



## **BEST PRACTICES FOR SECURITIZED DEALS**

### **Communicating, Reporting and Servicing Loans**

As a top volume initiator for multifamily securitized assets, we share common goals with our Optigo® servicers and investors — providing stakeholders in our deals with accurate and timely information that will help inform them of the overall risk profile of their investments. Because achieving these goals is essential to winning marketplace loyalty, we have developed this guidance to help our servicers meet a wide range of customer needs with efficiency and certainty.

Note that in cases where a loan has been transferred to special servicing, the servicer stated throughout this document should be translated to mean special servicer, unless otherwise noted.

Compliance with this guidance ensures that we continue to maintain an industry-leading Servicing Standard. Please share these best practices with your teams and, if you have any questions, we encourage you to contact the below leaders:

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## INVESTOR RELATIONS

### Requests for Information from Current Directing Certificateholder, Current Special Servicer, or Freddie Mac

The Directing Certificateholder (DCH), special servicer and Freddie Mac are entitled to additional information on the performance of any asset or pool of assets. This section outlines best practices related to the types of information that Freddie Mac deems acceptable to request, the timing for such requests, and the methodology the requester should use to make requests.

#### Standard Documents and Analysis

The servicer is generally required to use reasonable efforts to collect and analyze quarterly and annual operating statements and rent rolls for all loans and perform annual inspections (please see [Financial Statement Reporting section](#) and [Property Inspection section](#) for specific requirements). The servicer is also required to make those statements and inspection reports available to the DCH within a certain time frame, as defined in the Pooling & Servicing Agreement (PSA). Most master servicers provide access to those documents via a website. The DCH should arrange with the respective master servicer to obtain access to the website and download these reports directly, as needed.

#### Additional Information Requests

Freddie Mac supports the following best practices to support the investors' or other stakeholders' needs for additional pertinent, risk-related information on the underlying performance of assets. For purposes of this section, stakeholder is defined as the current DCH, current special servicer, or Freddie Mac.

A newly appointed DCH will not be provided access to restricted information until the requirements related to such appointment (as set forth in the PSA and referenced in the [DCH Changes section](#) below) have been satisfied.

The stakeholder may:

- Request a one-off conference call or ongoing monthly conference call with a representative of the master servicer to discuss the performance and servicing of a given loan or pool of loans
- Request information or copies of documents that the master servicer controls related to the performance and servicing of a given loan

For all such information requests, the stakeholder should:

- Contact the master servicer directly and copy Freddie Mac on all communications, OR
- Contact Freddie Mac directly; Freddie Mac will then initiate communication with the master servicer on behalf of the DCH or special servicer

The stakeholder should use the Additional Information Request spreadsheet example from [Exhibit A](#) as a template for submitting questions and requesting documents.

The stakeholder should not submit questions more than once per month per securitization or submit questions via more than one channel. For example, if the stakeholder submits questions directly to Freddie Mac, they should not also submit questions directly to the special servicer without informing Freddie Mac. Keeping lines of communication open ensures multiple parties are not working on gathering the same data/information.

Stakeholders are encouraged to gather all questions on all loans in a given securitization and submit them together. This will assist in tracking requests as well as identifying priority levels and ensuring proper,

timely responses. Additionally, the guidelines below should assist in prioritizing questions or requests for additional information.

Prioritization of Requests	
Priority Level	Loan/Property Characteristics
High	Loan is delinquent; DCR <1.10x; Vacancy >15%; Recent casualty at the property; Maturing loan (<90 days); Corrected mortgage loan (formerly in special servicing); Harmful environmental issues observed during inspection; Bankruptcy of sponsor(s); Errors in IRP reporting; Imminent Life Safety issues
Routine	All other areas of concern, such as: casualty with repairs in process; Loan on watchlist (and not considered High); Deferred maintenance identified and flagged in IRP; DCR declines of over 10% from underwriting; Maturity <6 months; outstanding repair agreements

- **High-level** requests indicate a potential elevated level of risk, and as such, require prompt attention and response from the respective master servicer; expected turnaround time for responses to those types of requests, or at a minimum an update on the status of the request, should be no longer than five business days (subject to borrower responsiveness).
- **Routine-level** request responses may take up to 10 business days. It is reasonable to expect that some of the questions and responses may require additional communication.

Please note that if the loan is not on the Servicer watchlist, does not meet the requirements for placement on the CREFC® watchlist, or does not exhibit issues identified in the Prioritization of Requests table, no additional reporting should be required by the servicer. Requests for these types of loans will be considered on a case-by-case basis, but requests for additional documentation should be very limited. Student housing is an example where a rent roll as of 9/1 may be requested if the property has shown signs of past occupancy issues.

**The requester should include Freddie Mac in all information requests.** This inclusion will help Freddie Mac track requests and ensure consistent and high-quality responses. For efficiency purposes, the requester should not submit separate requests to the master servicer and Freddie Mac.

**All information requests should be made to Freddie Mac or the respective master servicer only.** The DCH or special servicer should not contact the sub-servicer directly.

### DCH Changes

For securitizations that closed prior to 2017, a change in the DCH is not effective until the new DCH notifies the master servicer, trustee, certificate administrator, special servicer and Freddie Mac. This notification is required under the PSAs. Servicers must not provide information to a party representing themselves as a new DCH until the servicer receives the documentation described in the PSA. The new DCH should copy Freddie Mac on all notices at [mf\\_securitization\\_notices@freddiemac.com](mailto:mf_securitization_notices@freddiemac.com).

