18SFR.1 Overview (07/06/18)

This chapter describes the requirements and procedures that the Seller/Servicers must follow to originate a Mortgage under the SFR Purchase Product (SFR Mortgage). SFR Mortgages submitted for purchase must comply with the requirements of this chapter and all other applicable chapters of the Guide, including all SFR-specific chapters published on https://mf.freddiemac.com/seller_servicer/legal/sf-rental/index.html (FreddieMac.com SFR Site).

Freddie Mac reserves the right to apply additional or more stringent requirements to any transaction.

a. Description of the SFR Purchase Product (07/06/18)

Freddie Mac will purchase SFR Mortgages from approved Seller/Servicers.

This Chapter, which incorporates the Affordable Single Family Rental Program Requirements document (SFR Program Requirements) published on the FreddieMac.com SFR Site, describes the unique requirements for the SFR Purchase Product.

Unless otherwise approved in writing by Freddie Mac, the amount of SFR Mortgages must meet the “Loan Amount” specified in the SFR Program Requirements.

b. Investment quality (07/06/18)

Each SFR Mortgage must have characteristics that demonstrate investment quality (see Section 10.7).

c. Types of SFR Mortgages (07/06/18)

Freddie Mac may purchase any or all of the following types of SFR Mortgages:

- Fixed-rate SFR Mortgages in which the interest rate is unchanged for the entire SFR Mortgage term. (See Section 18SFR.2)
- Floating-rate SFR Mortgages in which the interest rate is adjusted periodically until the end of the term of the SFR Mortgage. (See Section 18SFR.2)

Other types of SFR Mortgages as announced by Freddie Mac from time to time.

d. Securitization of Mortgages and transfer of Servicing (07/06/18)

Freddie Mac intends to securitize certain SFR Mortgages by selling them in the capital markets. At the time of a Securitization of a SFR Mortgage, Freddie Mac will cease to own the applicable SFR Mortgage and Servicing of the applicable SFR Mortgage will be terminated upon such Securitization and transferred to a master servicer without compensation to the Freddie Mac Servicer. The Freddie Mac Servicer must assist in the transfer of Servicing to the master servicer by timely delivering to the master servicer all materials required by Section 42.7.

The Seller/Servicer agrees that if Freddie Mac decides to securitize or sell the SFR Mortgage, Seller/Servicer will (a) permit Freddie Mac or its representatives to provide related information to the Rating Agencies and/or investors, and (b) cooperate with the reasonable requests of the Rating Agencies and/or investors in connection with a Securitization of the SFR Mortgage.

e. Delivery options (07/06/18)

For SFR Mortgages, Freddie Mac offers only the Standard delivery underwriting delivery option. The SFR Mortgage terms, conditions and interest rate are fixed after receipt and approval of the full underwriting package. For detailed information about standard delivery, see Sections 18SFR.3 through 18SFR.9.

f. Minimum Origination Fee (07/06/18)

A Seller must charge a Minimum Origination Fee in connection with the origination and sale of an SFR Mortgage to Freddie Mac in the amount specified in the SFR Program Requirements.

g. Final delivery requirements (07/06/18)

Chapter 32SFR contains the requirements for final delivery of SFR Mortgages to Freddie Mac.

18SFR.2 SFR Mortgage characteristics (07/06/18)

Each SFR Mortgage must have the following characteristics:

Loan Purpose	Acquisition or refinance
Loan Terms	5, 7, and 10-year terms available with a fixed or floating interest rate determined by Freddie Mac based on market rates prevailing at the time of Rate Lock.
Amortization	The maximum amortization period is 30 years.
Prepayments	As specified in the Note Fixed Rate – SFR or the Note Adjustable Rate – SFR (as applicable) available on the FreddieMac.com SFR Site.
Sales or Transfers of Indirect Ownership Interest in Borrower	Certain transfers of indirect ownership interests in the Borrower to a qualified purchaser is permitted on terms approved by Freddie Mac, in accordance with the terms of the SFR Loan Agreement and the Guide.
Borrower Recourse/Third-Party Guaranties	Generally non-recourse, except upon the occurrence of certain events specified in the SFR Loan Documents; however, Freddie Mac, in its discretion, may require additional Borrower recourse. See Section 10.2(b) in the event Freddie Mac requires one or more of the Borrower Principals, in the Borrower Principal's individual capacity, to guaranty the payment of all or a portion of the amounts due under the SFR Mortgage.
Servicing Spread	The Servicing Spread for each SFR Mortgage will be as stated in the Letter of Commitment for that SFR Mortgage.
Reserves	The Seller/Servicer must establish Reserves pursuant to the requirements of Sections 39.2 and 39.3.
Financing of Origination Fees	Proceeds of the SFR Mortgage may be used to pay loan origination fees or comparable fees to the Seller/Servicer only to the extent that such fees are reasonable and in accordance with general industry standards.
Late Charges/Default Interest	Requirements regarding late charges and default interest are set forth in the SFR Loan Documents. The Seller/Servicer may not change any provisions regarding late charges or default interest without Freddie Mac's prior approval. Freddie Mac reserves the right to waive any late charge, in its discretion.

