

Multifamily Seller/Servicer Guide

Chapter 19A

Originating a Targeted Affordable Housing Cash Mortgage under a Forward Commitment



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19A.1 Overview (02/27/25)

a. Availability of Forward Commitments (05/31/11)

This chapter provides the requirements for a Targeted Affordable Housing (TAH) Cash Mortgage originated under a Forward Commitment (as defined in Section 19A.2 below) utilizing the prior approval model. To be eligible to enter into a Forward Commitment, a Targeted Affordable Housing Seller/Servicer must meet the requirements specified in Section 3.13.

See [Exhibit 2, Origination Guidelines for Affordable Products](#), for additional information about the types of affordability components that are available to Targeted Affordable Housing Seller/Servicers.

b. Investment quality, types of Mortgages and Mortgage requirements (06/15/23)

Unless otherwise specified below, the requirements for investment quality, types of Mortgages and other Mortgage requirements are the same for all TAH Cash Mortgages, including those purchased by Freddie Mac pursuant to a Forward Commitment.

1. Mortgages eligible for purchase under a Forward Commitment

Under a Forward Commitment, Freddie Mac purchases (after Conversion):

- Fixed-rate Mortgages in which the interest rate is unchanged for the entire Mortgage term. Fixed-rate Mortgages may be partial term interest-only.
- Floating-Rate Mortgages in which the interest rate is adjusted for the entire Mortgage term. A Floating-Rate Mortgage may be partial term interest-only.

Freddie Mac will purchase a Mortgage under a Forward Commitment if the Property has a 4% LIHTC allocation or a 9% LIHTC allocation or meets the requirements for Non-LIHTC Forward Commitments provided in the [term sheet](#). Additionally, the Property must be owned by the Borrower or under contract with the purchase date scheduled to occur within 90 days of Rate Lock.

See the following sections in Chapter 19, Originating a Targeted Affordable Housing Cash Mortgage for additional information and requirements:

- Section 19.1(b): Investment quality
- Section 19.1(f): Minimum Origination Fee
- Section 19.1(g): Other requirements
- Section 19.2: Mortgage requirements

2. Mortgages ineligible for purchase under a Forward Commitment:

- Preservation Rehabilitation Mortgages



- TAH Bridge Loans

c. Freddie Mac's review of construction documentation (02/27/25)

The Seller must submit the following for Freddie Mac to review as part of the full underwriting package:

- A pre-construction analysis report, as described in Section 63.3(a)
- A narrative summary, including a property and site description and a summary analysis of the development team's qualifications, that is prepared by the Chief Architect/Engineer, as outlined in Section 63.3(c) and [Exhibit 1.30](#).

19A.2 Description and types of Forward Commitments (08/18/22)

a. Description of Forward Commitments (08/18/22)

A Forward Commitment provides a single source of construction, in the case of a Funded Forward Commitment, and/or permanent financing for new construction or substantial rehabilitation of a multifamily property that qualifies as a Targeted Affordable Housing Product, in the case of an Unfunded Forward Commitment. In this chapter, the term "construction" will include substantial rehabilitation.

A Forward Commitment is executed by the Seller and Freddie Mac. Freddie Mac commits to locking the interest rate or spread for the permanent Mortgage and the Seller commits to delivering a permanent Mortgage to Freddie Mac when the project is complete and has met each of the Conditions to Conversion (as defined in Section 19A.12). Freddie Mac locks the rate or spread for the permanent Mortgage when the Forward Commitment is accepted by the Seller. The Property must reach stabilization and meet the Conditions to Conversion before Freddie Mac purchases the Mortgage and, in the case of a Funded Forward Commitment, releases the Construction Phase Letter of Credit.

b. Types of Forward Commitments (05/31/11)

There are two types of Forward Commitments: Funded Forward Commitments and Unfunded Forward Commitments:

- In a Funded Forward Commitment, Freddie Mac advances funds to the construction lender during the construction period and, as security for the funds, requires the construction lender to provide Freddie Mac with the Construction Phase Letter of Credit.
- In an Unfunded Forward Commitment, Freddie Mac does not advance construction funds to the construction lender, and therefore does not require a Construction Phase Letter of Credit.

19A.3 Forward Commitment Property Inspection (03/03/17)

Freddie Mac requires a Forward Commitment Property Inspection for every Forward Commitment. See Section 8.16 for Freddie Mac's requirements for the Forward Commitment Property Inspection.



19A.4 Construction lender (10/21/21)

The Seller must determine that the construction lender:

- Employs an experienced, fully-staffed construction lending department
- Demonstrates sufficient construction lending experience with successful construction lending on projects of similar size and complexity for the relevant type of property
- For a Funded Forward Commitment, has executed a Master Forward Financing Agreement with Freddie Mac

For each Funded Forward Commitment, the construction lender must execute an Addendum to the Master Forward Financing Agreement with Freddie Mac regarding the terms and conditions for the specific Forward Commitment. The Addendum must be delivered to *Multifamily Purchase* with the Construction Phase Letter of Credit.

19A.5 Loan Submission Template (LST), Quote, underwriting package, Commitment and Rate Lock; approval by TAH Underwriting Supervisor (08/18/22)

The applicable provisions of Chapter 27 apply regarding the LST, Quote, underwriting package, Commitment and Rate Lock. However, the following exceptions to the requirements of Chapter 27 apply to TAH Forward Commitments:

- The LST and full underwriting package, as applicable, must be approved and signed by the Seller's TAH Underwriting Supervisor, as described in Section 3.13
- Under a Funded Forward Commitment, the construction lender has the option to choose that construction advances be made in either a single draw or in multiple draws. The requirements for both the single and multiple draw options are described in the construction lender's Master Forward Financing Agreement.

