

Multifamily Seller/Servicer Guide

Chapter 24

Freddie Mac Multifamily Green Advantage®



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24.1 Green Advantage® definition and overview (02/18/21)

Green Advantage is a suite of offerings that reward a Borrower who has made or plans to make the Borrower's Property more energy and water efficient. The offerings are as follows:

- Green Up® and Green Up Plus® – loan options with benefits that become available when a Borrower commits to completing qualifying energy and water conservation measures identified in a Green Assessment® or a Green Assessment Plus® report (collectively, the Green Reports)
- Green Certified – a loan option with benefits that are available when the Borrower's Property has a Green Building Certificate, as described in Section 55.2
- Green Rebate – a rebate that is available when the Borrower obtains an ENERGY STAR® Score
- Green Retrofits – a loan option with benefits that may be available if the Borrower can certify that energy and/or water efficiency improvements are in place at the Property
- C-PACE Consent – Freddie Mac's consent to the Borrower's pursuit of C-PACE financing

The Borrower may elect to pursue only one of the Green Advantage offerings, and the related Mortgage must meet the requirements for such offering set forth in this chapter.

24.2 Eligibility for Green Advantage offerings (08/17/23)

a. Green Up and Green Up Plus (08/17/23)

- Conventional Cash Mortgages and TAH Cash Preservation Mortgages are eligible for Green Up and Green Up Plus.
- The Mortgages can be fixed-rate or floating-rate, with a 5-year, 7-year or a 10-year term.

SBL Mortgages, MHC Mortgages, Seniors Housing Mortgages, Supplemental Mortgages, and Student Housing Mortgages are not eligible for Green Up or Green Up Plus.

b. Green Certified (02/18/21)

Conventional Cash Mortgages and TAH Cash Preservation Mortgages that meet the affordability criteria provided in the [term sheet](#) are eligible for Green Certified.

c. Green Rebate and C-PACE Consent (10/12/17)

The Seller/Servicer must contact its Freddie Mac account manager to determine Mortgage eligibility for Green Rebate and C-PACE Consent.

d. Green Retrofits (02/18/21)

The following Mortgages are eligible for Green Retrofits:

- Conventional Cash Mortgages, if the Property satisfies the requirements for "Conventional Green Retro Qualifications" as determined by the [Freddie Mac](#)

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[Affordability Test](https://mf.freddie.com/lenders/uw/affordability_resources.html) posted at https://mf.freddie.com/lenders/uw/affordability_resources.html (e.g., 50 percent of the Property's units are affordable at 60 percent AMI based on the market)

- TAH Cash Preservation Mortgages

Additionally, the Mortgages must be fixed-rate with a 10-year term.

SBL Mortgages, MHC Mortgages, Seniors Housing Mortgages, Supplemental Mortgages and Student Housing Mortgages are not eligible for Green Retrofits.

24.3 Description of Green Advantage offerings (06/17/21)

a. Green Up and Green Up Plus loan options (12/17/19)

The process for using the Green Up and Green Up Plus loan options is as follows:

- The Green Consultant prepares a Green Report as described in Chapter 65.
- The Green Report identifies energy and water conservation measures.
- The Borrower commits to complete sufficient energy and/or water improvements from the measures listed in the Green Report to result in a projected minimum energy or water consumption savings of 30 percent based on whole building consumption, provided that a minimum 15 percent of savings must be in energy consumption (Minimum Consumption Savings Threshold).
- Borrower must retain a Benchmarking Data Consultant for the life of the loan to collect, input and monitor the energy and water usage in accordance with Section 39.10.
- The energy and water improvements that the Borrower commits to complete will be identified as Green Improvements in the Green Improvements Rider to the Loan Agreement.
- The Borrower must escrow 125 percent of the estimated cost of the Green Improvements as part of the Repair Reserve.
- Work on the Green Improvements must be completed within two years, with the exception of Green Improvements for Value-Add Mortgages, Mod Rehab and Preservation Rehab Mortgages, which must be completed in accordance with Freddie Mac's requirements for those products.
- If Freddie Mac purchases the Mortgage, within 30 days of the Freddie Mac Funding Date, Freddie Mac will reimburse the Seller up to a maximum amount of \$4,000 for the cost of the Green Report, even if the Borrower does not commit to making the energy and water conservation measures identified in the Green Report.

To qualify for either the Green Up or the Green Up Plus loan options, the Property must meet all eligibility requirements as determined by Freddie Mac, including the Minimum Consumption Savings Threshold. The Seller/Service must contact its Freddie Mac account



manager for all eligibility criteria. The Borrower, through the Benchmarking Data Consultant, will be required to provide Benchmarking Metrics to Freddie Mac on an annual basis. The responsibilities of the Borrower, Benchmarking Data Consultant and the Servicer with respect to the benchmarking process are found in the Green Improvements Rider attached to the Loan Agreement.

