

Multifamily Seller/Servicer Guide

Chapter 11

Miscellaneous Fundamentals

11.1 Introduction (09/08/05)

This chapter details Freddie Mac's miscellaneous requirements. These requirements may also apply to Special Servicing Requests.

11.2 Letters of credit

a. General requirements for a letter of credit (06/30/16)

Freddie Mac will accept a letter of credit in the following circumstances:

- As part of the Seller/Servicer's good faith deposit delivered as security for part of the Seller's obligations under an early rate-lock application under Chapter 17 (see Section 17.15), so long as the letter of credit meets the requirements set forth in Section 11.2(b); or
- As security for the Borrower's obligations (for example, under a Rental Achievement Agreement or any other agreement for Reserves), subject to Freddie Mac's approval, so long as the letter of credit meets the requirements set forth in Section 11.2(b); or
- As collateral held until stabilization in connection with a transaction under the Moderate Rehabilitation (Mod Rehab) with LIHTC product; or
- As security for the Borrower's obligations under a Forward Commitment issued by Freddie Mac; or
- As security for the Seller/Servicer's Reimbursement Obligations under its Master Agreement; or
- As security for the SBL Seller/Servicer's SBL Obligations under Chapter 46SBL.

Additional requirements:

- Any letter of credit must be obtained from a person or entity other than the Borrower or any SPE Equity owner, and
- No Borrower or SPE Equity Owner may have any liability or other obligations under any reimbursement agreement with respect to any letter of credit or otherwise in connection with reimbursement to the issuer for draws on such letter of credit.

Freddie Mac, in its discretion, may accept a letter of credit in other circumstances if the letter of credit meets all of the requirements set forth in this section.

b. Issuer and issuer's rating (12/12/14)

At the time of issuance of the letter of credit (including any renewal, replacement or amendment of an existing letter of credit), the issuer of the letter of credit must be listed on the Approved Counterparties List, published on FreddieMac.com. If the issuer of the letter of credit is not currently approved, the Seller/Servicer must provide Freddie Mac with a completed Counterparty Approval Request, available on FreddieMac.com.

Unless the Seller/Servicer has obtained Freddie Mac's prior written approval, the following issuers of letters of credit are not permitted:

- The Seller/Servicer or Affiliated Persons of the Seller/Servicer in connection with a Mortgage originated or serviced by that Seller/Servicer, or
- Affiliates of the Borrower.

At the time of issuance of the letter of credit to the Seller/Servicer, the issuer of a letter of credit must be a domestic Eligible Institution or an agency or branch of a foreign Eligible Institution located in the United States. If at any time the issuer of the letter of credit ceases to be an Eligible Institution, Freddie Mac or its successors and assigns will have the right to immediately draw down the letter of credit in full and hold the proceeds of such draw in accordance with the applicable provisions of the Loan Documents.

Any letter of credit must be freely assignable by Freddie Mac and its successors and assigns without any consent or approval of the issuer of such letter of credit and without cost to Freddie Mac or its successors and assigns. All letters of credit must have an acceptable assignment form attached to them when delivered in the Purchase Final Delivery Package.

Freddie Mac may withdraw approval of a letter of credit issuer at any time for any reason. See Section 11.2(g) for additional information.

c. Issuer's security (02/28/11)

For all Mortgages, the issuer may not have a lien on all or part of the Property or related personal property as collateral for the Borrower's obligations to the issuer without Freddie Mac's prior written consent.

d. Form of letter of credit (06/29/17)

The letter of credit must

1. Be a clean, irrevocable, unconditional standby letter of credit
2. Be issued for the account of the Borrower in the case of a Borrower obligation, or for the Seller/Servicer's account in the case of the Seller/Servicer's obligation
3. Name Freddie Mac as the sole beneficiary
4. Be in the amount determined by Freddie Mac

5. Have an initial term of
 - Not less than six months for a letter of credit issued in connection with an early rate-lock application that does not have an extended term
 - Not less than twelve months for a letter of credit issued in connection with a Rental Achievement Agreement or any other agreement for Reserves, debt service Reserve or an early rate-lock application with an extended term
 - Not less than 60 days following the maturity date of the Forward Commitment for a letter of credit issued in connection with a Forward Commitment
 - Not less than 60 days after the end of the Mod Rehab period for a letter of credit issued in connection with a transaction under the Mod Rehab with LIHTC product
 - Not less than 12 months following its delivery date to Freddie Mac for the Seller/Servicer's SBL Obligations under Chapter 46SBL; such letters of credit must also be renewable by amendment for a letter of credit issued as collateral
6. Provide that it may be drawn in whole or part by presentation to the issuer of a sight draft without any other requirements to the right to draw (The form of sight draft is found as Exhibit A to the form of letter of credit found on FreddieMac.com)
7. Except for a letter of credit issued in connection with a Seller/Servicer's SBL Obligations under Chapter 46SBL, be in the form found on FreddieMac.com

e. Seller/Servicer responsibilities regarding letters of credit (04/30/19)