19A.6 Fees (06/13/24)

The provisions of this Section 19A.6 will apply to any Forward Commitment with a revision date between 8-18-2022 and 2-27-2024. For Fee Provisions for Forward Commitments with a revision date on or after 5-20-2024, see the Forward Commitment.

a. Application Fee (06/13/24)

The Seller must pay to Freddie Mac the Application Fee, as set forth in the Forward Commitment and in Section 27.6. If the Actual Mortgage Amount at Conversion exceeds the Maximum Mortgage Amount in the Forward Commitment, then the Seller must pay to Freddie Mac the additional Application Fee described in the Conversion Acceptance Letter (as defined below) prior to the acceptance of the Conversion Acceptance Letter. The Application Fee is not refundable.



b. Commitment Fee (08/18/22)

The Seller is obligated to pay a refundable commitment fee (“**Commitment Fee**”) to Freddie Mac in the amount set forth in the Forward Commitment. The Commitment Fee must be delivered to Freddie Mac by 2:00 p.m. Eastern Standard Time on the second Business Day following Rate Lock. At the option of the Seller, the Commitment Fee can be in the form of cash or a letter of credit. A letter of credit must satisfy the requirements set forth in Section 11.2. If the Mortgage is not delivered to Freddie Mac by the Mandatory Delivery Date in accordance with the Forward Commitment for any reason, the Commitment Fee, along with any interest accrued thereon, will be retained by Freddie Mac. If the Mortgage is delivered to Freddie Mac by the Mandatory Delivery Date and purchased by Freddie Mac, the Commitment Fee will be refunded in accordance with the Guide.

c. Delivery Assurance Fee – for 9% LIHTC Forward Commitments (06/13/24)

1. **Generally:** For 9% LIHTC Forward Commitments, in addition to the Application Fee and the Commitment Fee, and in order to ensure performance of the mandatory delivery obligation, the commitment to be executed by the Seller and the Borrower in respect to the Mortgage (“**Lender Permanent Loan Commitment**”), the terms of which are consistent with the terms of the Forward Commitment, will include: (a) a covenant by the Borrower to close the Mortgage with the Seller pursuant to the terms of the Lender Permanent Loan Commitment; and (b) a requirement for payment by the Borrower of the Delivery Assurance Fee, in the amount set forth in the Forward Commitment.
2. **Freddie Mac to hold Delivery Assurance Fee:** The Seller will deliver the Delivery Assurance Fee to Freddie Mac no later than the first Business Day immediately after the Construction Loan closing. The Delivery Assurance Fee will be held by Freddie Mac. The Delivery Assurance Fee will be retained by Freddie Mac if the Mortgage is not delivered to Freddie Mac. The Delivery Assurance Fee will be refunded to Borrower: (a) if the Mortgage is delivered to Freddie Mac on or before the Forward Commitment Maturity Date or (b) in accordance with the terms of the Forward Commitment.
3. **Form of Delivery Assurance Fee:** The Delivery Assurance Fee for the Forward Commitment may be in the form of cash, a letter of credit or a secured note. A letter of credit must satisfy the requirements set forth in Section 11.2. The Delivery Assurance Fee in cash or letter of credit must be delivered to *Multifamily Purchase* not less than one Business Day after the Construction Loan closing.

If a secured note is used for the Delivery Assurance Fee, then the Seller must provide a duly executed [Delivery Assurance Note](#) (in the form published on the Freddie Mac web site) secured by a [Delivery Assurance Mortgage](#) (in the form published on the Freddie Mac web site, and together with the Delivery Assurance Note, the “**Delivery Assurance Documents**”) to evidence and secure the obligation to deliver the permanent Mortgage to Freddie Mac. The Seller must promptly notify Freddie Mac if any part of the form of Delivery Assurance Note or Delivery Assurance Mortgage is not enforceable under the laws of the applicable jurisdiction and recommend such changes as may be required to cause the Delivery Assurance Note or the Delivery Assurance Mortgage to be enforceable under applicable law. Freddie Mac agrees that the Delivery Assurance Mortgage will be subordinate to the security instrument securing the Construction Loan.



The Borrower must execute the Delivery Assurance Note and the Delivery Assurance Mortgage upon the Borrower's execution of the Lender Permanent Loan Commitment. If, however, the Borrower will not acquire the Property until the Construction Loan closing, then the Borrower may execute the Delivery Assurance Mortgage at the Construction Loan closing. The Delivery Assurance Mortgage must be recorded at the time of the Construction Loan closing. Both the Delivery Assurance Note, endorsed to Freddie Mac, and the Delivery Assurance Mortgage, assigned to Freddie Mac, must be delivered to *Multifamily Purchase* no later than five Business Days after the Construction Loan closing.

4. **Payment or Release of Delivery Assurance Note:** The Delivery Assurance Note will be due and payable by the Borrower on the earlier of: (a) the Forward Commitment Maturity Date or (b) the date on which the Commitment Fee and/or Breakage Fee (as defined in the Forward Commitment) are/is due. If the Delivery Assurance Fee is to be refunded pursuant to the provisions above, then the Seller will send notice to Freddie Mac pursuant to Section 19A.13 below. The release of the Delivery Assurance Fee will in no way limit or otherwise modify the Seller's obligations as set forth in the Forward Commitment nor will it limit or otherwise modify Freddie Mac's rights and remedies as set forth in the Forward Commitment.

d. Standby Fee – for Non-LIHTC Forward Commitments (08/18/22)

For Non-LIHTC Forward Commitments, in addition to the Application Fee and the Commitment Fee, the Seller must pay a standby fee (the "**Standby Fee**") to Freddie Mac in the amount set forth in the Forward Commitment, for each year (or partial year, prorated) prior to the date of Conversion. The Standby Fee must be delivered to Freddie Mac by 2:00 p.m. Eastern Standard Time on the second Business Day following Rate Lock.