18SFR.3 Reserved

18SFR.4 Standard delivery—underwriting package (07/06/18)

To begin the standard delivery process, Seller/Servicers must submit to Freddie Mac, via Freddie Mac's Document Management System (DMS), a full underwriting package including all documents specified in the SFR Underwriting Checklist, which is available on the FreddieMac.com SFR Site.

For more information on preparing and delivering specific items required by the SFR Underwriting Checklist, see the following resources:

- Chapter 55, Documentation and Deliveries
- SFR Program Requirements
- Guidance documents posted on the FreddieMac.com SFR Site

If the proposed SFR Mortgage does not meet one or more of the requirements for the SFR Purchase Product, Seller/Servicer must obtain a waiver from the Single Family Rental Team prior to submitting the proposed SFR Mortgage to Freddie Mac.

If Freddie Mac approves the proposed SFR Mortgage, Freddie Mac will issue a Letter of Commitment as described in Section 18SFR.6.

18SFR.5 Standard delivery—application fee (07/06/18)

Upon delivery of the full underwriting package, a nonrefundable application fee in the required amount specified in the SFR Program Requirements will be deemed earned by Freddie Mac from Seller/Servicer. and will be payable by the Seller as set forth in Section 18SFR.6(e).

If Freddie Mac approves the proposed Mortgage, Freddie Mac will issue a Letter of Commitment as described in Section 18SFR.6(f).

18SFR.6 Standard delivery—Letter of Commitment (07/06/18)

The Letter of Commitment represents Freddie Mac's offer to purchase an SFR Mortgage secured by eligible SFR Property Segments, which collectively make up the Property, as determined by Freddie Mac. A Letter of Commitment provides the purchase conditions applicable under a mandatory Purchase Contract.

a. Issuance of Letter of Commitment (07/06/18)

After the Seller/Servicer submits a full underwriting package meeting the requirements of Section 18SFR.4, Freddie Mac will determine if the SFR Mortgage is acceptable for purchase.

If the contemplated SFR Mortgage is acceptable, Freddie Mac will issue a Letter of Commitment stating the maximum Mortgage amount, the maximum annual debt service (principal and interest), loan term and amortization period (if applicable), and all additional conditions that must be satisfied before Freddie Mac purchases the SFR Mortgage.

The Letter of Commitment is valid for the period of time stated in the Letter of Commitment. If the Seller/Servicer fails to accept the Letter of Commitment offer within that stated time period, the Letter of Commitment will automatically expire, Freddie Mac will not be obligated to purchase the SFR Mortgage under any conditions, and the Seller must remit the application fee set forth in Section 18SFR.6(e). The Letter of Commitment will automatically incorporate by reference the terms set forth in Chapter 27SFR regarding the Commitment.

b. Seller/Servicer acceptance (07/06/18)

The Seller/Servicer may accept the Letter of Commitment by following the procedures set forth in the Letter of Commitment.

After the Seller/Servicer executes the Letter of Commitment, the Seller/Servicer may not transfer, assign or otherwise modify the letter without Freddie Mac's prior written approval.

c. Locking the interest rate and fixing SFR Mortgage amount and terms (07/06/18)

The Seller may lock the interest rate and fix the actual SFR Mortgage amount and terms only after the Seller accepts the Letter of Commitment.

In the Letter of Commitment, Freddie Mac will express the Required Net Yield for an SFR Mortgage as a specified number of basis points (net spread) above the yield for a designated benchmark U.S. Treasury Security.

The Seller will use the specified net spread plus the actual yield for the designated benchmark U.S. Treasury Security on the date and time the Seller locks the interest rate to determine the required Net Yield for the SFR Mortgage. The Coupon Rate for the Mortgage will be the Freddie Mac Required Net Yield plus the applicable Servicing Spread.

The Seller may lock the interest rate and fix the SFR Mortgage amount and terms for a fixed-rate SFR Mortgage within the time period set forth in the Letter of Commitment by telephoning the Freddie Mac Multifamily Affordable Single Family Rental Office during the time set forth in the Letter of Commitment. Freddie Mac will confirm the current yield on the applicable benchmark U.S. Treasury Security at the time of the call. The Seller must then confirm the following:

1. The caller's name and title

2. Seller/Servicer name and number

3. Sponsor and Transaction name

4. SFR Mortgage term, amortization period (if applicable) and yield maintenance period (if applicable)

5. SFR Mortgage amount

6. The locked Mortgage Coupon Rate, Freddie Mac Required Net Yield and Servicing Spread

7. Actual annual debt service amount (principal and interest).

Freddie Mac may record this telephone conversation.

