

Multifamily Seller/Service Guide

Chapter 28A

Originating a Targeted Affordable Housing Bond Credit Enhancement Mortgage under a Forward Contract



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28A.1 Overview (02/27/25)

a. Availability of Forward Commitments (12/14/23)

This chapter provides the requirements for a Targeted Affordable Housing (TAH) Bond Credit Enhancement originated under a Forward Commitment. 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.

Because Freddie Mac will provide bond credit enhancements only on a negotiated basis, the underwriting and bond structure requirements may vary from one transaction to another. Freddie Mac, in its sole discretion, sets credit parameters for any transaction based on its underwriting criteria at the time of such request.

b. Origination requirements and the Minimum Origination Fee (04/15/21)

Under the TAH Bond Credit Enhancement Program, the Mortgage must be originated using funds from bond proceeds that are used in the financing of targeted affordable housing. Pursuant to this chapter and the Forward Commitment, Freddie Mac will be obligated to pay directly to the bond trustee all principal and interest payments due on the bonds. From payments made by the Borrower, the Seller will be obligated to reimburse Freddie Mac for such payments, together with Freddie Mac's credit facility fee, liquidity fee and any swap credit enhancement fee, and to retain or disburse, as appropriate, the Servicing Spread and any recurring fees of other parties to the transaction that are payable from monthly collections under the reimbursement and security agreement.

c. Eligible Mortgages and Mortgage requirements (12/15/20)

A Mortgage is eligible if it is originated for the purpose of new construction or substantial rehabilitation. However, Preservation Rehabilitation Mortgages are not eligible for Forward Commitments.

The Property must be owned by the Borrower or under contract with the purchase date scheduled to occur within 90 days of interest rate lock.

See the following sections in Chapter 28, Originating a Targeted Affordable Housing Bond Credit Enhancement Mortgage for additional requirements:

- Section 28.1(c): Fixed-rate Mortgages
- Section 28.1(d): Variable-rate Mortgages
- Section 28.1(e): Combination financing
- Section 28.2: Mortgage Requirements



d. Underwriting and prescreen package requirements (02/28/13)

See the following for information regarding the content of the prescreen and full underwriting packages for Forward Commitments:

- Section 28A.6: Prescreen package
- Section 28A.8: Full underwriting package

Instructions for preparing the prescreen package and the full underwriting package and remitting any required fees to Freddie Mac are found in Chapter 55. Chapter 55 also contains a complete description of Freddie Mac's requirements for each document in an underwriting package, including a description of the required content and whether the document must be certified.

The Seller should plan for a reasonable period for Freddie Mac to process and review the prescreen package and full underwriting package before receipt of the Quote or the Forward Commitment, as appropriate.

e. 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 preconstruction 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 1.32](#).

28A.2 Description of a Forward Commitment (08/30/13)

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

A Forward Commitment is executed by the Seller and Freddie Mac. In it Freddie Mac commits to locking the bond credit enhancement fees, amount and terms; the Seller commits to originating the permanent Mortgage using funds from the bond proceeds when the project is complete and has met the conditions for Conversion. The Property must reach stabilization and meet the additional Conversion criteria set forth in Section 28A.14 before the permanent Mortgage can be originated.

a. 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 provides credit enhancement and liquidity support for the bonds, if applicable, during the construction period and, as

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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 provide credit enhancement or liquidity support for the bonds until construction has been completed and the permanent Mortgage is originated.

b. Defined terms for Forward Commitments (08/30/13)

The Seller should be familiar with the following terms applicable to Forward Commitments, which are defined in the Glossary:

- Construction Loan
- Construction Phase Financing Agreement
- Construction Phase Letter of Credit
- Conversion
- Forward Commitment Maturity Date

28A.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.

28A.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
- Will execute a Construction Phase Financing Agreement with Freddie Mac

The construction lender must execute the Construction Phase Financing Agreement at the same time as the bond closing. In addition, for a Funded Forward Commitment, Freddie Mac must be secured during construction by the Construction Phase Letter of Credit. See Section 28A.11 for additional requirements for the Construction Phase Letter of Credit.

