

Practice Update

GSE COVID-19 Guidance Regarding Multifamily Mortgages

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Fannie Mae and Freddie Mac have both issued guidance addressing the impact of the COVID-19 pandemic on borrowers with multifamily property mortgages. A separate alert, available [here](#), addresses guidance to sellers and servicers of single family home mortgages.

Fannie Mae

Fannie Mae has issued updated guidance regarding several aspects of its multifamily mortgage business. These update are intended to provide guidance that will assist borrowers during the crisis. In coordination with the FHFA, Fannie Mae will [allow](#) borrowers with mortgages on multifamily properties to seek forbearance from their lenders. Fannie Mae will permit three months of forbearance if the borrower is experiencing financial hardship due to the national emergency. During the forbearance period, Fannie Mae will waive late charges. Landlords receiving forbearance must agree to suspend evictions based on non-payment of rent during the forbearance period. Fannie Mae's forbearance requirements are similar to forbearance provisions in the federal CARES Act, discussed in an Akerman alert located [here](#).

Fannie Mae has also issued updates to its [Multifamily lender guidance](#) to address the impact of COVID-19. These updates include:

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- Lenders may request deferred delivery of loan documents required to be included in the Mortgage Delivery Package for any mortgage loan directly affected by COVID-19. A lender should immediately consider executing a pre-negotiation letter if a borrower requests forbearance related to COVID-19.
- Fannie Mae will also delay inspection due dates for 120 days after the current inspection due date for most properties with inspections due in March, April, May, or June; for non-student or senior housing properties, a delayed inspection will depend on the property's condition rating.
- Lenders are granted a 120-day extension to complete any Property Condition Assessment required for a multifamily affordable housing loan in year five or any other mortgage loan with a term greater than 10 years

Freddie Mac

Freddie Mac also issued several updates relating to the multifamily business practices impacted by the pandemic. Similar to Fannie Mae, Freddie Mac has informed multifamily landlords with a fully-performing Freddie Mac loan that they can defer loan payments for 90 days if they show COVID-19-related hardship to their lender and the deferral is approved by the lender. Freddie Mac is also requiring landlords to not evict a tenant for non-payment of rent during this forbearance period. Freddie Mac's forbearance requirements are similar to forbearance provisions in the federal CARES Act, discussed in an Akerman alert located here.

Freddie Mac has also taken these additional steps to address the impact of COVID-19:

- As of March 13, a new delivery stoppage contingency plan will allow lenders, their closing counsel, or their warehouse lenders, to hold the original note and other loan documents as bailee/custodian for Freddie Mac in order to meet

mandatory delivery dates during a stoppage period.

- Freddie Mac has suspended new Index Lock Agreements as of March 16. Index Lock Agreements accepted before March 16 will remain in full effect.
- First quotes issued on Freddie Mac loans are now valid for five business days instead of ten days, subsequent quotes will remain unchanged and will be valid for five business days.
- Freddie Mac will no longer waive good faith deposits for select sponsors.
- Breakage fee will be calculated without the 2 percent cap beginning with commitments issued on March 17.
- Regional leadership teams are authorized to make decisions as to property inspection waivers on a case-by-case basis.
- As of March 25, any loan taken under application that involves a borrower taking out cash equity will require a 0.10x increase to the debt coverage ratio and 5 percent reduction in the loan to value ratio. Cash equity out of the transaction will be defined as any cash proceeds greater than 3 percent of the existing mortgage loan plus junior capital and prepayment penalties.
- Any loan taken under application or not yet committed to by Freddie Mac: commercial space will be underwritten as if completely vacant, even if occupied. Freddie Mac will consider some exceptions from a supply chain critical and/or credit tenant on a case-by-case basis.

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