Since the Note for an adjustable rate SFR Mortgage will provide for interest to accrue at variable rates throughout the term of the SFR

Mortgage, the interest rate is not and cannot be fixed by the early rate lock application. Therefore, there is not a procedure for “locking the interest rate” under the early rate-lock application for a floating rate Mortgage. References to “locking the interest rate” or “interest rate lock” mean the submission of the early rate-lock application by the Seller.

If Seller fails to lock the interest rate within the time required in the Letter of Commitment, Seller must remit the application fee as set forth in Section 18SFR.5.

d. Freddie Mac liability for failure to lock the interest rate (07/06/18)

If Freddie Mac does not have access to MPS or the Origination and Underwriting System (OUS) and/or “real time” market yields on the applicable benchmark US Treasury Security and as a result Freddie Mac is unable to complete the interest rate lock at the time the Seller communicates its intent to interest rate lock, Freddie Mac will not be liable for any damages whether direct or consequential.

e. Application fee (07/06/18)

Upon the delivery of the full underwriting package, the nonrefundable application fee will be deemed earned by Freddie Mac and will be payable by Seller by wire transfer to Freddie Mac as follows:

(i) If the Seller locks the interest rate as described above, Seller must remit the application fee by 2:00 p.m. Eastern time on the second Business Day following interest rate lock.

(ii) If Freddie Mac determines that it will not issue a Letter of Commitment for any reason, Seller must remit the application fee upon demand by Freddie Mac.

(iii) If Freddie Mac issues a Letter of Commitment and Seller either fails to accept the Letter of Commitment or fails to interest rate lock within the time required in the Letter of Commitment, Seller must remit the application fee upon demand by Freddie Mac.

The Seller must obtain wire transfer instructions from the Single Family Rental Team Office.

The Seller must send the wire transfer to the attention of the Multifamily Cash Desk. The wire transfer must reference the Sponsor and Transaction name, the Freddie Mac contact person in Production or Underwriting, and the Freddie Mac loan number.

f. Schedule V to the Letter of Commitment (07/06/18)

After the Seller locks the rate as described above, Freddie Mac will deliver to the Seller a completed Schedule V (Interest Rate Lock and Mortgage Terms Confirmation Sheet) to the Letter of Commitment. The Seller must execute and cause the completed Schedule V to be received by Freddie Mac by the close of business on the second Business Day immediately following its receipt by the Seller.

Freddie Mac will treat any failure by the Seller to return the executed Schedule V to Freddie Mac within two Business Days after rate lock as a nondelivery and may take any applicable remedial action permitted under Chapter 4 or Section 18SFR.9 for such a breach of the Purchase Contract.

18SFR.7 Standard delivery—final delivery (07/06/18)

At or before noon Eastern time on the Mandatory Delivery Date, the Seller/Servicer must deliver to Freddie Mac all of the documents listed in the Final Delivery Tables of Contents – SFR, found on the FreddieMac.com SFR Site. The Seller/Servicer must comply with the requirements for final delivery provided in Chapter 32SFR and the requirements in any SFR Final Delivery Instructions posted on the FreddieMac.com SFR Site.

18SFR.8 Standard delivery—funding (07/06/18)

After final delivery of the SFR Mortgage, Freddie Mac will review the documentation and set the Freddie Mac Funding Date. See Chapter 32SFR for provisions relating to funding.

18SFR.9 Standard delivery – late delivery; non-delivery

a. Late delivery (07/06/18)

For SFR Mortgages delivered or to be delivered under the standard delivery option, Freddie Mac may, in its discretion, treat either of the following situations as a late delivery of an SFR Mortgage:

- The Seller/Servicer fails to deliver the Final Delivery Package to Freddie Mac, including sending an email to mf_purchase_boarding_mgrs@freddiemac.com notifying Multifamily Purchase of the delivery of the Electronic Delivery Package, at or before noon Eastern time on the Mandatory Delivery Date.

