

Multifamily Seller/Servicer Guide

Chapter 1 Introduction

1.1 Objective of Freddie Mac's purchase programs and products (10/07/02)

Freddie Mac was created by the enactment of the Emergency Home Finance Act of 1970, 12 USC 1451 et seq.

The fundamental objective of Freddie Mac's programs and products is to establish and enhance markets for home and multifamily Mortgages in order to provide an adequate and stable supply of housing funds on the best possible terms. Freddie Mac provides a secondary market that supports private institutional mortgage investors.

Freddie Mac supports practices that further the national goals of a decent home and suitable living environment for every American family. Freddie Mac encourages the use of its programs and products in a manner that can benefit the broadest possible segment of the American public. It discourages practices that may contribute to the involuntary displacement of neighborhood residents.

1.2 Overview of Freddie Mac's multifamily purchase programs and products (05/31/12)

Freddie Mac's multifamily purchase programs and products provide for the purchase of multifamily Mortgages on a whole loan basis. A multifamily Mortgage is a Mortgage on real estate on which there are one or more structures containing, in total, five or more units designed principally for residential use.

Mortgages under all multifamily purchase programs and products are purchased by Freddie Mac on a net yield basis (Required Net Yield) to Freddie Mac.

Freddie Mac specifies the interest rate for each multifamily Mortgage that it purchases, as well as the Servicing Spread that may be retained by the Servicer.

1.3 Legal effect of the Multifamily Seller/Servicer Guide

a. Capitalized terms; glossary (12/05/03)

Each capitalized term used in the Guide (except for proper nouns) has the meaning set forth in the glossary appended to the Guide. The glossary constitutes a part of this Guide.

b. Status as a contract (02/07/08)

The *Multifamily Seller/Servicer Guide* (the Guide) is one of the Purchase and Servicing Documents. Freddie Mac may publish the Guide under license to an authorized publisher. Certain versions of the Guide, as published by Freddie Mac or an authorized publisher, will be subtitled "Official Version" and will contain the following statement on the first data screen:

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"This is an official version of *the Multifamily Seller/Servicer Guide*, published by Freddie Mac or under license from, and in cooperation with, Freddie Mac." An "Official Version" of the Guide is one of the Purchase and Servicing Documents. In contrast, any publication or reproduction of the Guide that is not designated as an "Official Version" is not one of the Purchase and Servicing Documents and may not be relied upon by Freddie Mac, a Seller or a Servicer in determining or fulfilling their legal obligations to each other.

The Guide and all of its terms are incorporated by reference into, and constitute a part of, each Purchase Contract. A Seller must sell Mortgages in accordance with the terms of each Purchase Contract entered into between the Seller and Freddie Mac.

A Seller/Servicer must service each multifamily Mortgage that the Seller/Servicer has sold to Freddie Mac and has assented to service for Freddie Mac in accordance with the standards set forth in the Guide (including amendments to Servicing provisions of the Guide that have been made since Freddie Mac purchased the Mortgage) and any applicable Purchase Contract, all of which together constitute a unitary, indivisible master Servicing contract. All of a Seller/Servicer's obligations to service Mortgages for Freddie Mac will be considered to constitute, and will be performed pursuant to, such unitary, indivisible master Servicing contract, and the Servicing obligations assumed pursuant to any Purchase Contract will be deemed to be merged into, and will be performed pursuant to, such unitary, indivisible master Servicing contract.

A Seller/Servicer acknowledges that Freddie Mac's agreement to purchase Mortgages from the Seller/Servicer pursuant to any individual Purchase Contract is based in part upon the Seller/Servicer's agreement that the Mortgages purchased will be serviced by the Seller/Servicer pursuant to the unitary, indivisible master Servicing contract. Any failure to service any Mortgage in accordance with the terms of the unitary, indivisible master Servicing contract, or any breach of any of the Seller/Servicer's obligations under any aspect of the unitary, indivisible master Servicing contract, will be deemed to constitute a breach of the entire contract and will entitle Freddie Mac to terminate the contract.