The Seller is also obligated to pay an additional Standby Fee to Freddie Mac with respect to any extension of the Forward Commitment Maturity Date. The additional Standby Fee must be delivered to Freddie Mac concurrently with the fully executed originals of each amendment to the Forward Commitment to effectuate such extension(s).

The Standby Fee is not refundable.

19A.7 Construction period security (08/30/13)

With a Funded Forward Commitment, Freddie Mac must be secured during construction by a Construction Phase Letter of Credit, which must be:

- In a form acceptable to Freddie Mac and meeting all requirements set forth in Section 11.2
- In an amount equal to the maximum Mortgage amount plus 45 days of interest at the Mortgage rate; on transactions with multiple draws the 45 days of interest will be contained in the Construction Phase Letter of Credit issued for the first draw on the Mortgage
- With an expiration date no earlier than 60 days after the Forward Commitment Maturity Date, which is set forth in the Forward Commitment
- Accompanied by an opinion of the issuer's counsel with respect to the issuer of the letter of credit that meets the requirements of Section 11.2



19A.8 Construction Loan closing for Funded Forward Commitments (05/01/14)

Freddie Mac, the Seller, the construction lender and the escrow agent execute an escrow agreement. The escrow agreement must meet the requirements of the Master Forward Financing Agreement and must be in form acceptable to Freddie Mac and the other parties to the escrow agreement. Each party to the escrow agreement must deliver an executed escrow agreement, together with other applicable documents and/or collateral, to the escrow agent not later than two Business Days prior to the Project Loan closing.

Upon the escrow agent's receipt of the executed escrow agreement, the escrow agent will email it to Freddie Mac in PDF form and will overnight the original executed escrow agreement to Freddie Mac at the address provided in the escrow agreement.

No later than the first Business Day immediately after the Construction Loan closing for a Forward Commitment, the Seller must deliver a Forward Commitment Initial Delivery Package to *Multifamily Purchase*. The requirements for the Forward Commitment Initial Delivery Package are found in the Initial Delivery Instructions – Forward Commitments, which is available at mf.freddiemac.com/lenders/purchase.

19A.9 Construction monitoring (03/03/17)

The Seller must retain an Architectural Consultant meeting the requirements of Section 63.2(a) to prepare the construction reports and monitor the progress of the construction.

During the construction phase, the Architectural Consultant is responsible for ensuring that appropriate construction due diligence takes place, including the preparation of construction monitoring reports, which must be provided to the Seller on a regular basis. The Seller must monitor the progress of the construction and notify Freddie Mac of any material issues that could have an adverse effect on the project's scope or quality or could result in a request to extend the Forward Commitment. Freddie Mac expects the Seller to be familiar with the progress of the project. See Section 63.4 for the content of the construction monitoring reports and the duties and responsibilities of the Seller and the Architectural Consultant with respect to the construction monitoring reports.

If the Seller receives a request from a third party (such as an agency of the local governing body) for Freddie Mac's authorization or sign-off for items such as plat recordations or impact fees, the Seller must advise the third party to send any such documentation directly to the Seller. The Seller's counsel must review all documentation and provide Freddie Mac with a preliminary legal issues memorandum meeting the requirements of Section 6.4. Freddie Mac must receive a written recommendation from the Seller prior to executing or denying any requested authorization or sign-off. The Seller and its counsel must ensure that any such requests comply with all documents previously executed or approved for the transaction, including the approved plans and specifications.

19A.10 Extending the Forward Commitment (06/15/23)

a. General (06/15/23)

The Forward Commitment Maturity Date may be extended for one 6-month period, upon full and timely satisfaction of each and all of the conditions to extension set forth herein and payment of the extension fee (as specified in the Forward Commitment with respect to the



first extension and as required by Freddie Mac in connection with any additional extension). Any extension request beyond the first 6 months will be in Freddie Mac's sole discretion and approval may be based on the satisfaction of any conditions that Freddie Mac determines in its sole discretion. An extension may require a new Appraisal, as discussed in more detail in Section 60.30.

In connection with any extension, the Seller must confirm to Freddie Mac that:

- The Seller has taken such steps and acts as may be necessary or appropriate to perfect and continue Freddie Mac's liens upon and security interest in the Property;
- The Seller has received the prior written consent of the Construction Lender, or to the extent applicable, the Seller has provided to Freddie Mac evidence as to why such consent is not required; and
- The Seller has received the prior written consent of the LIHTC Investor, or to the extent applicable, the Seller has provided to Freddie Mac evidence as to why such consent is not required.

The Borrower is responsible for all fees and costs associated with such extensions, including letter of credit fees, legal fees and recording costs, as applicable.

If the Forward Commitment Maturity Date is extended, the term "**Forward Commitment Maturity Date**" as used in the Commitment, means the original Forward Commitment Maturity Date, as extended pursuant to the conditions to Extension.

b. Request for extension (08/18/22)

1. First extension

No later than 60 days prior to the Forward Commitment Maturity Date, the Seller must notify Freddie Mac via email of its request for an extension. The email must specify that the request is for a first extension, and must include the following:

- A synopsis of the deal
- A reason for the extension request
- Projected stabilization timeline

Following Freddie Mac's receipt of the request, Freddie Mac will advise the Seller regarding its approval of the extension, the amount of the stand-by fee and the amount of the extension fee as specified in the Forward Commitment via an extension approval letter, which may be in the form of a PDF sent via Multifamily DMS or email.