28A.5 Prescreen package (07/01/14)

To initiate a transaction with Freddie Mac, the Seller must send a quote request to *Multifamily TAH Production*. After receiving the quote request, Freddie Mac will provide an indication price to the Seller. To continue with the transaction after receiving the indication price, the Seller must



prepare the prescreen package. Freddie Mac specifies the list of documents that the Seller must include in the prescreen package in [Section 1.25 of Exhibit 1](#).

Chapter 55 contains a complete description of Freddie Mac's requirements for each document in a prescreen package, including a description of the required content. Contact *Multifamily TAH Production* for instructions for delivering prescreen packages to Freddie Mac.

The prescreen package must be approved and signed by the Seller's TAH Underwriting Supervisor, as described in Section 3.13.

28A.6 Quote (05/31/11)

a. Quote (05/31/11)

If the Mortgage presented in the prescreen package appears to meet the requirements of the TAH Bond Credit Enhancement Forward Commitment Program, Freddie Mac will issue a written Quote and will advise the Seller in writing that Freddie Mac is interested in receiving a full underwriting package. The written Quote will contain the proposed maximum Mortgage amount, indication spread, term, construction period, amortization period (if applicable) and prepayment terms as well as other Freddie Mac requirements in response to the information contained in the prescreen package.

b. Indication spread (05/31/11)

Freddie Mac bases the indication spread communicated to the Seller on preliminary information about the proposed transaction and, in its sole discretion, Freddie Mac may change the indication spread.

c. Obligations of the parties (05/31/11)

Issuance of a Quote will not obligate the Seller to submit a full underwriting package or obligate Freddie Mac to provide a bond credit enhancement for the proposed Mortgage.

28A.7 Full underwriting package (07/01/14)

After Freddie Mac issues a Quote, the Seller may deliver a full underwriting package to Freddie Mac. In conjunction with the delivery of the full underwriting package, the Seller must submit an application fee. Freddie Mac specifies the list of documents that the Seller must include in the full underwriting package sent to Freddie Mac in [Section 1.32 of Exhibit 1](#), which applies to Mortgages originated under the TAH Bond Credit Enhancement Forward Commitment Program.

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 full underwriting package must be approved and signed by the Seller's TAH Underwriting Supervisor, as described in Section 3.13.



28A.8 Forward Commitment (04/15/21)

The Forward Commitment represents Freddie Mac's offer to provide a bond credit enhancement agreement with respect to the proposed Mortgage.

a. Issuance of the Forward Commitment (04/15/21)

After the Seller submits a full underwriting package meeting the requirements of Section 28A.7, Freddie Mac will determine if the Mortgage is acceptable.

If the contemplated Mortgage is acceptable, Freddie Mac will issue a Forward Commitment, which will state

1. The maximum Mortgage amount
2. For a fixed-rate Mortgage, the maximum annual debt service (consisting of interest plus either scheduled principal payments or scheduled deposits to a principal reserve fund plus the sum of the Freddie Mac credit facility fee, the Servicing Spread and the other bond-related fees)
3. The loan term
4. The amortization period or the period used to determine scheduled deposits to a principal reserve fund (as applicable)
5. The Freddie Mac credit facility fee
6. The Freddie Mac liquidity facility fee, in the case of a variable-rate transaction
7. The Servicing Spread
8. The maximum Mortgage interest rate
9. All additional conditions that must be satisfied before Freddie Mac will be obligated to execute the bond credit enhancement agreement

The Forward Commitment is valid for the period of time stated in the Forward Commitment. If the Seller fails to accept the Forward Commitment offer within that stated time period, the Forward Commitment will automatically expire, and Freddie Mac will not be obligated to provide a bond credit enhancement agreement with respect to the Mortgage under any conditions. The Forward Commitment will automatically incorporate by reference the terms set forth in Section 27.29, as applicable.

b. Seller acceptance (05/31/11)

The Seller may accept the Forward Commitment by following the procedures set forth in the Forward Commitment.

The Forward Commitment may require that the Seller provide a specified Commitment Fee. If the Forward Commitment requires a Commitment Fee, the Seller also must ensure that the *Multifamily TAH Underwriter* receives the Commitment Fee by the close of business on the



next Business Day. The Forward Commitment will indicate the conditions under which the Commitment Fee will be refunded to the Seller.

