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Guide Update 25-04: Fraud Prevention

Effective: 04/14/25
Retired: 04/14/26

Summary of Changes

HIGHLIGHTS
Effective for Mortgage Loans Committed as of April 14, 2025, updated fraud prevention underwriting due diligence in: • Part I, Chapter 1: Overview; • Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals; • Part II, Chapter 1: Attributes and Characteristics; and • Part II, Chapter 4: Lease Audits, Inspections, and Reserves. **Effective for all Transfers/Assumptions as of April 14, 2025**, updated the Multifamily Asset Management Delegated Transaction: Transfer/Assumption (Form 4636.TA).

Primary Changes

Updated:

- Part I, Chapter 1: Overview to:
  - require documentation of all due diligence findings in the Transaction Approval Memo; and
  - confirm Loan Documents govern if any inconsistency with the Guide exists.
- Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals to:
  - revise Section 301: Generally, requiring you to document all of your due diligence findings in the Transaction Approval Memo;
  - revise Section 302: Borrower Organizational Structure, requiring your review of
    - the Borrower's formation documents, and
    - all amendments and restatements;
  - revise Section 303: Key Principals, Principals, and Guarantors, adding requirements for

reviewing Principals' direct and indirect ownership interests;

- add Section 304: Limited Experience Owner, outlining compliance and documentation information for Limited Experience Owners;
- add Section 306: Schedule of Real Estate Owned, requiring collection of a detailed SREO from any Key Principal and Guarantor; and
- revise Section 309: Applicant Experience Check, providing:
  - detailed timing for performing an ACheck™ on any Sponsor, Key Principal, or Guarantor that is a Limited Experienced Owner both
    - before accepting a signed application, and
    - within 3 days before Rate Lock; and
  - Frequently Asked Questions related to the ACheck application and process.

- Part II, Chapter 1: Attributes and Characteristics to revise:
  - Section 101: Eligible Properties, requiring Property internet searches and documentation in the Transaction Approval Memo; and
  - Section 112: Property Management, requiring additional oversight of the Property's management team.
- Part II, Chapter 4: Lease Audits, Inspections, and Reserves to:
  - modify Section 401: Lease Audit, outlining requirements for:
    - reviews;
    - notifications; and
    - validating
      - rent collections,
      - bad debt, and
      - secondary income;
  - add Section 402: Site Inspections, outlining requirements for:
    - physical inspections;
    - notifications;
    - selecting units; and
    - capital item replacements; and
  - update Section 405: Completion/Repairs.
- The Glossary, to add new definitions and align existing terms.

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- Form 4636.TA, to add a Delegation Determination Question for Potential Red Flags for Mortgage Fraud and Other Suspicious Activity.

Superseded Publication

This publication supersedes Supplement 24-05R: Revised Fraud Prevention Underwriting Due Diligence.

Questions

Please contact the Fannie Mae Deal Team with any questions.

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