The term of any letter of credit applicable to the transaction must be extended for the length of the extension plus 60 days. The Seller must provide Freddie Mac with amendments or replacements of the applicable letters of credit, extending their respective stated terms, no later than 30 days after the Forward Commitment Maturity Date and no later than 30 days prior to the expiration of the Construction Phase Letter of



Credit or any letters of credit for the Commitment Fee or the Delivery Assurance Fee, as applicable.

2. Subsequent extension

No later than 60 days prior to the Forward Commitment Maturity Date, as extended, the Seller must notify Freddie Mac via email of its request for an extension. The email must specify that the request is for a subsequent extension, and must include the following:

- A synopsis of the deal
- A reason for the extension request
- Projected stabilization timeline

Following Freddie Mac's receipt of the request, Freddie Mac will advise the Seller regarding its approval of the extension, any additional conditions to extension which Freddie Mac determines in its sole discretion and the amount of the extension fee via an extension approval letter, which may be in the form of a PDF sent via Multifamily DMS or email.

The terms of any letter of credit applicable to the transaction must be extended for the length of the extension plus 60 days. The Seller must provide Freddie Mac with amendments to or replacements of the applicable letters of credit, extending their respective stated terms, no later than 30 days after the Forward Commitment Maturity Date, as extended, and no later than 30 days prior to the expiration of the Construction Phase Letter of Credit or any letters of credit for the Commitment Fee or the Delivery Assurance Fee.

19A.11 Complete property inspection (08/18/22)

The Seller must conduct a complete property inspection of the Property before initiating Conversion pursuant to Section 19A.13. The Seller must be satisfied that the finished project has been completed as proposed in a workmanlike manner and that there have been no changes to the Property that would adversely affect its lease-up or ongoing operational costs as originally proposed. The Seller may make this determination by reviewing the final construction reports of the Architectural Consultant, the construction lender, the architect of record and government inspectors; however, the Seller must make its own determination of the Property and the market. For additional information on the complete property inspection see Section 8.15(b).

Once the architect of record has executed the certification of substantial completion, the Architectural Consultant must submit to the Seller the post-construction analysis report with a final narrative evaluation. The Seller must review this report and ensure that it meets the requirements of Section 63.5(a).

19A.12 Conditions to Conversion (06/13/24)

a. Underwriting criteria for Conversion (08/18/22)

By: (i) submission of a TAH Cash Conversion Underwriting Package and (ii) the Seller's execution of the Forward Commitment, the Seller represents and confirms to Freddie Mac that

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the Seller will underwrite the Mortgage described in the Forward Commitment and deliver the Mortgage in accordance with the standards set forth in the Guide, as modified by the Forward Commitment. The underwriting criteria set forth in the Guide, as made applicable to the Mortgage by the Forward Commitment and as in effect on the date of the Forward Commitment, will not be changed or modified by Freddie Mac prior to the Forward Commitment Maturity Date. Notwithstanding the foregoing, Freddie Mac reserves the right to effect changes in and modifications to its procedural requirements with respect to the delivery and Servicing of any Mortgage and the Seller agrees to adhere to any such changes and modifications.

b. Time limit for meeting Conditions to Conversion (08/18/22)

Freddie Mac's Forward Commitment and agreement to purchase the Mortgage will terminate and be of no force or effect in the event that the Seller is unable to fully satisfy each and all of the Conditions to Conversion on or before the Forward Commitment Maturity Date or extended Forward Commitment Maturity Date, as applicable.

c. Definitions applicable to Conditions to Conversion (08/18/22)

As used in this Section 19A.12, the following terms have the following meanings:

- “*Acceptable Leases*” means legally valid, binding and enforceable written lease agreements with bona fide residential tenants (excluding employees of the Borrower or any affiliate of the Borrower) providing for initial lease terms of not less than six months and complying with all applicable laws and with the Guide.
- “*Approved Plans*” means the plans, specifications, drawings, sketches, reports, budget and completion schedule and materials specified in the Seller's full underwriting package for the Forward Commitment submitted to and approved by Freddie Mac prior to the Rate Lock date, together with such changes as have been approved for the Improvements pursuant to the terms of the Forward Commitment.
- “*Conditions to Conversion*” means, collectively, each of the conditions precedent to Conversion set forth in the Forward Commitment, this Section 19A.12, and any other condition which may otherwise be required by Freddie Mac in connection with Conversion.
- “*Event of Insolvency*” means any of the following events with respect to the Borrower or any Guarantor, Designated Entity for Transfers (as identified in the Forward Commitment) or Borrower Principal: (a) any of the foregoing will: (i) voluntarily be adjudicated as bankrupt or insolvent; (ii) seek, consent to or fail to vacate the appointment of a receiver or trustee for itself or for all or any part of its property or assets; (iii) file a petition seeking relief under the United States Bankruptcy Code, 11 U.S.C. Section 101 et seq. or commencing any insolvency or other similar proceedings; (iv) make a general assignment for the benefit of creditors; (v) admit in writing its insolvency, bankruptcy or inability to pay its debts as they come due; (vi) have all or any substantial portion of its assets attached, seized, subjected to a writ or distress warrant, or otherwise levied upon; or (vii) be unable to or fail to pay its debts as they mature; (b) any Governmental Authority will enter an order, judgment or decree appointing a receiver or trustee for the Borrower or any Guarantor, Designated Entity for Transfers or Borrower Principal for all or any part of its property or assets; (c) a petition is filed against the Borrower or any Guarantor, Designated Entity for Transfers or Borrower Principal seeking relief under the United States



Bankruptcy Code, 11 U.S.C. Section 101 et seq. or commencing any insolvency or other similar proceedings; or (d) any Borrower or any Guarantor, Designated Entity for Transfers (as identified in the Forward Commitment) or Borrower Principal is put on probation or its activities are restricted in any manner by any Governmental Authority, or becomes subject to any order, judgment, decree, finding or regulatory action that would adversely affect such person's ability to comply in all respects with the terms and conditions of the Forward Commitment, the Lender Permanent Loan Commitment, the Mortgage, the Construction Loan documents, or any other document, instrument or certificate executed and delivered, or required to be executed and delivered, pursuant thereto.