- The Final Delivery Package, as delivered, fails to meet Freddie Mac's requirements as set forth in the Purchase and Servicing Documents.

b. Remedies for late delivery (07/06/18)

If Freddie Mac determines that there has been a late delivery of an SFR Mortgage, Freddie Mac may take whatever action or actions it deems appropriate to protect its interests and enforce its rights, including

- Terminating the Purchase Contract (Freddie Mac will elect not to purchase the Mortgage)

- Charging the Seller/Servicer a late delivery extension fee

- Taking any other action set forth in Chapter 4

c. Nondelivery (07/06/18)

For SFR Mortgages delivered or to be delivered under the standard delivery option, Freddie Mac may, in its discretion, treat any of the following situations as a nondelivery of an SFR Mortgage:

1. The Seller/Servicer fails to deliver the Final Delivery Package to Freddie Mac, including sending an email to mf_purchase_boarding_mgrs@freddiemac.com notifying Multifamily Purchase of the delivery of the Electronic Delivery Package, at or before noon Eastern time on the Mandatory Delivery Date.

2. Either the SFR Mortgage or the Final Delivery Package, as delivered, fails to meet Freddie Mac's requirements as set forth in the Purchase and Servicing Documents.

d. Remedies for nondelivery (07/06/18)

If Freddie Mac determines that there has been a nondelivery of an SFR Mortgage, Freddie Mac may take whatever action or actions it deems appropriate to protect its interests and enforce its rights, including

- Terminating the Purchase Contract (Freddie Mac will elect not to purchase the Mortgage.)
- Charging the Seller/Servicer a breakage fee
- Taking any other action set forth in Chapter 4

e. Calculation of the breakage fee (07/06/18)

As liquidated damages for the nondelivery of an SFR Mortgage, Freddie Mac will charge the Seller a breakage fee, calculated in accordance with the formula set forth in the Letter of Commitment.

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18SFR.16 Reserved

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18SFR.19 Reserved

18SFR.20 Reserved

18SFR.21 Reserved

18SFR.22 Reserved

18SFR.23 Reserved

18SFR.24 Accuracy of information (07/06/18)

Freddie Mac is relying upon the truth and accuracy of all representations, warranties, statements, certificates and other information furnished to Freddie Mac by the Seller/Servicer in connection with the Letter of Commitment and the SFR Mortgage regardless of whether any of such documents were prepared by the Seller/Servicer or whether the Seller/Servicer knew or had reason to know the accuracy of their contents.

18SFR.25 SFR Purchase Product Loan Documents (SFR Loan Documents) (07/06/18)

The loan execution documents for the SFR Purchase Product (SFR Loan Documents) can be found on the FreddieMac.com SFR Site; those not found on the FreddieMac.com SFR Site will be included in the Letter of Commitment for the applicable SFR Mortgage.

18SFR.26 Reserved

18SFR.27 South Carolina notice (07/06/18)

If any Property Segment is located in South Carolina, then prior to originating the SFR Mortgage, Seller/Servicer must deliver to Borrower and guarantor the following Notice Letter or another notice letter in compliance with the requirements of the South Carolina Code providing prior written notice that a waiver of appraisal will be required on the origination date of the SFR Mortgage.

NOTICE OF WAIVER OF APPRAISAL RIGHTS

[Name and Address]

Re: [Describe Mortgage Transaction]

Dear [Insert name of Borrower and guarantor]:

This letter provides you with written notice as required by S.C. Code Ann. Section 29-3-680 (1976), as amended, that a requirement of the above-referenced credit transaction is your agreement to waive appraisal rights provided by statute in South Carolina with respect to all real property serving as collateral for such loan.

The Mortgage documents to be executed by you at closing will include the waiver. If you have any questions regarding the foregoing, please do not hesitate to contact the undersigned.

18SFR.28 Assignment (07/06/18)

Freddie Mac will have the right to assign or otherwise transfer the Letter of Commitment or any Purchase Contract to any affiliate or subsidiary of

Freddie Mac without the consent of Seller/Servicer (Freddie Mac Assignment). After a Freddie Mac Assignment, all references to Freddie Mac in the Letter of Commitment, Purchase Contract, or in this Guide (including any SFR-specific Guide chapters published on the FreddieMac.com SFR Site) will be deemed to refer to the affiliate or subsidiary of Freddie Mac to which the Freddie Mac Assignment is made.

18SFR.29 Buy Up (Premium Pricing) and Other Incentives (07/06/18)

If Freddie Mac purchases the Mortgage, in addition to the purchase price Freddie Mac pays to Seller/Servicer for the SFR Mortgage, Freddie Mac will pay Seller/Servicer an amount equal to the Buy Up Fee amount to be paid to Seller as set forth in the Letter of Commitment and, if applicable, any other incentive specified in the Letter of Commitment.

18SFR.30 Public record searches (07/06/18)

The public record search requirements are detailed in the SFR Program Requirements published on the Freddiemac.com SFR Site.

The required searches must be conducted no earlier than 60 days prior to and no later than the submission of the full underwriting package to Freddie Mac.