For securitizations that closed in 2017 or beyond, the notice protocol as described above is required, however the concept of an Approved DCH was incorporated into all PSAs. A change of an Approved DCH requires Freddie Mac approval. Requests for Freddie Mac approval should be sent to the notice parties in the PSA and [mf\\_securitization\\_notices@freddiemac.com](mailto:mf_securitization_notices@freddiemac.com).

## Site Visits

Freddie Mac maintains the right to schedule ad hoc inspections (site visits) on properties securing Freddie Mac deals. Freddie Mac will arrange through the master servicer to perform a site visit at a given property. The site visit is typically an abbreviated inspection that gives Freddie Mac the opportunity to meet with the property manager or borrower representative and tour the property, including all common areas and amenities, as well as any vacant or down units. Freddie Mac will notify the applicable DCH of any scheduled site visits, and the DCH may arrange to accompany Freddie Mac on the site visit.

If the DCH identifies a property they want to visit, the DCH should contact Freddie Mac in order to arrange for the site visit. The DCH should give Freddie Mac sufficient time to schedule the site visit (no less than 10 business days).

If Freddie Mac and/or the DCH perform a site visit and notify the respective master servicer of significant deferred maintenance at the property, the primary or master servicer may adjust the timing of the next annual inspection. However, the servicer is generally not expected to follow up on any outstanding deferred maintenance items as per the *Freddie Mac Multifamily Seller/Servicer Guide* (Guide). Any egregious issues found during such a site visit should be handled per general prudence and good judgment. The servicer may not use the findings from the site visit to replace the servicer's required annual inspection.

## Special Servicer Surveillance

For those securitizations that entitle the special servicer to a surveillance fee, the special servicer should, at a minimum, perform the following:

- Provide a portfolio management/surveillance contact to the DCH
- Monitor the monthly servicer watchlist report from the Investor Reporting Package (IRP)
- Provide feedback to the master servicer if the special servicer has additional information about the market, borrower, etc.
- At the discretion of the DCH, participate in conference calls and/or additional communication with Freddie Mac and the master servicer

## Investor Access to MSIA

Freddie Mac's Multifamily Securities Investor Access (MSIA) tool can be found at <http://fm-msia.com>. Registration is free and open to the public. MSIA provides information on Freddie Mac's credit risk transfer and structured deals, as well as Multi PC deals.

The Investor Reporting Package (IRP) is available on MSIA for credit risk transfer and structured deals on a monthly basis. The IRP reflecting reporting information from prior month's distribution date is made available after the third business day of each month.

If Freddie Mac is the master servicer for a deal, the DCH can obtain access to certain restricted property-level documents, such as operating statements, rent rolls and property inspections by requesting restricted access rights.

Information about how to use the MSIA website as well as request access to restricted documents can be found in the Tools & Support section of MSIA.

## PRIMARY SERVICING OBLIGATIONS

### Financial Statement Reporting

#### Reporting Requirements

The PSA and Sub-Servicing Agreement (SSA) provide specific timelines for collection and reporting of financial statements by the servicer. Generally, the servicer is required to collect and report quarterly and annual statements according to the table below.

Reporting Period	Financial Analysis Due the Earlier of
1 <sup>st</sup> Quarter*	30 days post receipt, or <b>5/31</b>
2 <sup>nd</sup> Quarter	30 days post receipt, or <b>8/31</b>
3 <sup>rd</sup> Quarter	30 days post receipt, or <b>11/30</b>
Annual (year-end)	60 days post receipt, or <b>5/31</b>

\*1<sup>st</sup> Quarter reporting is only required for loans that are on the CREFC Watchlist as of March 31 of the respective year

The financial performance of any given loan would not be expected to be in the IRP until one month post-receipt from the borrower.

If the loan documents require audited financial statements and the receipt of audited financial statements is not anticipated until after the reporting deadlines, servicers should request and spread unaudited financial statements. Upon receipt of audited financial statements, servicers should evaluate for material differences to the unaudited financials. If significant variances exist, servicers should re-spread audited financial statements and resubmit to their respective master servicer.

#### *SB-Deal<sup>®</sup> and Q-Deal Variations*

Servicers are not required to provide quarterly financial reporting on loans in the SB-Deal<sup>®</sup> & Q-Deal programs unless the loan is on the CREFC Watchlist for any reason as of quarter-end.

#### *Mid-Year Rent Schedule (applicable to SBL deals only)*

For all SBL loans with a loan agreement date of 11/8/2016 or after, the servicer will be required to submit a Mid-Year Rent Schedule by 8/31, dated within five calendar days of the end of the borrower's second calendar quarter. Servicers should submit the Rent Schedule in the Property Reporting System (PRS) along with the three data elements below. Submission is not deemed complete without all four pieces of information (Mid-Year Rent Schedule + data elements).

Data Elements to be included with Mid-Year Rent Schedule:

- Effective Date of the Mid-Year Rent Schedule
- Physical Occupancy Rate
- Total Actual Rent (total actual rent received for occupied units; no income should be counted for vacant units)

Note: If the Mid-Year Rent Schedule is submitted within two months (60 days) of the annual inspection, the mid-year rent roll can be used to satisfy the rent roll requirement for the inspection submission.