- “*Governmental Authority*” means the United States of America, any State, district, territory, municipality, foreign state, or other foreign or domestic government, or department, agency, board, commission, or instrumentality of any of the foregoing.
- “*Improvements*” means the buildings, structures and improvements now constructed or at any time in the future constructed or placed upon the land, including any future alterations, replacements and additions.
- “*Units*” means, collectively, the residential rental housing in the Property.

d. **Property requirements for Conversion (06/13/24)**

By the Seller's acceptance of the Forward Commitment, the Seller has agreed to deliver to Freddie Mac a Mortgage in accordance with the standards set forth in the Purchase and Servicing Documents. In order for Freddie Mac to purchase the Mortgage, the following Conditions to Conversion must have been satisfied on the date of submission of the TAH Cash Conversion Underwriting Package (see checklist in [Section 1.31 of Exhibit 1](#)) by the Seller to Freddie Mac, and on the date of Conversion:

1. **Completion of Construction or Rehabilitation.** The Borrower will have completed the construction and/or rehabilitation of the Improvements on the Property (including all amenities, landscaping, signage, parking and the like, except for minor punch list and weather-sensitive items for which sufficient funds have been reserved in a repair escrow) (i) in a good and workmanlike manner and substantially in accordance with the Approved Plans, (ii) on a lien-free basis, (iii) in compliance in all material respects with all applicable treaties, conventions, statutes, laws, regulations, ordinances, permits, licenses, variances, certificates, consents, clearances, closures, exemptions, injunctions, judgments, orders, decrees, settlement agreements, decisions, actions or requirements of any Governmental Authority, subdivision requirements, fire and safety laws, the requirements of the Americans with Disabilities Act and, if applicable, the design and construction requirements established pursuant to the Fair Housing Act, as amended, and (iv) in compliance with the environmental requirements of the Guide and the Forward Commitment. The TAH Cash Conversion Underwriting Package will contain evidence of such completion as may be requested by Freddie Mac.
2. **Requirements for Borrower; Guarantor(s); Designated Entity for Transfers; Borrower Principal.** Except in accordance with the requirements set forth below, the identity of the Borrower and Guarantor(s) will remain as set forth in [Exhibit B](#) to the Forward Commitment. There will be no reduction in the direct or indirect ownership or control of the Borrower by any Designated Entity for Transfers (as identified in the Forward Commitment) or Borrower Principal. There will be no material adverse change in the condition, financial



or otherwise, of the Borrower, any partner of the Borrower (if the Borrower is a partnership), any member of the Borrower (if the Borrower is a limited liability company), any Guarantor, Designated Entity for Transfers or Borrower Principal from that which was disclosed to Freddie Mac in the Seller's full underwriting package for the Forward Commitment. Notwithstanding the forgoing, Freddie Mac agrees that the Mortgage may be delivered by the Seller with a different tax credit fund (a "**Substitute Tax Credit Fund**"), subject to Freddie Mac's approval. As a condition to Freddie Mac's approval of a Substitute Tax Credit Fund, the Substitute Tax Credit Fund must be controlled by the same LIHTC Syndicator or LIHTC Investor as was disclosed in the Forward Commitment and must satisfy all other requirements of the Forward Commitment or the Guide, as applicable, for a qualifying tax credit fund.

3. **Minimum Occupancy Requirement.**

- For Properties with 100 percent of units subject to rent and income restrictions:
 - Have stabilized occupancy at 85 percent for one month prior to the submission of the underwriting package for Conversion
 - Confirm and maintain stabilized occupancy at 85 percent during underwriting at Conversion
- For Properties that do not have 100 percent of units subject to rent and income restrictions:
 - Have stabilized occupancy at 85 percent for three months prior to the submission of the underwriting package for Conversion
- For each month from and after the date construction and/or rehabilitation of the Improvements on the Property is completed, through and including the Conversion date, the Borrower will provide to the Seller a current rent roll for that month, each certified as true and correct by the Borrower and the property manager for the Property, and such other information as may be reasonably required by the Seller and/or Freddie Mac to determine the physical occupancy of the Property.

4. **Debt Coverage Ratio Requirement.** The Property must have a Debt Coverage Ratio (DCR) that is:

- Greater than or equal to the minimum DCR for the Mortgage product, and
- No more than 10 basis points lower than the priced DCR

5. **Actual Mortgage Amount.**

- a. At Conversion, Freddie Mac will have determined the amount of the Mortgage, in its sole discretion, using Freddie Mac's underwriting standards and criteria as of the date of the Conversion ("**Actual Mortgage Amount**"). Unless waived in writing by Freddie Mac, which waiver will be made by Freddie Mac in its sole discretion, the Actual Mortgage Amount will not exceed the Maximum Mortgage Amount and will not be less than the Minimum Mortgage Amount at Conversion, each as set forth in Exhibit A of the Forward Commitment.