Within 30 days prior to the issuance of a new letter of credit, including a renewal, replacement, or amendment of an existing letter of credit, the Seller/Servicer must

1. For a letter of credit that the Seller/Servicer is holding, verify that the issuer of the letter of credit is listed on the Multifamily Counterparty Approved List, published on FreddieMac.com.
2. For a letter of credit that Freddie Mac holds, verify that the rating of the issuer complies with Freddie Mac's requirements.
3. Bring to Freddie Mac's attention any variations from the Freddie Mac form of letter of credit and explain whether such variations are material.
4. Complete the Letter of Credit Certification form or Form 921, Letter of Credit – SBL Certification, as applicable, found on FreddieMac.com.
5. Obtain an opinion of the issuer's counsel with respect to the issuer of the letter of credit, which opinion must provide that
 - The issuer has the power and authority to execute and deliver the letter of credit.

- The letter of credit constitutes the legal, valid and binding obligation of the issuer, enforceable by the lender (or by Freddie Mac, in the case of a letter of credit as collateral for a Seller/Service's Reimbursement Obligations or SBL Obligations) against the issuer in accordance with the terms of the letter of credit.
 - The opinion is intended to be relied upon by the lender and its successors as holder of the Mortgage (or by Freddie Mac, in the case of a letter of credit as collateral for a Seller/Service's Reimbursement Obligations or SBL Obligations).
6. Upon issuance of a new letter of credit, including a renewal, replacement or amendment of an existing letter of credit, the Seller/Service must:
- For a letter of credit that the Seller/Service is holding, hold the original letter of credit in a secure place in trust for Freddie Mac until instructed by Freddie Mac to deliver the letter of credit to Freddie Mac or return the letter of credit to the Borrower
 - In the case of a letter of credit provided in connection with a Mortgage, maintain a copy of the Letter of Credit Certification as part of the Mortgage File
 - In the case of a letter of credit provided as collateral for a Seller/Service's Reimbursement Obligations or a Construction Phase Letter of Credit required under Section 19A.10 or Section 28A.10, deliver such letter of credit and Letter of Credit Certification to Freddie Mac as required under the Seller/Service's Master Agreement or the Forward Commitment, as applicable
 - In the case of a Letter of Credit – SBL provided as collateral for an SBL Seller/Service's SBL Obligations, deliver such letter of credit and the Form 921, Letter of Credit – SBL Certification to Freddie Mac as required under Chapter 46SBL
7. Upon issuance of a renewal, replacement or amendment of an existing letter of credit held by the Seller/Service, the Seller/Service must provide the following information to Freddie Mac within 30 days of issuance:
- Complete legal name of the issuer of the letter of credit
 - Letter of credit number
 - Amount
 - Expiration date
 - Issuer bank branch address and presentation site address

The information in this subsection must be delivered to *Multifamily Asset Management, Structured Transactions* for:

- Structured Transactions

- Tax Exempt Bond Credit Enhancements
- Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products
- Targeted Affordable Housing Mortgages, or
- Credit Facilities.

For all other Mortgages, the information in this subsection must be delivered to *Multifamily Asset Management, Borrower Transactions*.

f. Documents to be delivered to Freddie Mac (06/29/17)

- Any time the Seller/Servicer is holding the original letter of credit, the Seller/Servicer must deliver to Freddie Mac a copy of the letter of credit, the original Letter of Credit Certification and original opinion of issuer's counsel.
- For a letter of credit that Freddie Mac will hold, the Seller/Servicer must deliver the original letter of credit to Freddie Mac with the Final Delivery Package.

g. Change in issuer's Freddie Mac approval status (06/29/17)

Freddie Mac may withdraw approval of a letter of credit issuer at any time and for any reason.