After the Seller executes the Forward Commitment, the Seller may not transfer, assign or otherwise modify the Forward Commitment without Freddie Mac's prior written approval.

28A.9 Freddie Mac's fees (05/31/11)

See Section 28.8 for a description of the applicable credit facility fee, liquidity facility fee, swap credit enhancement fee and legal fees and certification regarding payment of fees and expenses for Freddie Mac's outside counsel.

With respect to fees and expenses for Freddie Mac's outside counsel at Conversion, the Seller must pay, or must require the Borrower to pay, the legal fees and expenses (based on actual time and hourly rates) of Freddie Mac's outside counsel for representing Freddie Mac in connection with the Conversion of the Mortgage. Such fees and expenses must be paid on or before the Conversion date.

28A.10 Construction period security for a Funded Forward Commitment (05/01/14)

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 original principal amount of the bonds plus 45 days' interest at the bond rate for a variable rate Mortgage or 210 days' interest at the bond rate for a fixed rate Mortgage
- With an expiration date no earlier than 60 days after the Forward Commitment Maturity Date 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

No later than the first Business Day immediately after the Bond and Construction Loan closing, 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 [Exhibit 1.32](#).

28A.11 Construction monitoring (08/18/22)

See Chapter 19A for Freddie Mac's requirements for construction monitoring.

28A.12 Extending the Forward Commitment (10/21/21)

a. General (05/31/11)

Each extension granted by Freddie Mac under the Forward Commitment may be for a period of no more than six months. The Forward Commitment may specify a stand-by fee to be assessed based on the length of the extension.



Freddie Mac may grant a second extension that may be no more than six months. Freddie Mac will charge a fee based on the length of the extension to hold the original interest rate or spread set forth in the Forward Commitment.

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

- The Seller has copies of the amendments extending the Construction Loan documents and any approved subordinate financing documentation, including evidence of recordation of all applicable documents, and
- The Seller has taken other 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 Borrower is responsible for all fees and costs associated with such extensions, including letter of credit fees, legal fees and recording costs, as applicable.

b. Request for extension (10/21/21)

1. First extension

No later than 30 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

Within seven Business Days 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 via an extension approval letter, which may be in the form of a PDF sent via Multifamily DMS.

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.

2. Second or subsequent extension

No later than 30 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 second or subsequent extension, and must include the following:

- A synopsis of the deal



- A reason for the extension request
- Projected stabilization timeline

Within seven Business Days following Freddie Mac's receipt of the request, Freddie Mac will advise the Seller regarding its approval of the extension 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.

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 and no later than 30 days prior to the expiration of the Construction Phase Letter of Credit or any letter of credit for the Commitment Fee.

3. Appraisal

Once the Forward Commitment Maturity Date has been extended for a total of 12 months, the Seller shall obtain, at the Borrower's sole expense, a new appraisal of the Property prepared by a state-certified appraiser approved by the Seller.

28A.13 Complete property inspection (08/18/22)

See Chapter 19A for Freddie Mac's requirements for the complete property inspection.

28A.14 Conversion criteria and documentation (02/17/22)

a. Time limit for meeting conditions for Conversion (05/31/11)

Freddie Mac's Forward Commitment and agreement to provide the bond credit enhancement agreement shall terminate and be of no force or effect in the event that the Seller is unable to fully and totally satisfy each and all of the conditions for Conversion on or before the Forward Commitment Maturity Date or extended Forward Commitment Maturity Date, as applicable.

b. Property requirements for Conversion (02/17/22)

In order for Freddie Mac to provide the bond credit enhancement agreement, the Property must:

- Be substantially complete in accordance with the final plans and specifications as certified by the architect of record, confirmed by the Architectural Consultant and reviewed by the Seller
- 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
- 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 original underwritten DCR

c. Other Conversion criteria (09/01/16)

Any special terms or conditions specified in the Forward Commitment and the Construction Phase Financing Agreement must be satisfied. See Section 28A.15(a) and the TAH Bond Conversion Underwriting Package in [Section 1.33 of Exhibit 1](#) for additional information about the items that must be submitted as part of the Conversion underwriting package.

d. Reserved (09/28/18)

e. Determination of the Mortgage amount (05/31/11)

The Seller must determine, and Freddie Mac must approve, the amount of the Mortgage using the requirements in the Construction Phase Financing Agreement for the Property.

f. Additional Mortgage proceeds (05/31/11)

Additional Mortgage proceeds may be available for a Property with a current net operating income (NOI) that exceeds the underwritten NOI. Any additional Mortgage proceeds must be approved by Freddie Mac after Freddie Mac's full re-underwriting. The additional proceeds will be re-priced as a first Mortgage, although Freddie Mac's security for such additional proceeds may be in the form of a subordinate Mortgage.