- b. If the Actual Mortgage Amount is less than the Maximum Mortgage Amount but greater than the Minimum Mortgage Amount at Conversion and Freddie Mac has agreed to purchase the Mortgage, the Borrower must demonstrate to Freddie Mac's satisfaction, prior to the Conversion date, that the Borrower has secured a source of funds acceptable to Freddie Mac ("**Additional Source of Funds**") to cover the difference between the Maximum Mortgage Amount and the Actual Mortgage Amount ("**Loan Differential**"). If the Actual Mortgage Amount is less than the Minimum Mortgage Amount at Conversion and Freddie Mac has agreed to purchase the Mortgage, the Borrower and/or Breakage Obligor must pay the Modified Breakage Fee (as defined in Schedule I to the Forward Commitment) and the Borrower must show an Additional Source of Funds; provided that in the event there is a nondelivery, the Borrower and/or Breakage Obligor must pay the Breakage Fee described in Schedule I to the Forward Commitment.
- c. If the Borrower will incur additional debt to cover all or a portion of the Loan Differential and/or the Modified Breakage Fee, the additional debt must be subordinated to the Mortgage, and the terms, conditions and documentation of the additional debt must meet the requirements for Subordinate Financing as set forth in the Guide.
- d. **Additional Actual Mortgage Amount**
 - 1. Upon completion and lease up of the Property, and prior to the origination of the Mortgage, if the performance of the Property exceeds the pro-forma rents, occupancy and other criteria used by Freddie Mac to underwrite the Mortgage prior to the issuance of the Forward Commitment, the Seller may request the Actual Mortgage Amount be greater than the Maximum Mortgage Amount by an amount that does not exceed the Additional Actual Mortgage Amount Percentage listed in the Confirmation Sheet (or, if not listed in the Confirmation Sheet, then for those Forward Commitments with revision dates of 2-27-2024 or earlier, 10%) (the "**Additional Actual Mortgage Amount Percentage**") of the Maximum Mortgage Amount (any such increase referred to as the "**Additional Actual Mortgage Amount**").
 - 2. In connection with a request for Additional Actual Mortgage Amount, the Seller will include in the TAH Cash Conversion Underwriting Package (i) a calculation of the Actual Mortgage Amount supporting the requested Additional Actual Mortgage Amount and (ii) a new Appraisal which complies with the requirements of Chapter 60, and which Appraisal supports the requested Additional Actual Mortgage Amount
 - 3. Freddie Mac's approval of any Additional Actual Mortgage Amount in excess of the Maximum Mortgage Amount will be made in Freddie Mac's own discretion based on its underwriting criteria at the time of such request.
 - 4. To the extent the requested Additional Actual Mortgage Amount is approved by Freddie Mac, (i) the interest rate on such Additional Actual Mortgage Amount will be equal to the Mortgage interest rate determined at Rate Lock and specified in the executed and delivered Exhibit A and (ii) the Conversion Acceptance Letter delivered by Freddie Mac pursuant to Section 19A.13 (the "**Conversion**



Acceptance Letter") will also set forth: (a) the Additional Actual Mortgage Amount so approved, (b) any additional Application Fee that may be due as a result of the Additional Actual Mortgage Amount, and (c) any other updated terms and conditions related to the Additional Actual Mortgage Amount (including the deposit of a Breakage Fee related thereto) or otherwise with respect to the Mortgage.

6. **Equity Contributions; Other Funds.** The TAH Cash Conversion Underwriting Package will contain:
 - a. Assurances and evidence that the Borrower: (i) has received or will receive, fully and timely, all equity contributions as required by the Borrower's operating documents to be made to the Borrower as of the date of Conversion, and has properly applied such equity contributions, proceeds, and other cash to the Property to the extent received, and (ii) has funded or will fund, fully and timely, all cash required to be invested in the Property; and
 - b. Assurances and evidence that: (i) either (A) all approved Subordinate Financing has been or will be received by the Borrower as of the date of Conversion; or (B), if and to the extent any approved Subordinate Financing has not or will not be received on or before the Conversion date (the "**Approved Subordinate Financing Shortfall**"), the Borrower has received or will receive, fully and timely, additional equity contributions from one or more of its partners in an amount equal to the Approved Subordinate Financing Shortfall as of the date of Conversion, and (ii) such amounts have been or will be applied to the Property.
7. **Low-Income Housing Tax Credits.** For LIHTC transactions only, the TAH Cash Conversion Underwriting Package will contain assurances and evidence that: (i) the Property is eligible for low-income housing tax credits; (ii) the Borrower has taken all steps necessary to obtain allocation of such low-income housing tax credits to the Property in the required amount; and (iii) the Property must: (A) meet the requirements of a "qualified low-income housing project" within the meaning of Section 42(g) of the Internal Revenue Code and of a "qualified residential rental project" within the meaning of Section 142(d) of the Internal Revenue Code and (B) at all times must have been in compliance with all: (1) federal, State and local low-income housing and other requirements applicable to the Property and (2) any applicable requirements of the Internal Revenue Code, and the final, proposed and temporary regulations issued under the Internal Revenue Code.
8. **Title and Survey.** The TAH Cash Conversion Underwriting Package will contain: (i) an update to the analysis of and recommendation as to the exceptions to title from the Seller and the Seller's counsel and (ii) an ALTA "as-built" survey of the completed construction and/or rehabilitation of the Improvements on the Property, prepared by a licensed surveyor, certified to the Seller, Freddie Mac and the title insurance company and which will otherwise conform with Freddie Mac's then-current survey requirements.
9. **Appraisal.** If required by the Guide, the Forward Commitment or the Conversion Acceptance Letter, the Seller will obtain, at the Borrower's sole expense, a redocumentation of the value of the Property determined by the appraisal of the Property prepared for the Seller and Freddie Mac prior to the date of the Forward Commitment. Such redocumentation of value must be in form and substance acceptable to the Seller and Freddie Mac and prepared for the Seller and Freddie Mac by a State-certified



appraiser approved by the Seller or, if required by the Seller, a new Appraisal of the Property that complies with the requirements of Chapter 60.