- For Mortgages prior to origination:

If Freddie Mac withdraws its approval of an issuer of a letter of credit prior to origination of the Mortgage, in the case of a letter of credit held in connection with an early rate-lock application or any Forward Commitments:

- The TAH Seller/Servicer must notify *Multifamily TAH Production*
- The SBL Seller/Servicer must notify the *Multifamily Small Balance Loan Team*
- All other Seller/Servicers must notify the *Applicable Freddie Mac Multifamily Regional Office*

- For Mortgages that have been purchased by Freddie Mac:

If Freddie Mac withdraws its approval of an issuer of a letter of credit, the Servicer must require the Borrower to obtain any renewals, replacements or amendments of an existing letter of credit from an issuer approved by Freddie Mac as of the date of the renewal, replacement or amendment. Letters of credit that have not expired are not affected by the change in the issuer's approval status.

- For letters of credit securing an SBL Seller/Servicer's SBL Obligations: If Freddie Mac withdraws its approval of an issuer of a letter of credit, the SBL Seller/Servicer must obtain any renewals, replacements or amendments of an existing letter of credit from an

issuer approved by Freddie Mac as of the date of the renewal, replacement or amendment. Letters of credit that have not expired are not affected by the change in the issuer's approval status.

h. Delivery of letter of credit to Freddie Mac (06/29/17)

The Seller must deliver the original letter of credit, the original opinion of issuer's counsel and the Letter of Credit Certification or the Form 921, Letter of Credit – SBL Certification, as applicable, as specified below:

- For Mortgages or SBL Mortgages, with the Final Delivery Package
- For any other matter, as specified by Freddie Mac in the applicable agreement or Chapter 46SBL

i. Presentation of letter of credit (10/07/08)

Upon receipt of written instructions from Freddie Mac, the Seller/Servicer is authorized to present a sight draft to the issuer of a letter of credit and draw on the letter of credit.

The Seller/Servicer must hold the funds it obtains from a letter of credit in trust for Freddie Mac in an account in the name of the Seller/Servicer as custodian for Freddie Mac until it receives instructions from Freddie Mac as to where it should deposit the funds.

j. Notification to Freddie Mac of letter of credit expiration (02/27/15)

The Seller/Servicer must provide Freddie Mac with written notice of the expiration of any letter of credit not less than 30 days prior to the expiration of the letter of credit.

k. Indemnification (10/07/08)

The Seller must indemnify and defend Freddie Mac against any claims that may be asserted against Freddie Mac and any costs (including attorneys' fees), losses or damages that Freddie Mac may incur as a result of any failure by the Seller/Servicer to perform its obligations with regard to any letter of credit.

11.3 Third-party interest rate cap requirements for cash ARMs (07/01/14)

For any cash ARM where Freddie Mac has required an interest rate cap and the ARM does not have an internal interest rate cap, Freddie Mac requires that the Borrower obtain an interest rate cap agreement with a third party cap provider ("cap agreement"). The Borrower must maintain a cap agreement until the entire indebtedness is paid in full.

See Sections 28.12 and 28.18 for interest rate cap requirements for Bond Credit Enhancement Mortgages.

a. Cap provider (12/12/14)

At the time of acquisition of the cap, and based on the term of the cap, the cap provider must be listed on the Approved Counterparties List, published on FreddieMac.com. If the cap provider is not currently approved, the Seller/Servicer must provide Freddie Mac with a completed Counterparty Approval Request, available on FreddieMac.com.

Unless the Seller/Servicer has obtained Freddie Mac's prior written approval, the following cap providers are not permitted:

- The Seller/Servicer or Affiliated Persons of the Seller/Servicer in connection with a Mortgage originated or serviced by that Seller/Servicer, or
- Affiliates of the Borrower.

Freddie Mac may withdraw approval of the cap provider at any time for any reason.

The cap provider must maintain the rating required by Freddie Mac in the governing transaction documents (for example the cap agreement) throughout the term of the cap.

b. Cap agreement (04/07/06)

Freddie Mac will accept a cap agreement only in the form agreed upon by Freddie Mac and the approved cap provider. The Seller/Servicer must notify the *Applicable Freddie Mac Multifamily Regional Office* of the name of the cap provider and must request that Freddie Mac provide the Seller/Servicer with the agreed form of cap agreement for that cap provider.

c. Cap guaranty; opinion (04/07/06)

Freddie Mac will notify the Seller/Servicer whether a cap agreement guaranty and/or opinion of counsel are required. If a cap agreement guaranty and/or an opinion of counsel are required, Freddie Mac will provide the Seller/Servicer with the forms of such document(s).

d. Delivery of cap agreement (02/29/16)