Green Improvements are considered to be repairs for monitoring and reporting purposes. See Section 39.4. Additional Servicing requirements relating to Green Improvements are found in Section 39.10.

b. Green Certified (02/18/21)

A Fixed-rate Mortgage with a 10-year term that is secured by a Property with a Green Building Certificate may be eligible to benefit from the Green Certified option if 50 percent of the Property's units are affordable at the AMI based on the market, as calculated using the [Freddie Mac Affordability Test](#), located at https://mf.freddiemac.com/lenders/uw/affordability_resources.html and the Borrower delivers to the Seller a copy of the Green Building Certificate for delivery by the Seller/Servicer in the underwriting package.

c. Green Rebate (10/12/17)

The Borrower will be entitled to receive a \$5,000 rebate from Freddie Mac at the time Freddie Mac purchases the Mortgage if the Borrower delivers to the Seller an ENERGY STAR® Score for the Property prior to loan origination.

d. C-PACE Consent (02/28/19)

Freddie Mac approves C-PACE financing on those Mortgages which Freddie Mac may consider (i) purchasing a Mortgage for which C-PACE financing has been obtained, or (ii) approving C-PACE financing on a Mortgage that has been purchased by Freddie Mac, provided the C-PACE program is in compliance with the following requirements:

1. Verification of C-PACE Program

The Seller/Servicer must verify that the governing municipality offers a C-PACE program for which the Borrower and/or the Property qualify. The Seller/Servicer must:

- Obtain and review the documents required for C-PACE financing
- Include in the applicable underwriting package an energy audit or feasibility study for the Property, a technical review/report detailing the projected savings and the documentation required in the C-PACE Analysis

The C-PACE program must be in force at the time the Seller/Servicer submits either the full underwriting package to Freddie Mac or the consent request to approve C-PACE financing on a Mortgage that Freddie Mac already owns.

2. Conditions for Freddie Mac approval



In order for C-PACE financing to be acceptable, the following are the minimum conditions that must be satisfied:

- a. The proposed energy improvements must be consistent with the purpose of the C-PACE program or acceptable to the applicable State or local agency.
- b. Both the Borrower and the Property meet the applicable eligibility requirements for the C-PACE program.
- c. The DCR and LTV of the combined debt of the loan and the C-PACE financing must satisfy Freddie's Mac's then current requirements for the C-PACE program.
- d. The energy upgrades to the Property must result in a "Savings to Investment Ratio" greater than one (the projected lifetime savings from the energy measures must exceed the total investment over the full term of the C-PACE financing).
- e. The energy upgrades must be permanently affixed to the Property with the exception of district heating and cooling systems and microgrids.
- f. The Borrower must repay the C-PACE financing through property tax assessments on the Property, which payments will be escrowed.
- g. The C-PACE financing must provide that repayment will be amortized over the term of the C-PACE financing and not require a balloon payment at maturity.
- h. The C-PACE financing must not be secured by a mortgage on the Property.
- i. The State or local agency providing the C-PACE financing must not be permitted to accelerate the C-PACE financing for any default under the C-PACE program.
- j. The C-PACE program must provide that it will provide prompt notice to the mortgage lender of any default under the C-PACE financing.
- k. The C-PACE program must allow the mortgage lender not less than a 30-day right to cure a default under the C-PACE financing.
- l. The terms of the C-PACE program must require the Borrower to have received the mortgage holder's consent before the Borrower can obtain financing.
- m. The C-PACE financing must not be subject to reduction or termination for anything other than a monetary default.
- n. The municipality must not be permitted to foreclose on the Property without notice of foreclosure being delivered to Freddie Mac, its successors or assigns no less than 30 days prior to foreclosure.
- o. If C-PACE financing has been approved, the Mortgage will provide that Borrower and the Property must remain in compliance with the C-PACE financing terms.



- p. There must be no defaults or Events of Default under the Loan Agreement or any other agreements relating to Freddie Mac's loan on the Property.
- q. In the event the C-PACE financing is in place at the origination of the loan, the C-PACE lender must deliver an estoppel certificate to the Seller no less than 10 days prior to the Origination Date in a form acceptable to Freddie Mac. The estoppel certificate must be dated no earlier than 30 days prior to the Origination Date and must include:
 - i. The date the C-PACE financing was made,
 - ii. The original principal amount of the C-PACE financing,
 - iii. The interest rate,
 - iv. Terms from repayment,
 - v. Whether the Borrower has met its obligations under the C-PACE financing, and
 - vi. Any additional information about the C-PACE financing that a lender would be interested in knowing.

Freddie Mac may require additional provisions in the estoppel certificate based on Freddie Mac's review of the terms and conditions of the C-PACE financing.

The Seller must submit the approved and executed estoppel certificate to Freddie Mac at final delivery of the Mortgage.

e. Green Retrofits (06/17/21)

To qualify for a Green Retrofits benefit, the Property securing the Mortgage must meet all eligibility requirements as determined by Freddie Mac, including that the Property currently has in place energy and/or water efficiency improvements that:

- Have an expected minimum 15 percent energy and/or water consumption savings at the Property
- Have been made to the Property within the current calendar year and the preceding two calendar years from the completion date of [Form 1209, Green Retrofits Certification](#)

The Borrower may be required to provide Freddie Mac copies of bills and invoices evidencing completion of the improvements upon Freddie Mac's request.