If a Servicer that services Mortgages for Freddie Mac is not also the Seller of the Mortgages to Freddie Mac, the Servicer must agree to service Mortgages for Freddie Mac in accordance with the unitary, indivisible master Servicing contract, which incorporates the Guide and any applicable Purchase Contract by reference.

The Guide may not be amended or modified orally, and no provision of the Guide may be waived or amended except in a writing signed by the necessary parties. Any such written waiver or amendment must expressly refer to the Guide and be denominated as an amendment to the Guide. However, Freddie Mac may amend or supplement the Guide generally from time to time by the issuance of written communications.

How an amendment to the Guide applies to a Purchase Contract depends upon the nature and terms of the contract. An amendment applies to any mandatory delivery Purchase Contract having a date of Seller's offer on or after the effective date of the amendment. An amendment applies to any cash Purchase Contract or Multifamily Negotiated Transactions conversion under a mandatory delivery master commitment where the master commitment is dated on or after the effective date of the amendment.

An amendment to the Guide (which constitutes part of the unitary, indivisible master Servicing contract between Freddie Mac and each Seller/Servicer or Servicer) is effective on the date specified by Freddie Mac.

The effective date of each section of the Guide is stated after the heading of that section.

c. Copyright (03/31/11)

The Guide (including related supplements, bulletins and industry letters) is copyrighted. Limited permission to photocopy the Guide is granted to Freddie Mac Seller/Servicers strictly for their own use in originating Mortgages and in selling Mortgages to, and servicing Mortgages for, Freddie Mac. No part of the Guide may be reproduced for any other reason (in any form or by any means) without the express written permission of Freddie Mac. Requests for such permission to reproduce the Guide must be sent to Freddie Mac, Director, *Multifamily Customer Management*. Freddie Mac will review and answer requests in the ordinary course of business.

Freddie Mac reserves the right to revoke permission to reproduce the Guide upon 60 days' notice to any and all Seller/Servicers. Under no circumstances may a Seller/Servicer reproduce the Guide by any electronic or mechanical means, including reproduction in, or as a component of, any information storage and retrieval system.

d. Reliance (12/05/03)

By entering into a Purchase Contract or into the unitary, indivisible master Servicing contract with Freddie Mac, the Seller/Servicer acknowledges that it is not relying upon Freddie Mac or its employees, agents or representatives in making its decision to enter into the contract and that it has relied upon the advice and counsel of its own employees, agents and representatives as to the regulatory, business, corporate, tax, accounting and other consequences of entering into and performing its obligations under a Purchase Contract or the unitary, indivisible master Servicing contract.

e. Assignments; security interests (05/01/14)

A Seller/Servicer may not, in whole or in part, assign or transfer, or grant a security interest in, any of its obligations, rights or interest under any Purchase Contract or under the unitary, indivisible master Servicing contract, including any of its rights or obligations under the Guide or any of the Purchase and Servicing Documents, without Freddie Mac's prior written consent. Any purported or attempted assignment or transfer of, or grant of a security interest in, any such obligations, rights, or interest is prohibited and will be null and void.

Freddie Mac has the right to sell, assign, convey, hypothecate, pledge or in any way transfer, in whole or in part, its interest under the Purchase and Servicing Documents with respect to any Mortgage it purchases.

f. Severability (05/01/14)

If any provision of the Guide is held invalid, the legality and enforceability of all remaining provisions will not in any way be affected or impaired, and the Guide will be interpreted as if such invalid provision were not contained in the Guide.