10. **Updated Environmental Report and Post-Construction Analysis Report.** Freddie Mac will have received for review an updated Phase I environmental report, if required pursuant to the Forward Commitment and/or the Guide, and post-construction analysis report, which will include, among other things, an on-site inspection and identification of any Deferred Maintenance or Life Safety Hazards issues.
11. **Updated Legal Analyses.** The Seller's counsel will have prepared updated legal analyses on the then current forms acceptable to Freddie Mac and will have emailed those updated analyses to the Freddie Mac in-house counsel assigned to the specific transaction.
12. **Other Real Estate Due Diligence.** In addition to those items required by this Section 19A.12, review of any other agreements, documents, instruments, certificates, reports, papers and matters which are subject to Freddie Mac's review and approval under the terms of the Forward Commitment and the Guide.
13. **Absence of Change in Law.** There will be no: (i) change in federal or State law, (ii) pending or proposed legislation, (iii) decision or pending decision of any court or administrative body, (iv) ruling or regulation (including any final, temporary or proposed federal regulation), (v) official pronouncement, or (vi) other action or event that, in Freddie Mac's sole judgment, materially adversely affects or may materially adversely affect, directly or indirectly, the transactions to be effected pursuant to the Forward Commitment or Freddie Mac's ability to purchase the Mortgage.
14. **Compliance with Regulatory Agreement and Other Agreements.** The TAH Cash Conversion Underwriting Package will also contain all regulatory agreements and other agreements affecting the Property as well as evidence, satisfactory to Freddie Mac, of the Property's compliance with the terms of each. The Seller's counsel will provide Freddie Mac with an analysis for each regulatory agreement affecting the Property.
15. **Absence of Default.** There will be no uncured default, or the continuation of any event that may with the passage of time cause a default, under: (a) any of the Purchase and Servicing Documents, (b) the Mortgage Documents, (c) any approved Subordinate Financing or (d) any organizational document of the Borrower. Further, an Event of Insolvency will not have occurred at any time.
16. **Truth of Representations and Warranties.** There will be no material error or misstatement in, or omission from, any representation or warranty made by the Seller in the full underwriting package for the Forward Commitment or the TAH Cash Conversion Underwriting Package or by the Borrower in the Mortgage Documents.
17. **Payment of Fees.** All fees required by the Forward Commitment and the Guide will be paid in a timely manner and in accordance with the requirements of the Forward Commitment and the Guide.
18. **Execution and Recordation of Documents.** The release of the Mortgage and security interest of the construction lender must have been executed and recorded or delivered in escrow for recording under arrangements satisfactory to Freddie Mac.



19. **Gap or Bridge Financing Repaid.** The TAH Cash Conversion Underwriting Package will contain assurances and evidence that any gap or bridge financing provided to the Borrower has been or will be, as of the date of Conversion, paid in full and all liens imposed on the Borrower in connection with such financing have been or will be released as of the date of Conversion, including, but not limited to, the release from record of all related liens on the Property.
20. **Building Law Ordinance Insurance.** If required by Freddie Mac, building law ordinance insurance will be provided on or before the Conversion date, in form and substance acceptable to Freddie Mac.
21. **No Material Legal Action.** There must not have been any material litigation, investigation, proceeding, decree, judgment or settlement brought against or otherwise affecting the Property, the Borrower, any Borrower Principal, any partner or member (as applicable) of the Borrower, any managing officer of the Borrower, the Guarantor, or any affiliate of the foregoing, or the assets or properties thereof, from that which existed on the date of the Forward Commitment.

e. Other Conversion criteria (08/18/22)

Any special terms or additional Conditions to Conversion specified in the Forward Commitment must be satisfied. See Section 19A.13 below and the TAH Cash Conversion Underwriting Package in [Section 1.31 of Exhibit 1](#) for additional information about the items that must be submitted as part of the Conversion underwriting package.

19A.13 Loan Documents, TAH Cash Conversion Underwriting Package and notification of Conversion (06/13/24)

a. Loan Documents to be used at Conversion (12/15/22)

Any references in the Guide or in the Forward Commitment regarding the Loan Agreement, Security Instrument or any other documents applicable to the Mortgage will mean the then current documents either located at mf.freddiemac.com or in standard use by Freddie Mac at the time of Conversion. Any modifications to the Loan Documents attached to the Forward Commitment will be included in the Conversion Acceptance Letter (see 19A.13(d)) and, if applicable, updated to conform to the then current Freddie Mac Loan Documents. Any Subordination Agreement which has been modified and attached to the Forward Commitment, however, will not need to conform to the then current Freddie Mac Loan Documents at the time of Conversion, unless required by Freddie Mac.

b. TAH Cash Conversion Underwriting Package and Conversion schedule (06/13/24)

Once the Seller has completed all Conversion due diligence and analysis and all Conditions to Conversion have been satisfied, the Seller must prepare the TAH Cash Conversion Underwriting Package and submit it along with the proposed Conversion schedule to Freddie Mac no later than 60 days prior to the proposed date of the Conversion.

Freddie Mac uses the TAH Cash Conversion Underwriting Package to determine whether the Property has satisfied all Conditions to Conversion. Freddie Mac specifies the list of



documents that the Seller must include in the TAH Cash Conversion Underwriting Package in [Section 1.31 of Exhibit 1](#). Chapter 55 contains a complete description of Freddie Mac's requirements for each document in an underwriting checklist, including a description of the required content and whether the document must be certified. Chapter 55 also contains instructions for delivering underwriting packages to Freddie Mac.