28A.15 TAH Bond Conversion Underwriting Package and Notification of Conversion (04/18/24)

a. TAH Bond Conversion Underwriting Package and Conversion schedule (07/01/14)

Once the Seller has completed all Conversion due diligence and analysis, the Seller must

- Prepare the TAH Bond Conversion Underwriting Package and submit it to Freddie Mac
- Submit the proposed Conversion schedule to Freddie Mac no later than 45 days prior to the proposed date of the Conversion

Freddie Mac uses the TAH Bond Conversion Underwriting Package to determine whether the Property has met the Conversion criteria specified in the Guide. Freddie Mac specifies the



list of documents that the Seller must include in the TAH Bond Conversion Underwriting Package in [Section 1.33 of Exhibit 1](#), which applies to a Mortgage originated under the TAH Bond Credit Enhancement Forward Commitment Program. 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 Bond Credit Enhancement Conversion Underwriting Package must be approved and signed by the Seller's TAH Underwriting Supervisor, as described in Section 3.13. The TAH Bond Credit Enhancement Conversion Underwriting Package and the proposed Conversion schedule must be submitted to Freddie Mac no later than 45 days prior to the proposed Conversion date.

After Freddie Mac completes its underwriting and approves the Conversion, Freddie Mac will execute the Conversion Acceptance Letter.

b. Notification of Conversion (04/18/24)

After Freddie Mac has executed the Conversion Acceptance Letter and no later than 15 days prior to the Conversion date, the Seller must notify the following of the date of the Conversion:

- Freddie Mac
- The bond issuer
- The bond trustee
- The Construction Phase Letter of Credit provider, if applicable
- The construction lender
- The Borrower

This 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 release of the Construction Phase Letter of Credit, if applicable

28A.16 Overall responsibilities of parties at Conversion (05/31/11)

a. Responsibilities of the Seller (05/31/11)

The Seller is responsible for the Conversion of the Mortgage in accordance with the terms and conditions of the Construction Phase Financing Agreement.

b. Freddie Mac's responsibilities (05/31/11)



Freddie Mac will coordinate with the Seller the delivery of the Construction Phase Letter of Credit, if applicable, and any other documents held by Freddie Mac and to be delivered or released at Conversion under the terms of the Construction Phase Financing Agreement.

28A.17 Bond documents (05/31/11)

See Section 28.10 for Freddie Mac's requirements regarding the bond documents.

For a Forward Commitment, the term of the bond credit enhancement agreement will begin:

- At bond closing, in the case of a Funded Forward Commitment, or
- At Conversion, in the case of an Unfunded Forward Commitment.

28A.18 Additional bond document requirements for fixed-rate bonds (05/31/11)

See Section 28.11 for Freddie Mac's requirements for fixed-rate bonds.

28A.19 Additional bond document requirements for variable-rate bonds (05/31/11)

a. Bond interest rate (05/31/11)

See Section 28.12(a).

b. Remarketing (05/31/11)

See Section 28.12(b).

c. Principal reserve fund (05/31/11)

See Section 28.12(c).

d. Information from bond trustee (05/31/11)

See Section 28.12(d).

e. Term of the bond credit enhancement agreement (05/31/11)

See Section 28.12(e).

f. Additional provisions in reimbursement and security agreement (05/31/11)

At issuance of the variable-rate bonds (for a Funded Forward Commitment), or at Conversion (for an Unfunded Forward Commitment), the Borrower must enter into a reimbursement and security agreement with Freddie Mac, which must, in addition to the provisions for fixed-rate bonds, provide for.