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g. Effective dates (02/06/04)

The *Multifamily Seller/Servicer Guide* governs Purchase Contracts with a date of acceptance on or after December 31, 1993. The multifamily provisions of the Freddie Mac *Sellers' and Servicers' Guide* in effect on the date of acceptance govern Purchase Contracts with dates of acceptance preceding December 31, 1993.

h. Construction of the Guide (05/01/14)

The Guide may not be construed against Freddie Mac as being the drafter.

i. Entire agreement (02/06/04)

The Guide, including the glossary, forms and exhibits attached to the Guide and all Purchase and Servicing Documents incorporated by reference into the Guide, constitutes the entire understanding between Freddie Mac and the Seller/Servicer and supersedes all other agreements, covenants, representations, warranties, understandings and communications between the parties, whether oral or written, with respect to the transactions contemplated by the Guide.

j. Governing law (05/01/14)

The Guide will be construed, and the rights and obligations of Freddie Mac and the Seller/Servicer under the Guide will be determined, in accordance with the laws of the United States. To the extent that there may be no applicable precedent, and to the extent that to do so would not frustrate any provision of the Guide or the transactions governed by the Guide, the laws of the Commonwealth of Virginia will be deemed reflective of the laws of the United States.

k. Notice (06/30/16)

Unless otherwise specified in the Guide

- A Seller/Servicer must send any written notice to Freddie Mac required to be given pursuant to the Guide by first class mail to
 - *Multifamily TAH Production*, or as otherwise indicated by Freddie Mac, for Targeted Affordable Housing Seller/Servicers
 - *Small Balance Loan Team*, or as otherwise indicated by Freddie Mac, for SBL Seller/Servicers
 - *The Applicable Freddie Mac Multifamily Regional Office*, or as otherwise indicated by Freddie Mac, for all other Seller/Servicers
- Freddie Mac will send written notice by first class mail to the Seller or Servicer at its principal business office, as reflected in Freddie Mac's records.

Notice will be deemed to have been given as of the date such notice is deposited in the U.S. Mail, postage prepaid.

I. Damages (02/07/03)

Freddie Mac's liability for any losses, claims, actions, damages, suits, costs or expenses (including attorneys' fees) that may be incurred by a Seller/Servicer as a result of a delay or failure in the transfer of funds in connection with the purchase or the Servicing of a Mortgage will be limited to any direct damages that result from such failure or delay. Freddie Mac will not be liable for any special, indirect or consequential damages resulting from any such delay or failure.

1.4 Frequently used legal terms (02/07/03)

Certain provisions used frequently in the Guide will have particular legal meanings. Specifically, a reference to Mortgages "owned by Freddie Mac" means Mortgages owned by Freddie Mac in whole or in part (that is, Freddie Mac-owned whole Mortgages, and Freddie Mac-owned participation interests in Mortgages). The term "includes" when used in this Guide means "includes without limitation."

1.5 Using the Multifamily Seller/Servicer Guide

a. Organization (10/12/17)

The body of the Guide consists of the following:

1. An introduction
2. General Freddie Mac policies
3. Seller/Servicer requirements and warranties and Freddie Mac's policy for suspension or termination of a Seller/Servicer
4. Specific Mortgage purchase programs and products
5. General Mortgage eligibility and credit underwriting requirements
6. Title insurance, legal description, survey, leasehold, insurance and documentation delivery requirements, along with secured lending arrangements and requirements for retention of Mortgage files
7. General Freddie Mac Servicing policies
8. Mortgage Servicing, including compensation, Reserve requirements, prepayments, risk assessments, Transfers of Ownership and transfers of Servicing
9. Nonperforming Mortgage Servicing, including Delinquency, foreclosure and Real Estate Owned

10. Freddie Mac remedies, including repurchases and termination of Servicing
11. Accounting and reporting requirements
12. Documentation and deliveries to be submitted to Freddie Mac at underwriting or Transfer of Ownership
13. Third party reports requirements
14. The Glossary
15. Exhibits referenced in the Guide
16. Numbered forms referenced in the Guide
17. The Guide Directory

b. Chapter and section numbering scheme (02/07/03)