The TAH Cash Conversion Underwriting Package must be approved by the Seller's TAH Underwriting Supervisor, as described in Section 3.13.

c. Notification of release of Delivery Assurance Documents (06/13/24)

If the Seller requests that the Delivery Assurance Documents be released at Conversion, then the Seller must send notification to Freddie Mac via email no later than 30 days prior to Conversion. The notification must contain the following information:

- The name, address, telephone number, facsimile number and email address of the Title Company to be used for originating the Mortgage
- A request for the cancellation and return of the Delivery Assurance Note, if applicable
- A request for the release of the Delivery Assurance Mortgage along with a draft of the termination or satisfaction of Delivery Assurance Mortgage enforceable in the Property's jurisdiction and supplied by Seller's counsel, if applicable

d. Conversion Acceptance Letter (06/13/24)

After Freddie Mac completes its underwriting, Freddie Mac will notify the Seller of its approval or rejection of the Conversion. Freddie Mac's approval or rejection is subject to Freddie Mac's determination that each of the Conditions to Conversion have been and remain satisfied or have been duly waived by Freddie Mac in its sole discretion. If Freddie Mac approves the Conversion, Freddie Mac will execute and deliver to the Seller a Conversion Acceptance Letter specifying the Actual Mortgage Amount (including any Additional Actual Mortgage Amount) and any other terms and conditions of Conversion or as required by the Commitment or Guide. Exhibits A – G of the Forward Commitment will also be amended and restated to conform to the then current Exhibits A – G of the Freddie Mac commitment form in standard use by Freddie Mac at the time of Conversion.

To the extent applicable, any reference to the Forward Commitment after execution of any amendments and the Conversion Acceptance Letter will be deemed to include such amendments and the Conversion Acceptance Letter.

After Freddie Mac has executed the Conversion Acceptance Letter, the Seller must accept it, countersign it, upload it to DMS and notify the TAH Underwriter of the expected Conversion date. On the Conversion date, the Seller must notify Freddie Mac that the Conversion has occurred by providing written confirmation of the Conversion Date via email and DMS.



19A.14 Overall responsibilities of parties at Conversion (04/18/24)

a. Responsibilities of the Seller for Conversions of Funded Forward Commitments (08/18/22)

The Seller is responsible for the preparation and distribution of a Conversion escrow agreement that must satisfy the requirements of the construction lender's Master Forward Financing Agreement (in the case of a Funded Forward Commitment) and the Guide. The Seller is also responsible for the payoff of the Construction Loan.

b. Freddie Mac's responsibilities (04/18/24)

Freddie Mac will coordinate with the Seller the delivery of the following collateral documents to the Title Company:

- Delivery Assurance Note marked paid and cancelled, if applicable
- Release of Delivery Assurance Mortgage, if applicable
- Any other escrow documents held by Freddie Mac

19A.15 Release of documents from escrow (08/18/22)

Freddie Mac will authorize the release of the documents delivered by Freddie Mac to the escrow agent upon

- The Seller's delivery to the escrow agent for recordation of the assignment of the Mortgage, assigning the Seller's interest to Freddie Mac,
- The escrow agent's confirmation that it has in its possession the lender's final policy of title insurance to be delivered to Freddie Mac with the Final Delivery Package, which title policy meets the requirements of the Guide and insures the first lien priority of the Mortgage, and
- The Seller's certification that the Seller has all of the items required by the Guide for final delivery of the Mortgage

19A.16 Final delivery; funding (08/18/22)

The provisions of Chapter 32 apply with respect to final delivery and funding.

19A.17 Late delivery; nondelivery (06/13/24)

a. Late delivery (08/18/22)

For Mortgages delivered under a Forward Commitment, Freddie Mac may, in its discretion, treat either of the following situations as a late delivery of a Mortgage:

- The Seller fails to deliver the Final Delivery Package to Freddie Mac, including notifying *Multifamily Purchase* in accordance with Section 32.1(c), at or before noon Eastern time on the Mandatory Delivery Date.



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

b. Remedies for late delivery (08/18/22)

The provisions of Section 27.26(b) apply.

c. Nondelivery (04/13/23)

For Mortgages delivered under a Forward Commitment, Freddie Mac may, in its discretion, treat any of the following situations as a nondelivery of a Mortgage:

- The Seller fails to deliver the Final Delivery Package to Freddie Mac, including notifying *Multifamily Purchase* in accordance with Section 32.1(c), at or before noon Eastern time on the Mandatory Delivery Date
- The Mortgage, as delivered, fails to meet Freddie Mac's requirements as set forth in the Purchase and Servicing Documents
- After issuance of the Forward Commitment, there has been a material adverse change from what was disclosed to Freddie Mac in the full underwriting package in either of the following:
 - The financial position of the Borrower, any Key Borrower Principal or the Guarantor
 - The condition of the Property
- The Final Delivery Package, as delivered, fails to meet Freddie Mac's requirements as set forth in the Purchase and Servicing Documents

d. Remedies for nondelivery (06/13/24)

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

- Terminating the Purchase Contract (Freddie Mac will elect not to purchase the Mortgage)
- Taking any other action set forth in the Forward Commitment or in Chapter 4
- Charging the Seller a Breakage Fee (including any additional Breakage Fee as required by the Forward Commitment)
- Taking whatever action is necessary to collect the Delivery Assurance Fee

e. Calculation of the Breakage Fee (08/18/22)

As liquidated damages for the nondelivery of a Mortgage, Freddie Mac will charge the Seller a Breakage Fee, calculated in accordance with the formula set forth in the Forward Commitment.



19A.18 Assignment (08/18/22)

Freddie Mac will have the right to assign or otherwise transfer the Forward Commitment, or any mandatory Purchase Contract resulting from the Forward Commitment, to any affiliate or subsidiary of Freddie Mac without the consent of the Seller/Servicer (“Freddie Mac Assignment”). After a Freddie Mac Assignment, all references to Freddie Mac in the Forward Commitment, Purchase Contract, or in this Guide will be deemed to refer to the affiliate or subsidiary of Freddie Mac to which the Freddie Mac Assignment is made.