#### Delivery

It is expected that servicers should be processing statements as they become available and not waiting to submit in large batches.

## Format and Content

In order to be deemed a complete submission for any reporting period, the servicer should provide the borrower's financial statement, borrower's rent roll, the CREFC standard Operating Statement Analysis Report (OSAR) and the CREFC standard NOI Adjustment Worksheet (NOIWS).

In general, servicers should be following the CREFC specific requirements. Here is some additional guidance around some common areas of issue:

**Underwriting Data** – The servicer should include line item Underwriting details in the “At Contribution Information” column of the OSAR. This is important to provide meaningful analysis of current property performance. Underwriting Data for all Freddie Mac deals can be found by the primary servicer in PRS under Reports – Underwriting Data.

**Supplemental Debt** – If the borrower has obtained supplemental debt on the property, the servicer should include the debt service amount for the supplemental debt on the NOIWS and OSAR as detailed in [Exhibit B](#).

**Variance Comments** – The servicer should include details behind the driving factors leading to a significant change in the financial condition of an asset and avoid stating obvious mathematical percentage changes. The servicers should deliver a well-written variance comment describing what is happening at the property, in the market, and/or with the sponsor that is influencing the financial condition.

### *Freddie Mac Master Servicing Requirements*

For deals in which Freddie Mac is serving as Master Servicer, servicers should be using the PRS-specific reporting template and submitting the template with accompanying documents directly in PRS.

## Past Due Financials

Servicers should use best efforts to collect operating statements and rent rolls for all loans by taking proactive measures to ensure the borrower complies with covenant requirements. The servicer should use discretion and enforce a financial penalty and/or issue a reservation of rights letter for non-compliance where applicable (please see the [Watchlist Management and Reporting section](#) for details on issuing reservation of rights letters).

Within five business days after the June IRP distribution date, the primary servicer must provide a schedule to the respective master servicer of all loans for which no annual financial information has been collected. The schedule should contain, at a minimum, the primary servicer, securitization name, prospectus loan ID, property name, borrower/sponsor name, borrower/sponsor contact information, period(s) of delinquent financials, and a summary of collection efforts made by the servicer. The respective master servicers should provide a combined schedule to Freddie Mac within 10 days of receipt from the primary servicers.

## Training

Freddie Mac has an extensive resource library that contains training materials. Please see [Exhibit C](#) for further details on training resources.



## Property Inspections

### Inspection Timing

The PSA and SSA provide specific timelines for timing and reporting of physical inspections by the servicer. Generally, the servicer is required to conduct inspections on an annual basis. Additionally, the servicer is required to submit the completed inspection report to the respective master servicer the sooner of 60 days from the date of inspection or the quarter-end of the anniversary date of the note.

### SB-Deal and Q-Deal Variations

Properties securing loans in SB-Deals and Q-Deals will only be required to be inspected every other year after the first annual inspection post-funding, unless the loan is on the CREFC Watchlist. If the loan is on the CREFC Watchlist for any reason, annual inspections are required.

### Format and Content

Servicers should refer to the Guide, Chapter 40, for specific requirements around number of units to inspect, inspection methodology and inspector qualifications. Use of third-party inspectors are permitted for required inspections so long as the inspector meets the inspector requirements outlined in the Guide.

All inspections should be completed on the MBA Property Inspection Form.

Consistent with the requirements of the Guide, servicers should appropriately identify all deferred maintenance items, including Life Safety issues. The final rating of the property should be consistent with the individual property components and pictures provided in the report.

In general, servicers should be following the CREFC specific requirements. Please find below additional guidance around some common areas of issue:

#### **Operating & Maintenance (O&M) Plans and Moisture Management Plans (MMP)**

In accordance with Chapter 40 of the Guide, the inspector must evaluate property management's compliance with O&M plans and MMPs. In general, the inspector should be determining whether there is indication that property management and maintenance personnel are aware of the plans and have easy access to the plans. In the event that on-site property manager/maintenance personnel have no knowledge of the plan and/or its location, the property should be considered out of compliance with its O&M plans (even if subsequent to the inspection a central property management office can share plans with the servicer).

#### **Life Safety Issues**

Life Safety is an indication of inadequate protections in case of an emergency and/or a result of non-compliance with code requirements that increase the possibility of personal injury or death. All Life Safety issues are required to be reported on the inspection report. Additionally, servicers should provide clarity on whether the Life Safety issue is considered "imminent" versus "potential" per the guidelines below:

- An **Imminent Life Safety Hazard** is a hazard that is about to cause harm. Imminent Life Safety Hazards are of the highest concern as they represent an immediate risk to any tenant that encounters such a hazard. Imminent Life Safety issue loans should be placed on the CREFC Watchlist.
- A **Potential Life Safety Hazard** is a hazard with a lower capacity to cause harm or consists of a condition that could become harmful. A Potential Life Safety Hazard is also of concern but does not represent that same immediacy of risk for tenants as an Imminent Life Safety Hazard. Potential Life Safety issue loans may require additional due diligence and dialogue with the

borrower to confirm status and scope in order to determine severity of the issues for reporting purposes. A Potential Life Safety Hazard will not typically trigger watchlist placement. However, the existence of numerous Potential Life Safety Hazards could be cause for watchlist placement.