The Borrower must deliver an electronic copy of the cap agreement to the Seller/Servicer. For a newly originated Mortgage, the Borrower must bid the cap agreement not later than the Origination Date. The Seller must deliver an electronic copy of the cap agreement in the Final Delivery Package.

e. Payments under the cap agreement (04/07/06)

- So long as there is not an event of default and the Borrower has made the full monthly payment due, the Servicer will remit any payments made by the cap provider to the Borrower.
- Following an event of default, Freddie Mac may apply any payments made under the cap agreement to the Mortgage in any order and amount that Freddie Mac determines.

f. Reserve for subsequent cap agreement (07/01/14)

If a cap agreement expires prior to the maturity date of the Mortgage, during the term of the cap agreement, the Borrower must make monthly deposits with the Servicer on the first day of each calendar month ("cap deposits"). The cap deposits must be sufficient to accumulate funds in an amount equal to 125 percent of the amount estimated by the Servicer to be sufficient to purchase, immediately prior to the termination of the then-existing cap agreement, a subsequent third-party cap agreement (see Section 43.22).

g. Expiration of cap agreement (04/07/06)

- Any time a cap agreement expires, a new cap agreement has not been put into effect and an event of default has occurred, Freddie Mac, at its option, may apply any payment made by the Borrower under the Note to the purchase of a cap agreement.
- Any time a cap agreement expires and a new cap agreement has not been put into effect, Freddie Mac, at its option, may apply the default interest rate contained in the Note.

h. Servicing a cap agreement (02/07/08)

See Sections 43.21 and 43.22 for the Servicing requirements for a cap agreement.

11.4 Reliance on third-party reports (09/18/14)

This Guide contains specific reliance provisions for various types of third-party reports. If not otherwise specified in this Guide, each third-party report must include the following provision:

"This report is for the use and benefit of, and may be relied upon by

- a. the Seller/Servicer, Freddie Mac and any successors and assigns ("Lender");
- b. independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;
- c. governmental agencies having regulatory authority over Lender;
- d. designated persons pursuant to an order or legal process of any court or governmental agency;
- e. prospective purchasers of the Mortgage; and
- f. with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property which is the subject of this report, the following parties and their respective successors and assigns:
 - any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;

- any initial purchaser or subsequent holder of such debt and/or securities;
- any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
- any indenture trustee;
- any rating agency; and
- any institutional provider from time to time of any liquidity facility or credit support for such financings.

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities.”

11.5 Insurance requirements for third-party consultants (10/12/17)

Freddie Mac requires the following third party consultants to have the insurance coverage described below:

- Appraisers
- A/E Consultants performing the duties outlined in Chapter 63
- Property condition or Physical Risk consultants
- Environmental consultants
- Property inspectors conducting:
 - Forward Commitment property inspections as described in Section 8.16(b)
 - Property inspections at time of conversion as described in Section 8.16(d)
- Green consultants

These third party consultants must have the following insurance coverage in place:

- Commercial General Liability (CGL) insurance with limits of at least \$1 million per occurrence and \$2 million aggregate with a maximum deductible amount of \$35,000
- Professional Liability insurance with limits of \$1 million per claim and \$2 million aggregate with a maximum deductible amount of \$100,000

The above policies must be issued by an insurance carrier rated either Standard & Poor’s Insurer Solvency Review “BBB” or better, or AM Best A-, VI, or higher (i.e., A-, X; A, VI, etc.).

The requirements above do not apply to third-party fee consultants performing annual property inspections.

Third party consultants should have appropriate insurance coverage in place while traveling to and from and conducting work at the Property. The following are recommended guidelines for the types and levels of insurance coverage to be considered:

- Worker's Compensation insurance as required by law
- Automobile liability insurance for all owned (if any), non-owned and hired vehicles of \$1 million per accident

The Seller/Service provider should review the insurance coverage held by third-party consultants and determine and document that the consultants have adequate insurance relevant to the work to be performed.

11.6 Preferred equity

a. Equity contributions requiring Freddie Mac consent (09/26/19)

