifamily Loan Documents page on FreddieMac.com. Your counsel must prepare and deliver the Investment Fund Analysis as part of the PLIM, and must update the Investment Fund Analysis form if more information becomes available after the PLIM has been submitted.

We have added Section 6.4(j) to the TAH Guide and Section 9.10 to the Seller/Servicer Guide to reflect this change. Section 9.10 is incorporated into the TAH Guide by reference.

Updates to our Requirements regarding Legal Services

We are updating and reformatting our provisions in TAH Guide Chapter 6, Legal Services for Mortgage Origination and Servicing, for greater ease of use. The changes to Sections 6.2, 6.4(a)-(i) and 6.5 of the TAH Guide are administrative in nature. We are removing outdated documents from the list of documents requiring document analysis and the lists of documents to be reviewed prior to Mortgage purchase or a Transfer of Ownership in Sections 6.7, 6.10(b) and 6.11(b) of the TAH Guide.

Exception for Condominium/Cooperative Conversion Restriction

We are adding a requirement in Section 29.2(g) of the Seller/Servicer Guide concerning title policy exceptions. If the title policy contains an exception for a prohibition against or an indemnification in connection with the conversion of the Property to a condominium or cooperative structure, you or your counsel must provide us with a completed Condominium/Cooperative Conversion Restriction Analysis. The form for the Condominium/Cooperative Conversion Restriction Analysis can be found on the Multifamily Loan Documents page on FreddieMac.com.

Section 29.2(g) is incorporated into the TAH Guide by reference.

Your Responsibilities Concerning Consultants

We are expanding your responsibilities with respect to environmental and property condition consultants. When retaining the environmental consultant or the property condition consultant, you must now

- Review and verify the credentials, licensing, certifications, memberships and affiliations of each consultant
- For new consultants, check at least three references from lenders who have previously employed or retained the consultant to evaluate the consultant's capabilities and performance

To assist in managing a consultant's performance, you must maintain a separate file for our use that includes your ongoing evaluations of each consultant's performance, and the consultant's current resume, required references and original certificates of liability insurance.

We have added these changes to Sections 13.1(b) and 14.2 of the TAH Guide.

Letter Agreements for Custodial Accounts

We now require you to submit your executed Letter Agreements to Customer Compliance Management. In addition, if you have questions regarding the eligibility of a depository institution, you may contact Multifamily_Eligibility@FreddieMac.com or may subscribe to any of the rating services at your own expense. We do not assume responsibility for notifying you of an institution's eligibility status. The Seller/Servicer Guide Directory and Seller/Servicer Guide Sections 52.6, 52.9 and 52.10 have been revised to reflect these changes, which are incorporated into the TAH Guide by reference.