### Inspection Follow-up Requirements

If the estimated sum for remediation of all deferred maintenance items is greater than \$10,000, or if there are Life Safety Hazards, environmental issues or moisture or mold issues identified during the property inspection, the servicer must notify the borrower within 30 days following the inspection of the need to undertake corrective action to address the specific identified risk. The notice must distinguish Imminent Life Safety Hazards from Potential Life Safety Hazards. The servicer must confirm that the borrower has received the servicer's notices regarding maintenance needs.

Additionally, if the estimated sum for remediation of the deferred maintenance or other identified issues is greater than \$25,000 or the deferred maintenance represents a significant deficiency affecting the structure or value, or other identified issues represent an Imminent Life Safety Hazard for the tenants, then the servicer must follow up in a timely manner until such risks have been remediated or resolved.

Please see [Exhibit D](#) for a summary of follow-up requirements.

#### *SBL Variation*

If at the time of the first annual inspection and subsequently thereafter, the servicer identifies any item listed as a Priority Repair (to include PR-90) on the Physical Risk Report (Form 1104) that has not been completed, the servicer should issue a reminder notice to the borrower for non-compliance, which references the loss or damage recourse provision of the loan agreement.

Subsequent notices to the borrower are required per the inspection follow-up requirements stated above.

### Repair Agreements and Priority/PR-90 Repairs

Per the Freddie Mac Guide, if there is a repair escrow agreement or rider to the mortgage requiring the borrower to perform immediate repairs, it is the borrower's obligation to complete the repairs within the time frame identified in the agreement.

#### *SBL Variation*

For any SBL mortgage with a loan agreement form revision date of after 11/02/2015, the borrower will be personally liable to the lender for repayment of a portion of the indebtedness equal to any loss or damage suffered by the lender as a result of the borrower failing to complete any of the Priority Repairs (to include PR-90) identified in the Physical Risk Report.

### Clearing Items

The servicer is responsible for ensuring that all repairs have been performed in a lien-free, good and workmanlike fashion prior to reporting repair agreement items or Priority Repairs (to include PR-90) have been completed. The servicer's records may include photographs documenting the completed repairs, final completion date, and when required, an engineer's certification that repairs have been completed.

To the extent funds are held in escrow for repair agreements or Priority Repairs (to include PR-90), the funds will remain with the servicer until such time the borrower provides sufficient cure proof and/or at the time of loan payoff or maturity.

## Managing Aged Items

The servicer should use discretion to remedy any non-compliant items and consider severity and borrower responsiveness to determine further action. The servicer may consider obtaining a limited scope property inspection report for the specified area of concern, suspending reserve disbursements, and/or instituting replacement reserves (to the extent permitted under the loan documents) if items are egregious and/or remain outstanding for an extended time frame.

## Training

Freddie Mac has an extensive resource library that contains training materials. Please see [Exhibit C](#) for further details on training resources.

### *Freddie Mac Master Servicing Requirements*

For deals in which Freddie Mac is serving as Master Servicer, servicers should be using PRS Loan Item Tracking (LIT) in order to update the status of repair agreements and/or PR-90/Priority Repair completions.

- For PR-90/Priority Repairs, Freddie Mac will create a single LIT entry in PRS that captures all the Priority Repairs identified on the Physical Risk Report (Form 1104). The servicer should be validating completion of all PR-90/Priority Repairs at the first annual inspection. Within 30 calendar days after deeming any Priority Repair (to include PR-90) item complete, the servicer is required to go into PRS and update the LIT accordingly.
- For repair agreement items, Freddie Mac will create an LIT entry in PRS that captures all of the repair items associated with a given due date in the repair agreement. Within 30 calendar days after deeming any repair agreement item complete, the servicer is required to go into PRS and update the LIT accordingly.

## Watchlist Management & Reporting

### Format and Content

Servicers are held accountable for compliance with the CREFC IRP Portfolio Review Guidelines (PRG) for appropriate placement and removal of loans from the monthly watchlist reported to the master servicer. If a loan has triggered one or more items within the PRG, then the loan should be reported on the monthly Servicer Watchlist report, with appropriate commentary regarding the current risk and risk outlook for the triggering event, with all applicable watchlist codes identified.

If, at any time, the servicer becomes aware of a payment delinquency and/or any other situation that could have serious implications on the risk outlook of the loan, they should be initiating contact with the respective master servicer immediately. Freddie Mac anticipates hearing of these items from the respective master servicer as soon as the primary servicer alerts the master servicer.

Servicer Watchlist comments should be current and clearly articulate the driving risk factor(s) which triggered the addition to the Servicer Watchlist. In addition to identification of the driving risk factors, comments should include the following:

- Detailed description of the driving risk factor
- Summary of actionable items that have been taken to date and/or are planned
- Key dates that may include dates of impactful events (e.g., hazard loss occurrence), financial reporting periods, action items, etc.
- Explanation for key variances in income, expense, or occupancy if the placement is related to financial performance concerns

- Summary of any open or recent consent requests

Comments should be written succinctly as a consolidated view on the current situation at the property rather than as a long running commentary over the entirety of the watchlist placement.

For Student Housing properties that are on the watchlist, servicers should make efforts to obtain pre-leasing information and include pre-leasing information in comments.