1. Freddie Mac must approve any Preferred Equity Contribution. For the purposes of this Section, a "Preferred Equity Contribution" will include the following characteristics:
 - Any equity investment in a Borrower (or an entity in the Borrower's ownership structure)
 - The equity provider has a direct or indirect interest in Borrower ("Preferred Equity Investor")
 - The investment is "hard pay preferred equity"
2. Hard pay preferred equity will have one or more of the following characteristics:
 - The Preferred Equity Investor is entitled to receive a periodic return (e.g., monthly, quarterly, annually or other set period), that has priority over the return to any other partner or member of the Borrower, notwithstanding insufficient NOI ("Return").
 - The Preferred Equity Contribution must be repaid and any accrued Return must be paid on a set redemption date ("Redemption Date").
 - If (a) a periodic installment of the Return is not timely paid because there is insufficient NOI, (b) the Preferred Equity Contribution is not repaid on the Redemption Date that is prior to or coterminous with the maturity date of the Mortgage, or (c) the Mortgaged Property does not meet specified Debt Coverage Ratio, Loan-to-Value Ratio or other economic performance measures, then the Preferred Equity Investor has either of the following rights:
 - a) the right to remove or replace the person or entity with direct or indirect control of the Borrower ("Manager") (such action, a "Control Takeover") pursuant to an operating agreement, joint venture agreement or similar agreement ("Governing Agreement") (Freddie Mac may or may not have preapproved the Control

Takeover upon the terms and conditions set forth in the “Rider to Multifamily Loan Agreement - Buy-Sell”).

- b) the right to force the sale of the Mortgaged Property or the equity interests of the Manager (in either case, a “Forced Sale”).
3. Freddie Mac reserves the right to refuse to allow a Preferred Equity Contribution for Mortgages with a lease-up, moderate rehabilitation, or value-add component.
4. Because the Preferred Equity Contribution is defined by the attributes surrounding the investment, Freddie Mac’s determination of what constitutes an acceptable or unacceptable Preferred Equity Contribution may change from time to time.
5. Freddie Mac may deem unacceptable any attribute of a Preferred Equity Contribution that it determines circumvents Freddie Mac’s intent with respect to an acceptable Preferred Equity Contribution even if such attribute is not specifically set forth in this Section.
6. Freddie Mac may agree to certain structures for a Preferred Equity Contribution that may differ slightly from the requirements set forth in this Section. These exceptions are based on the characteristics of the Borrower Principals, Mortgaged Property, Preferred Equity Investor, Debt Coverage Ratio or Loan-to-Value Ratio of the specific Mortgage and may not be applicable in all cases. If there is any question as to whether a structure will be acceptable, the Seller should contact the applicable regional producer prior to issuance of the Quote.

b. Control Takeover by Preferred Equity Investor (09/26/19)

1. If the Preferred Equity Investor has the right to cause a Control Takeover, then in connection with its underwriting of the Mortgage, Freddie Mac must approve the Preferred Equity Investor as a potential controlling party in the Borrower’s ownership structure.
2. The Preferred Equity Investor must be willing to provide Freddie Mac with an acceptable replacement guarantor at the time it exercises a Control Takeover.

c. Acceptable Redemption Date (12/14/17)

The Preferred Equity Investor may require repayment of the Preferred Equity Contribution and any accrued Return on a Redemption Date that is on or after the maturity date of the Mortgage. Freddie Mac, in its sole discretion, may approve an earlier Redemption Date. If an earlier Redemption Date is approved, the Loan-to-Value Ratio of the Mortgage and the Preferred Equity Contribution to the appraised value of the Property must be no greater than 90 percent.

d. Amount of Preferred Equity Contribution (12/14/17)

1. The following underwriting requirements will apply to a Mortgage with a Preferred Equity Contribution:

- The amount of the Mortgage plus the Preferred Equity Contribution must not exceed 90 percent of the appraised value of the Mortgaged Property value on the Origination Date.
 - For a fixed-rate Mortgage, the NOI must exceed the amortizing debt service of the Mortgage plus the amount of the monthly Return by at least 1.05 percent.
 - For a floating-rate Mortgage, the NOI must exceed the amortizing debt service of the Mortgage based on the comparable fixed rate plus the amount of the monthly Return by at least 1.05 percent.
2. If the Return changes during the term of the Mortgage, Freddie Mac will use the weighted average of the total Returns to calculate the Debt Coverage Ratio.
 3. Freddie Mac may consider a Preferred Equity Contribution that is not fully contributed until after the Origination Date to include all of the anticipated Preferred Equity Contributions.

e. Unacceptable attributes of a Preferred Equity Contribution (12/14/17)

The following are not acceptable in connection with a Preferred Equity Contribution:

