



October 29, 2024

MULTIFAMILY CLOSINGS INSURED BY FANNIE MAE AND FREDDIE MAC

Fannie Mae and Freddie Mac recently revised their policies regarding the disclosure of the receipts and disbursements relating to multifamily properties in an effort to help prevent fraud. The changes impact closings in which a borrower's new loan will be sold by the originating lender to Fannie Mae or Freddie Mac.

Fannie Mae Changes:

On August 27, 2024, Fannie Mae issued [Lender Letter 24-05](#). The letter states title companies and escrow agents must provide their receipts and disbursements ledger for the transaction (or other written evidence) which describes:

- The source of all funds deposited (with federal funds wires and full entity names) into the closing escrow (including good faith deposits and all other funds required for acquisition or cash-in refinance, if applicable)
- The flow of all funds disbursed from the closing escrow for the mortgage loan (and any acquisition or assumption, if applicable), whether by check or federal funds wires (with full entity names)

This is required for all mortgage loans with a confirmed commitment date on or after Sept. 24, 2024.

Freddie Mac Changes:

Freddie Mac updated their [Multifamily Seller/Service Guide](#). The changes directly impact who can prepare the settlement statement and receive and disburse funds for purchases of multifamily properties wherein the buyer is obtaining a mortgage.

The revisions are described in *Chapter 29 - Title, Description, Survey, UCC Searches and Opinions*, the Guide says:

- 29.1(d): Effective for any Mortgage transaction that is an acquisition which is taken under Seller Application on and after August 15, 2024, the Title Insurance Underwriter

must directly perform all escrow and settlement functions for both the Mortgage transaction and the acquisition of the Property (i.e., the Title Insurance Underwriter must receive and disburse all funds from all sources related to the acquisition and prepare the settlement statement for the acquisition of the Property and the acquisition financing). The settlement statement must be delivered to the Seller/Service or the Seller/Service's counsel directly by the Title Insurance Underwriter. (See Section 32.3(c) for additional settlement statement requirements.)

Chapter 32 for Final Delivery Requirements, reiterates what the Guide says in Chapter 2:

- As provided in Sections 29.1 and 29SBL.1, the settlement statement(s) must be delivered to the Seller/Service or the Seller/Service's counsel directly by the Title Insurance Underwriter.

These changes are effective August 15, 2024

Who does this affect?

These revisions may impact independent escrow companies, title agents, fee attorney offices and title insurance companies. It is the loan originator who must ensure their loan is compliant with these requirements, not the escrow or title company. Settlement agents and title insurance companies must be sure to understand and adhere to the lender's instructions, including providing copies of the final check register, receipts and disbursements if requested by the lender.

As always, **contact our North Carolina Chicago Title Counsel** to discuss at any time. We are working diligently to keep you informed of the latest information available.

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