For loans on the watchlist due to hazard losses, and divisions exist between asset management and insurance, servicers are encouraged to consult across divisional lines in order to provide complete details in the watchlist comments regarding the current status of the hazard loss.

### Removal of Loans from the Watchlist

The servicer should take proactive measures to clear watchlist loans by maintaining active dialogue with the borrower and/or property management and hold the borrower accountable for failure to comply with loan requirements. Servicers should be removing loans from the watchlist as soon as the Release Thresholds are met, as defined in the PRG.

Servicers should be alerting master servicers of the reason for removal of the loan from the monthly watchlist report. For example, if the borrower provides information that the life safety issue has been cured, then the servicer should alert the master servicer of the cure rather than just omitting the loan from the next month's watchlist report. As a best practice, servicers should provide a consolidated report containing a list of removals with accompanying notes on reason for removal each month when submitting the monthly IRP.

### Supplemental Loan Guidance

Supplemental loans should be added to the watchlist if the first lien is added to the watchlist unless the supplemental loan does not meet CREFC watchlist thresholds. This situation may occur due to different underwriting NOIs. Similarly, both first loans and supplemental loans should be removed from the watchlist once issues are resolved.

### Reservation of Rights Letters

Issuing a reservation of rights letter is a prudent servicing practice in conjunction with actions taken by the servicer to enforce the loan documents. It is important for the servicer to work closely with the respective master servicer in handling adverse matters. For ease and efficiency when issuing a reservation of rights letter, Freddie Mac suggests incorporating substantially the language included in [Exhibit E](#).

### Training

Freddie Mac has an extensive resource library that contains training materials. Please see [Exhibit C](#) for further details on training resources.

### *Freddie Mac Master Servicing Requirements*

To the extent a servicer prefers to use an alternate version of the reservation of rights language from what is provided in [Exhibit E](#), the servicer should send a copy of the letter to the [Surveillance mailbox](#) for that deal for review and approval. Regardless of version, all reservation of rights letters issued should be provided to Freddie Mac via email to the respective master servicing mailbox for that deal.

If a situation escalates, and a default notice needs to be issued, a copy of the notice should be provided to Freddie Mac via email to the respective master servicing mailbox for that deal.

Upon receipt of such notices (reservation of rights or default notice), Freddie Mac will create an LIT entry in PRS. It is the servicer's responsibility to close out the LIT item within 30 calendar days after issue has been resolved.

## Hazard Loss Reporting

The servicer should notify the master servicer no more than 14 calendar days after learning that a loss or damage has occurred to a property, regardless of whether the borrower plans to submit an insurance claim if:

- Event of default exists under the loan documents
- Death or serious injury results from the event
- It's an SBL mortgage and estimated loss is greater than \$25,000
- It's a non-SBL mortgage and estimated loss is greater than \$50,000

Note that the borrower is required to provide notification to the servicer upon the occurrence of **any** insured loss. The servicer is then required to provide information regarding such loss to their master servicer, even if the loss amount is less than the Proof of Loss Threshold set forth in the loan documents.

Within 90 calendar days after initial notification, the servicer must:

- Update the master servicer with any pertinent details regarding the loss
- If none of the approval conditions listed below apply, formal approval of restoration plan is not required. Otherwise, restoration plan and delegation of disbursement requests must be approved by the respective master servicer:
  - Mortgage is in default
  - Damage affects 10% or more of the property's total units
  - Mortgage is on the Servicer Watchlist
  - The estimated loss amount is greater than \$500,000 or 10% of the outstanding UPB
  - Borrower's insurance coverage is insufficient to cover the loss of or loss to the property
  - Death or serious injury has resulted from the event
- If restoration is already 100% complete by the time the servicer is made aware of the loss, the servicer should still inform the master servicer of details of the loss if conditions above are met

If the servicer is requesting approval to permit the borrower to pay down the mortgage in lieu of restoring all or a portion of the damaged property, the servicer must make a Consent Request Tracker (CRT) entry and submit corresponding consent request approval documentation to the respective master servicer. Likewise, a CRT entry would also be required if borrower plans to rebuild but desires to rebuild units differently than the original unit configuration (i.e., the borrower wants to rebuild one two-bedroom unit in lieu of two one-bedroom units contained in the building at loan origination).

If significant variances exist between the original notification (Part 1) to the master servicer and subsequent reporting (Part 1 Update or Part II) to the master servicer, then the servicer should provide complete information with specific details regarding such variations.

## Training

Freddie Mac has an extensive resource library that contains training materials. Please see [Exhibit C](#) for further details on training resources.

*Freddie Mac Master Servicing Requirements*

For initial notification, the servicer should upload Form 1140 – Part 1 in DMS and use the “File Submission” link to “Submit to Hazard Loss.”

Within 90 calendar days after initially providing Part I of Form 1140, the servicer must either submit Form 1140 Part 1 Update or Form 1140 Part II:

- If none of the master servicer approval conditions listed above apply, the servicer must submit the Part I Update. The servicer should upload the Part I Update directly to the corresponding PRS entry.
- If any of the master servicer approval conditions listed above apply, submit Part II. The servicer should upload the Part I Update directly to the corresponding PRS entry.

Under most circumstances, Freddie Mac will delegate responsibility for managing and approving disbursement requests to the servicer. If delegation of disbursement requests is not approved, the servicer should submit Form 1140-DR to the corresponding PRS entry.