1. Collateral to secure the Return, including (a) the pledge of any direct or indirect ownership interests in the Borrower that is not permitted under the Freddie Mac Loan Agreement, (b) the grant of a security interest in other assets of the Borrower, (c) access to the Borrower's accounts, or (d) the posting of a letter of credit. Notwithstanding the above, the Preferred Equity Investor may have a security interest in funds contributed solely from the Preferred Equity Contribution at the time of the initial Preferred Equity Contribution and designated as an escrow securing future permissible payments to the Preferred Equity Investor.
2. A cash sweep at the Mortgaged Property level or the assignment of any cash reserves other than reserves established solely from the proceeds of the Preferred Equity Contribution.
3. Any requirement for the holder of the Mortgage to enter into an intercreditor agreement, subordination agreement, recognition agreement or any other agreement with the Preferred Equity Investor to limit or delay its remedies.
4. An equity investment that also directly or indirectly capitalizes an entity affiliated with the Borrower which owns another property ("Affiliated Mortgaged Property") unless Freddie Mac also intends to purchase a mortgage secured by the Affiliated Mortgaged Property and the Mortgage and the mortgage on the Affiliated Mortgaged Property will be cross collateralized.
5. The right to exercise a Control Takeover or a Forced Sale based on the actions or inactions of any Person in any entity other than the Borrower or an entity in the Borrower's ownership structure.

6. The exercise by the Preferred Equity Investor of any of its remedies based on the economic performance of another property.
7. The right of the Preferred Equity Investor to make protective advances which increase the size of the Preferred Equity Contribution for any reason other than to pay debt service, taxes or insurance.
8. The right to acquire the equity interests of the Manager without purchasing those interests for fair market value.
9. The right to exercise a Control Takeover based on the Mortgaged Property's failure to achieve specific, quantifiable occupancy, NOI, debt service or other economic performance measures while the Mortgaged Property is performing under the Freddie Mac Mortgage unless such economic triggers have been approved in advance by Freddie Mac.

f. Requirements for a guaranty of a Preferred Equity Contribution (12/14/17)

If the Preferred Equity Investor is receiving a guaranty in connection with the Preferred Equity Contribution ("Preferred Equity Guaranty") from a person or entity that is also providing a Guaranty in connection with the Mortgage ("Mortgage Guaranty"), the following requirements must be satisfied.

1. The Preferred Equity Guaranty may not be a guaranty of the repayment of the Preferred Equity Contribution by the Guarantor of the Freddie Mac Mortgage ("Freddie Mac Guarantor").
2. The Preferred Equity Guaranty must be expressly subordinate in all respects to the Mortgage Guaranty. In particular, the Preferred Equity Investor may not pursue a claim under the Preferred Equity Guaranty against the Freddie Mac Guarantor while the Mortgage is outstanding.
3. The Preferred Equity Guaranty may not include any guaranteed obligations other than obligations that are substantially similar to the guaranteed obligations under the Mortgage Guaranty, and the obligation to guaranty loss or damage caused by the trigger events set forth in the document located on freddiemac.com entitled "Preferred Equity Guaranty Acceptable Trigger Events".

g. Governing Agreement (12/14/17)

The Governing Agreement must contain a prohibition against modifying any of the terms of the Preferred Equity Contribution, including the terms relating to the Return, the Redemption Date, a Forced Sale, or the amount of the Preferred Equity Contribution (except to decrease the amount of the Preferred Equity Contribution or the Return) without lender's consent.

h. Compliance with this Section (12/14/17)

To ensure that the Preferred Equity Investment is in compliance with this Section or is otherwise acceptable to Freddie Mac, the Seller/Servicer's legal counsel must complete the

Preferred Equity Analysis form. Buy-Sell Transfer Analysis is not required in connection with a Preferred Equity Investment.

i. Underwriting information required by Freddie Mac (12/14/17)

1. Prior to issuance of the Quote, the Seller/Servicer must advise Freddie Mac of any Preferred Equity Contribution, and provide the following information to the extent known:
 - Name of the Preferred Equity Investor
 - Summary of the financial terms related to the Preferred Equity Contribution
 - a) Amount of the Preferred Equity Contribution
 - b) Initial rate of the Return on the Preferred Equity Contribution
 - c) Deferred rate of the Return on the Preferred Equity Contribution, if the rate changes
 - Anticipated schedule for the funding of the Preferred Equity Contribution, if the rate changes
 - Proposed Redemption Date or date of required Forced Sale (if applicable)
 - Any other material relating to the Preferred Equity Contribution
2. The Seller/Servicer must deliver the Preferred Equity Analysis no later than the delivery of the full underwriting package.
3. The Seller/Servicer must require the Borrower or Borrower's counsel to complete the Borrower Preferred Equity Financial Terms Summary and deliver it to Freddie Mac no later than the delivery of the full underwriting package.