- Reimbursement of amounts paid by Freddie Mac under the bond credit enhancement agreement to enable tendered bonds to be purchased on behalf of the Borrower



- Replenishment of amounts withdrawn from the principal reserve fund at Freddie Mac's direction to enable tendered bonds to be purchased on behalf of the Borrower, and
- Payment of liquidity use fees to Freddie Mac

All of these payments must be due by the earliest of

- 90 days after the related payment or withdrawal was made
- The completion of remarketing or the redemption or cancellation of the purchased bonds
- The expiration of the bond credit enhancement agreement
- The replacement of the bond credit enhancement agreement with a substitute credit facility in accordance with the bond documents
- The maturity date of the Mortgage
- Acceleration of the Mortgage

g. Pledge agreement (05/31/11)

At issuance of the variable-rate bonds (for a Funded Forward Commitment) or at Conversion (for an Unfunded Forward Commitment), the Borrower must grant Freddie Mac a security interest in bonds purchased in whole or in part with amounts paid by Freddie Mac under the bond credit enhancement agreement or with withdrawals that Freddie Mac permits to be made from the principal reserve fund, to secure the Borrower's payment of the reimbursements, replenishments and liquidity use fees payable under the reimbursement and security agreement.

h. Mandatory redemption provisions (05/31/11)

See Section 28.12(h).

i. Substitute credit facility (05/31/11)

See Section 28.12(i).

j. Other provisions (05/31/11)

See Section 28.12(j).

k. Interest rate hedge agreement (05/31/11)

See Section 28.12(k).

l. Assignment of interest rate hedge agreement (05/31/11)

At bond closing (for a Funded Forward Commitment) or at Conversion (for an Unfunded Forward Commitment), the Borrower must grant Freddie Mac a security interest in its rights



under the interest rate hedge agreement, by means of a security agreement acceptable to Freddie Mac. The security agreement must permit Freddie Mac, at any time, to demand that the hedge provider make payments under the interest rate hedge agreement to the Seller or Freddie Mac instead of the Borrower.

m. Interest computation (05/31/11)

See Section 28.12(m).

n. Liquidity use fee (05/31/11)

In the case of a variable-rate Mortgage, beginning at bond closing (for a Funded Forward Commitment), or at Conversion (for an Unfunded Forward Commitment), a liquidity use fee will be payable to Freddie Mac with respect to any funds provided by Freddie Mac to enable tendered bonds to be purchased on behalf of the Borrower or any withdrawal from the principal reserve fund for that purpose.

The computation of the annual fee on the amount of payment or withdrawal will be converted to a daily fee by dividing by 365 days (366 days in a leap year) and multiplying by the actual number of days elapsed since the payment or withdrawal.

o. Monthly payment billing (05/31/11)

See Section 28.12(o).

p. Relationship of Mortgage payment and cap payment (05/31/11)

See Section 28.12(p).

q. Cap or swap provider (05/31/11)

See Section 28.12(q).

28A.20 Disclosure (05/31/11)

See Section 28.13.

28A.21 Freddie Mac's review and approvals (05/31/11)

a. Prior review of bond documents and structure (05/31/11)

See Section 28.14.

b. Bond rating and bond opinion (05/31/11)

Prior to executing the bond credit enhancement agreement, Freddie Mac must receive:

1. A rating letter or other evidence satisfactory to Freddie Mac indicating that the bonds, when issued, will be rated in the highest long-term and (in the case of variable-rate bonds) short-term rating category by Standard & Poor's Ratings Group, Moody's



Investors Service

2. An unqualified opinion, satisfactory to Freddie Mac, from a nationally recognized bond counsel as to:
 - The authorization and valid issuance of the bonds
 - The validity of the lien of the indenture
 - The excludability from gross income, for federal income tax purposes, of the interest payable on the bonds
 - Freddie Mac's right to rely upon the opinion, or alternatively, a reliance letter addressed to Freddie Mac giving Freddie Mac the right to rely upon the opinion of the bond counsel

For an Unfunded Forward Commitment, Freddie Mac or its counsel may require either item 1 or item 2 to be submitted at bond closing and again at Conversion.

28A.22 Other requirements for bond transactions (05/31/11)

See Sections 28.15 through 28.24.

28A.23 Final delivery (05/31/11)

The Seller must deliver the final delivery package at the time and in accordance with the requirements set forth in Chapter 32.