## SPECIAL SERVICING

Once a loan is transferred to special servicing, the responsibility for servicing the loan is split between the special servicer, the master servicer and the primary servicer. While the loan is performing, the primary servicer is generally responsible for collection of all payments and handles all escrows and reserves. Once a loan is transferred to special servicing, the special servicer generally becomes responsible for interactions with the borrower and day-to-day loan management. Notwithstanding the role the special servicer plays with respect to specially serviced loans and REO properties, the primary servicer remains responsible for (A) continuing to collect information and preparing reports due to the master servicer and (B) providing incidental services, including but not limited to the following:

- Processing and remitting any payments or proceeds received related to such loan
- Preparing CREFC monthly reporting
- Monitoring and reporting information with respect to taxes, insurance, ground rents and similar items and making tax, insurance, ground rent and similar payments
- Providing the master servicer with information regarding Property Protective Advances (PPAs) and making such PPAs if needed on an urgent or emergency basis

### Ongoing Reporting Requirements

Once a loan moves to special servicing, the requirement to inspect the property and prepare the quarterly OSAR and NOIWS moves from the primary servicer to the special servicer. The OSAR and NOIWS should be completed per standard CREFC conventions outlined in the CREFC Reference Guide and the [Financial Statement Reporting section](#) above.

For loans that are master serviced by Freddie Mac, completion of the data on the Freddie Mac standard NOI/OSAR template is required on a quarterly basis. Special servicers may obtain a copy of this template by emailing [MF\\_Asset\\_Perf@freddiemac.com](mailto:MF_Asset_Perf@freddiemac.com). Upon completion of the template, special servicers who have access to PRS may upload the template directly to PRS. For those special servicers who do not have access to PRS, completed templates should be emailed to [MF\\_Asset\\_Perf@freddiemac.com](mailto:MF_Asset_Perf@freddiemac.com).

All inspections should be completed on the most recent version of the MBA Inspection Form. All fields on the form should be substantially completed and the inspections should meet the requirements outlined in the *Freddie Mac Multifamily Seller/Servicer Guide*.

Additionally, the special servicer is required to submit the CREFC Special Servicer Loan file on a monthly basis as detailed in the respective PSA for each deal.

### Balances Payment History

Requests for the following information by the special servicer should be directed to the primary servicer who maintains the books and records for these items:

- Loan and reserve balances
- Escrow amounts
- Payment history
- Borrower contact information

- Payoff letters (see below)

The master servicer should provide the special servicer with the appropriate primary servicer contact when the loan is transferred to the special servicer.

## Freddie Mac as Master Servicer

The following sections detail specific instructions for interaction between Freddie Mac and the primary servicer for all deals in which Freddie Mac serves as Master Servicer.

### Loan and Servicing File (Documents)

Loan and servicing files are stored on BlitzDocs in DMS. Access to the loan and servicing documents needed by the special servicer is available by requesting access to DMS. Freddie Mac limits the number of people accessing the system from the special servicer to two per loan. To request DMS access, please submit the following items via email to [MF\\_Borrower\\_Transactions@freddiemac.com](mailto:MF_Borrower_Transactions@freddiemac.com):

- Name of user(s)
- Email of user(s)
- Phone number of user(s)
- List of special serviced loans/FM Loan numbers to be accessed

Freddie Mac's Multifamily Security team will email the requested user with access instructions. Please contact Freddie Mac if you have not been provided access within seven days of the initial request.

Alternatively, if the special servicer already has an administrator or is already a primary servicer, they can either use their existing access, request access to provision a new user via the primary/existing administrator, or request access using the process outlined above.

### Property Protective Advances (PPAs)

All PPAs will be approved by Freddie Mac's Asset Management team and funded by Freddie Mac's Loan Accounting team. Requests for advances, in accordance with the applicable SSA and PSA, should include an officer's certificate with a copy of the related invoices. Please send completed PPA requests to the MF Borrower Transactions mailbox: [MF\\_Borrower\\_Transactions@freddiemac.com](mailto:MF_Borrower_Transactions@freddiemac.com). Freddie Mac is unable to wire funds directly to individual vendors but instead wires funds to the special servicer who pays the individual vendors. Officer's certificates and the applicable invoices should be sent as a single PDF file and include the following information:

- Date
- FM loan number
- Property name
- Securitization Pool (Ex. 2018-SBXX)
- Vendor name
- Invoice number
- Invoice date
- Request amount "as an Advance to the Special Servicer" that matches the attached invoice
- Execution by authorized officer of the seller/servicer



- FM approved wire instructions for the seller/servicer
- Attach the vendor invoice with the date, invoice number, amount due
- If the invoice amount due does not match officer's certificate, please provide an explanation on the officer certificate (i.e., the invoice was a prorated amount for two or more assets)

Freddie Mac normally wires PPA funds to the primary servicer or special servicer, as applicable, pursuant to the wiring instructions set up at pool boarding (i.e., the account where the special servicer receives special servicing fees). If required, Freddie Mac will accept and verify another set of wiring instructions to receive all PPAs. Please be aware that a complete wire instruction package will be required (see below) and new wiring instructions typically take a full week to be set up and verified after the receipt of a complete wire set-up package and before wires can be sent.