The Guide is divided into chapters and sections. Each chapter is identified by a number. For each section number, the digit or digits to the left of the decimal point identify the chapter and the digit or digits to the right of the decimal point identify the section within that chapter. For example, Section 60.4 is the fourth section of Chapter 60.

c. Design features (03/31/11)

Freddie Mac has incorporated design features in the Guide to help the reader find information. These features include

1. The Guide Directory containing the addresses, telephone numbers and fax numbers of the Freddie Mac departments referenced in the Guide (For example, "Freddie Mac *Multifamily Purchase*" refers the user to the alphabetical list in the Guide Directory for the complete address, as well as telephone and fax numbers of the italicized department.)
2. Initial capitalization to emphasize terms in the text that are defined in the glossary

d. Exhibit numbering scheme (02/07/03)

Exhibits are numbered consecutively.

e. Headings (12/05/03)

There are three levels of headings in the Guide: chapter titles, section heads and subheads. Chapters and sections are numbered as discussed in Section 1.5(b). The subhead, labeled with a letter, breaks up a section when the section is long and complex. Subheads help the reader find specific topics.

1.6 Headings and design features (12/05/03)

Headings and design features are written for convenience of reference only and do not constitute a part of this Purchase and Servicing Document.

1.7 Number and gender (12/05/03)

Unless the context otherwise requires, in the Guide

- Words in the singular number include the plural, and words in the plural include the singular.
- Words of the masculine gender include the feminine and the neuter, and words of the feminine gender include the masculine and the neuter. When the sense so indicates, words of the neuter gender may refer to either gender.

1.8 Identification of forms (12/05/03)

Forms that are referenced in the Guide are Freddie Mac forms unless otherwise indicated.

1.9 Warranties (12/05/03)

All applicable warranties and representations deemed to have been made by the Seller or Servicer with respect to the Seller, the Servicer and/or each Mortgage are set forth in Chapter 5.

1.10 Trademark acknowledgments (02/07/08)

Word® is a registered trademark of the Microsoft Corporation.

1.11 Inconsistencies between Loan Documents and the Guide – Mortgages that have not been Securitized (05/01/14)

The terms of any Loan Documents take precedence over any conflicting requirements in the Guide.

1.12 Servicing Standard reference for securitized Mortgage Servicing (03/03/14)

If the Pooling and Servicing Agreement (PSA) for a particular Securitization of Freddie Mac Mortgages refers to the Guide in connection with determining the appropriate standard for servicing those Mortgages, the Servicer with respect to that Securitization should consider the following items.

a. Defined terms

The following Guide terms should be read as having the following meanings:

- “Freddie Mac” in the performing loan context should be read to refer to the decision maker with respect to a particular transaction, including the Master Servicer and the Special Servicer (as those terms are defined in the applicable PSA).

- “Seller/Servicer” or “Servicer” should be read to mean the entity which deals directly with the applicable Borrower, including the Master Servicer or a sub-servicer appointed by the Master Servicer pursuant to the terms of the PSA.

b. Additional servicing guidance

In certain circumstances, Freddie Mac delegates to the Seller/Servicer the authority to review and approve Borrower requests. The review and analysis requirements and the decision-making criteria for those delegated authorities provide further explanation of the review, analysis and decision-making standards that Freddie Mac deems appropriate for such requests with respect to all Mortgages.

c. Inconsistencies between PSA and Guide

The specific terms of any PSA take precedence over any conflicting Guide requirements, including, for example, those relating to Servicer advancing and reporting.

d. Inconsistencies between Loan Documents and Guide

The terms of any Loan Documents take precedence over any conflicting requirements in the PSA or the Guide. However, if a Guide provision which is added or revised after Securitization of a Mortgage differs from the comparable Loan Document provision, and the Borrower requests a waiver or revision of the Loan Document provision, the Master Servicer should consider the Guide provision as Freddie Mac’s revised position with regard to the issue when evaluating the Borrower request.