To: Multifamily Lenders

From: Lisa F. Carlson, Vice President for Multifamily Policy and Lender Risk Management

Subject: Lender Letter 18-07 | Anti-Money Laundering (“AML”) Reporting Reminder; new U.S. Department of the Treasury Financial Crimes Enforcement Network (“FinCEN”) requirement to identify direct and indirect beneficial owners and verify their identities

HIGHLIGHTS

The Multifamily Selling and Servicing Guide (the “Guide”) requires Lenders to comply with the AML provisions of the Bank Secrecy Act (“BSA”) or adopt controls similar to those required by the AML provisions of the BSA.

Recent changes to the FinCEN AML requirements have changed the level of due diligence required to verify the identities of individuals that own and control legal entity customers.

Background

FinCEN issued new regulations that recently went into effect changing the customer due diligence requirements for AML reporting. The new regulations include a requirement to identify the direct and indirect beneficial owners of each legal entity customer, and to verify the identities of those individuals.

Guide Requirement

This Lender Letter is a reminder that the Guide requires all Lenders to comply with the BSA or adopt controls similar to those required by the AML provisions of the BSA. According to Part II, Section 502.03 of the Guide, if a Lender is subject to the AML provisions of the BSA, it must comply with all applicable provisions of the BSA. If a Lender is not subject to the BSA, it is expected to have in place controls similar to those required by the AML provisions of the BSA for the purpose of identifying suspicious activities that may involve money laundering, fraud, terrorist financing, or other financial crimes, as well as procedures for reporting those suspicious activities to Fannie Mae.

New FinCEN Customer Due Diligence Regulations

FinCEN published a Notice of Final Rulemaking (FinCEN FR-2016-05-11) on May 11, 2016, with technical amendments published on September 29, 2017 (Technical Amendments). The new regulations, and some modifications to existing regulations, took effect on May 11, 2018. The regulations include requirements to:

1. Identify the direct and indirect beneficial owner(s) of each legal entity customer. Beneficial owner means (a) any individual who, directly or indirectly, owns 25% or more of the equity...
interests in the legal entity customer, and (b) a single individual with significant responsibility to control, manage or direct the entity (e.g., CEO); and

2. Verify the identity of each beneficial owner identified.

FinCen and FINRA have provided additional guidance and answers to Frequently Asked Questions Regarding Customer Due Diligence Requirements for Financial Institutions: FinCEN Initial FAQs; FinCEN 2018 FAQs; FINRA Guidance.

Effective Date
This Lender Letter is effective immediately.

Questions
Please contact Fannie Mae Multifamily Partner Risk Management with any questions.