Complete package items necessary to set up new wire instructions are as follows:

- Completed W-9 (October 2018 version)
- Incumbency certificate (with contact phone numbers and email address for call-back confirmations). Notarized/sealed
- Wire instructions on letterhead, signed. Notarized/sealed
- A list of deals for which the servicer is designated

### **Payoff Letters**

Payoff letter requests should be initiated by the special servicer on the Freddie Mac payoff letter request form and submitted to the primary servicer who will complete the request and submit the request to Freddie Mac through the normal payoff letter process.

### **Real Estate Taxes**

Responsibility for tax payments to the taxing authority are delegated to the primary servicer under the SSA (although Freddie Mac is responsible for advancing the funds required for the taxes, if necessary, subject to a determination of non-recoverability). Freddie Mac, as master servicer, will advance the tax payment to the primary servicer, if necessary, provided they submit a request at least five business days prior to the tax due date or, if there is not sufficient time to request a master servicer tax payment advance, Freddie Mac will reimburse the primary servicer promptly for any tax payment advanced by the primary servicer pursuant to the terms of the SSA. The tracking of amounts due and actual tax payments made to each jurisdiction will be handled by the primary servicer.

## APPENDIX

### Websites

The following is master servicer and certificate administrator website information available to deal parties and investors.

Master Servicers	
Freddie Mac	<a href="https://fm-msia.com/">https://fm-msia.com/</a>
KeyBank	<a href="https://onlinea.keybank.com/ecr/login.jsp">https://onlinea.keybank.com/ecr/login.jsp</a>
Midland	<a href="https://midlandls.commlloanservices/CMBSII/ContentPages/Default.aspx">https://midlandls.commlloanservices/CMBSII/ContentPages/Default.aspx</a>
Wells Fargo	<a href="https://wellsoffice.wellsfargo.com/ceoportal/signon">https://wellsoffice.wellsfargo.com/ceoportal/signon</a>
Certificate Administrators	
Citibank	<a href="https://sf.citidirect.com">https://sf.citidirect.com</a>
Deutsche Bank	<a href="https://tss.sfs.db.com/investpublic">https://tss.sfs.db.com/investpublic</a>
US Bank	<a href="https://usbtrustgateway.usbank.com/portal/login.do">https://usbtrustgateway.usbank.com/portal/login.do</a>
Wells Fargo	<a href="https://www.ctslink.com/a/welcome">https://www.ctslink.com/a/welcome</a>

**Exhibit A – Additional Information Request Form**

Deal #	Servicer Loan No.	FM Loan No.	Prospectus Loan ID	Property Name	Priority Level (High or Routine)	Request Type (Question, Document, or Follow-up)	Comment from most recent Watchlist, if applicable	DCH/FM Request Date (MM/DD/YY)	Servicer Response Date (MM/DD/YY)

Use one line per question or document request. Any follow-up questions or requests for documents for the same loan should be created on a separate line.

**Exhibit B – Debt Service Reporting Protocol for Loans with Multiple Liens**

OSAR/NOIWS Section	Loans with one additional lien	Loans with two or more liens (all securitized)	Loans with an unsecuritized 4th lien for which both 2nd and 3rd are securitized	Loans with a 4th lien for which 2nd is securitized and 3rd/4th are not yet securitized
<b>Property Overview</b>				
Note A - Scheduled Loan Balance	1st Lien Outstanding Balance	1st Lien Outstanding Balance	1st Lien Outstanding Balance	
Note B - Scheduled Loan Balance	2nd Lien Outstanding Balance	2nd Lien Outstanding Balance	2nd & 3rd Lien Outstanding Balance	2nd Lien Outstanding Balance
Note C - Scheduled Loan Balance	Blank	3rd Lien (and 4th etc. as applicable) Outstanding Balance	4th Lien Outstanding Balance	3rd & 4th Lien Outstanding Balance
<b>Debt Service</b>				
Debt Service - A Note	1st Lien Debt Service Requirements	1st Lien Debt Service Requirements	1st Lien Debt Service Requirements	1st Lien Debt Service Requirements
Debt Service - B Note	2nd Lien Debt Service Requirements	2nd Lien Debt Service Requirements	2nd & 3rd Lien Debt Service Requirements	2nd Lien Debt Service Requirements
Debt Service - C Note	Blank	3rd Lien (and 4th etc. as applicable) Debt Service Requirements	4th Lien Debt Service Requirements	3rd & 4th Lien Debt Service Requirements
KJ Liens	For loans in which the 2nd lien is a KJ-Deal, the above still holds true. First lien (securitized) should still be Note A.			

Note: Debt Service should always be reported in actual dollar amounts paid over reporting time period. For example, if a loan funded in March, June 30 statement should just report March-June payment requirements. For Partial Interest-Only (IO) loans, report actual debt service paid for reporting period. For example, if a loan converts to Principal & Interest (P&I) in September, report eight months of IO and four months of P&I.

## Exhibit C – Training Resources

The resources identified below are all accessible via the Multifamily website (mf.freddie.mac.com) on the Asset Management webpage (<https://mf.freddie.mac.com/lenders/asset/>) and the AMO Learning Center (<https://mf.freddie.mac.com/learning-center/amo/>).

### Financial Statement (OSAR and NOIWS)

Available under the “PRS Assessment: CREFC” tab

- PRS CREFC Individual Desk Reference
- PRS CREFC Validation – NOIWS and OSAR
- Coding Matrix Guidelines
- PRS CREFC Data Validation Chart

Available in the AMO Learning Center:

- Assessment Submission
- CREFC System Demo
- CREFC Templates Financial Indicator

### Property Inspections

Available under the “PRS Assessment: AIF” tab

- PRS AIF Data Validation Chart
- PRS Annual Inspection Form (AIF) Desk Reference

Available in the AMO Learning Center

- Assessment Submission

### Repair Agreements and Priority/PR-90 Repairs

Available under the “PRS Loan Compliance” tab

- Loan Compliance Desk Reference
- PRS Loan Compliance Monitoring & Reporting (Seller/Service User Guide)
- PRS Compliance Demo

Available in the AMO Learning Center

- Loan Compliance Workflow & Queues
- Review & Assign Loan Compliance Items

### Watchlist Management & Reporting

Available under the “Asset Management References” tab

- PRS Watchlist Process
- Watchlist Management

### Hazard Loss Reporting

Available under the “PRS Loan Compliance: References/Links” tab

- Hazard Loss Quick Guide
- Various Borrower Certifications

Available in the AMO Learning Center

- Updated Hazard Loss Management Process

## Exhibit D – Inspection Follow-up Requirements

Level of Deferred Maintenance (DM)	First Notice & Validation of Borrower Receipt	Subsequent Notice(s)	Description
DM < \$10,000 and property has NONE of the following: (1) Life Safety Hazards, (2) Mold/Moisture Concerns, or (3) Environmental Issues	None required	None required	N/A
DM < \$10,000, but property HAS one or more of the following: (1) Life Safety Hazards, (2) Mold/Moisture Concerns, or (3) Environmental Issues	Within 30 days	No if Life Safety hazards are deemed "Potential"; Yes if Life Safety hazards are deemed "Imminent" or there are Mold/Moisture concerns or Environmental Issues	Servicer must issue a notice to the borrower identifying findings within 30 days of the inspection and confirm receipt by borrower. Servicer must distinguish Imminent Life Safety from Potential Life Safety. If Imminent Life Safety hazards, Mold/Moisture issues, or Environmental issues are present, the servicer must continue to follow-up with the borrower until such time the items are cured.
DM > \$10,000 - < \$25,000 and property has NONE of the following: (1) Life Safety Hazards, (2) Mold/Moisture Concerns, or (3) Environmental Issues	Within 30 days	None required	Servicer must issue a notice to the borrower within 30 days of the inspection outlining the findings and confirm borrower receipt. No further notices are required.
DM > \$10,000 - < \$25,000 and property HAS one or more of the following: (1) Life Safety Hazards, (2) Mold/Moisture Concerns, or (3) Environmental Issues	Within 30 days	No if Life Safety hazards are deemed "Potential"; Yes if Life Safety hazards are deemed "Imminent" or there are Mold/Moisture concerns or Environmental Issues	Servicer must issue a notice to the borrower identifying findings within 30 days of the inspection and confirm receipt by borrower. Servicer must distinguish Imminent Life Safety from Potential Life Safety. If Imminent Life Safety hazards, Mold/Moisture issues, or Environmental issues are present, the servicer must continue to follow-up with the borrower until such time the items are cured.
DM > \$25,000	Within 30 days	Yes – Continue to notice until all items have been cured	Servicer must issue a notice to the borrower identifying findings within 30 days of the inspection and confirm receipt by borrower. Servicer must follow up in a timely manner until such risks have been remediated.
Notwithstanding the above, any identified catastrophic conditions require immediate action	Immediately	Yes – Continue to notice and follow up until all items have been cured	The servicer must report all catastrophic conditions immediately to Freddie Mac at <a href="mailto:MF_Surveillance@freddiemac.com">MF_Surveillance@freddiemac.com</a> and must contact the borrower without delay to discuss needed repairs. Communication must be documented in the inspection submission. Servicer must follow up in a timely manner until such risks have been remediated.

## Exhibit E – Reservation of Rights Language

Except as otherwise expressly stated above, nothing contained herein and no action or inaction by the Lender, including without limitation the collection or retention of loan payments and other sums due Lender under the Loan Documents or the acceptance of performance of any other obligation of any kind under the Loan Documents by Borrower or Guarantor, shall (i) relieve or release Borrower or any Guarantor from any of their respective duties, obligations, covenants or agreements under the Loan Documents; (ii) constitute a waiver or release of any default by Borrower or Guarantor, or a limitation on the exercise of, any of the rights or remedies available to the Lender at law, in equity or under the Loan Documents arising from such default; or (iii) be deemed to constitute a modification or alteration of the terms, conditions or covenants of the Loan Documents, all of which remain in full force and effect as set forth therein. This [notice/letter] is being transmitted to you as a courtesy and is not intended as an admission that written notice or any communication of any kind is otherwise due the Borrower and/or any other party. ALL RIGHTS ARE HEREBY EXPRESSLY RESERVED.

### Disclaimer:

Prior to using the reservation of rights language quoted above in correspondence with a borrower, guarantor, or other loan transaction party, the sender should consult the transaction documents relevant to the loan or related securitization (collectively, the “Loan Documents”) to ensure such language is consistent with the terms of such Loan Documents.