

# Multifamily Seller/Service Guide

## Chapter 29

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## 29.1 Title insurance policy requirements (08/17/23)

Each Mortgage purchased by Freddie Mac must be covered by a single paid-up loan title insurance policy (a “Title Policy”) meeting the requirements in this chapter and in the Title Policy and Endorsement Requirements found at [mf.freddiemac.com/lenders/legal/](https://mf.freddiemac.com/lenders/legal/) (such requirements found at [mf.freddiemac.com](https://mf.freddiemac.com), the “Title Policy Requirements”). The final Title Policy delivered to Freddie Mac must be accurate and complete and must reflect any additional requirements that may be imposed by Freddie Mac for a particular Mortgage.

It is the responsibility of the Seller and its counsel to obtain and review in detail the title commitment, documents evidencing or creating each exception to title and the Title Policy.

### a. Maximum single risk amount (10/07/03)

The maximum single risk amount (the risk in connection with any one Mortgage) assumed by one title insurance company may not be more than 25 percent of that company's surplus to policyholders. Policies for amounts in excess of the maximum single risk amount may be acceptable if any excess amount is covered by reinsurance by another title insurance company meeting the requirements of this chapter.

### b. Reinsurance and coinsurance (10/07/03)

- Reinsurance

If the single risk amount exceeds 25 percent of the insurer's surplus to policyholders, the excess amount may be covered by reinsurance meeting all of the following requirements:

- The excess amount may not exceed 25 percent of the reinsuring company's surplus to policyholders. Tertiary insurance will not be permitted.
- The reinsurer must be a title insurer licensed to do business and regularly issuing title insurance in the State in which the Property is located.
- The reinsurance must be provided by the issuance of the most current form of American Land Title Association (ALTA) Facultative Reinsurance Agreement.
- Pro forma documentation for all reinsured transactions must be submitted to Freddie Mac for review and approval prior to the final delivery of the Mortgage.

Any title insurance policy that is reinsured at the option of the title insurer must meet all of the requirements of this subsection.

- Coinsurance

Usually, Freddie Mac will not accept coinsurance (multiple title insurance policies issued by multiple insurers for the same transaction). Freddie Mac will consider allowing coinsurance only if the title companies and policies each meet the requirements of this chapter and the use of coinsurance is approved in writing by Freddie Mac. Prior to the purchase of the Mortgage, the Seller must submit to Freddie Mac for its review and approval the title policies for any Mortgage that will be coinsured.



**c. Title insurer (08/17/23)**

The Title Policy must be written by a title insurer licensed to do business in the jurisdiction where the Property is located (unless such jurisdiction is Iowa).

The Seller's selection or acceptance of the title insurance company must be based solely on considerations normally used by prudent institutional lenders originating or purchasing Mortgages in the jurisdiction where the Property is located. The Seller must not base this selection on receipt of any fee or other consideration by the Seller or its employees, officers, or directors paid by or on behalf of a title insurer.

**d. Amount of protection (08/17/23)**

The Title Policy must insure the mortgagee for an amount no less than the original principal balance of the insured Mortgage.

**e. Insured (08/17/23)**

The Title Policy must name as the insured either:

- Freddie Mac, its successors or assigns, or
- The Seller and/or Freddie Mac, its successors or assigns, as their interests may appear

**f. Legal description (08/17/23)**

The legal description in the Title Policy must conform to the legal description contained in the survey, security instrument, UCC financing statement, lease, and all other documents pertaining to the Mortgage or Property.

**g. Endorsements (08/17/23)**

Each endorsement required pursuant to the Title Policy Requirements must:

- Be either attached to or sufficiently incorporated in the Title Policy.
- Be on the specific form of the endorsement identified in the Title Insurance Policy Certifications as defined in Section 29.2(c).
- Include the number of the Title Policy.
- Be dated as of the date of the Title Policy, if dated.
- Be signed electronically by the title insurer or agent. A PDF signature or a signature that is electronically produced as part of the Title Policy or the endorsement is acceptable.

If affirmative coverage in lieu of an endorsement is acceptable as indicated in the Title Policy Requirements, then the affirmative coverage language in the Title Policy must be equivalent to the affirmative coverage language described in the Title Policy Requirements.



**h. Insured Closing Protection Letter (04/30/13)**

If either of the recordation of the documents or the escrow and disbursement of funds in connection with the origination of the Mortgage is being handled by a title agent rather than a branch officer of the title insurer, if available in the applicable jurisdiction, the Seller must also provide an insured closing protection letter addressed to Freddie Mac, or to the Seller and its successors and assigns, that provides coverage for any loss that arises out of (i) the failure of the title agent to comply with Seller's written closing instructions, or (ii) fraud or dishonesty in handling the funds or documents in connection with the origination of the Mortgage.

**29.2 Title exceptions (08/17/23)**

**a. Approval of title exceptions (08/17/23)**

The Seller or its counsel must obtain, read, and analyze each document that evidences or creates any exception to the title insurance coverage to determine whether the exception would be acceptable to a prudent institutional lender.

If Seller or its counsel determines that any of the following applies with respect to an exception, such exception requires written analysis in the form and manner described in Section 29.2(b) and, whenever required pursuant to Section 29.2(b), must be expressly approved by Freddie Mac:

- Any party's exercise of its rights under the exception could have a foreseeable adverse effect on the Borrower's intended use of the Property, including any interference with the present or proposed improvements on the Property or with the operation of the Property.
- Any party's exercise of its rights under the exception could impair lender's ability to enforce its rights under the Mortgage or could adversely affect the lien priority of the Mortgage.
- The exception would not be acceptable to a reasonable, prudent institutional lender in the area where the Property is located.
- The exception results in an exception to the Seller/Service Representations and Warranties.
- The exception could create potential safety or environmental issues.
- The exception could result in a material adverse effect on the Mortgage, the security interest in the collateral described by the Mortgage, or the use, value, operation or marketability of the Property or could impair the lien of or the lien priority of the Mortgage.
- The Guide or Legal Issues Analysis separately requires written analysis or approval with respect to such exception (such as, by way of example and not limitation, ground leases, regulatory agreements or condominium declarations).



- The exception contains a purchase option, right of first refusal, right of first offer, right of reverter, or requires consent to a transfer of all or any portion of the Property (including in connection with foreclosure or deed-in-lieu of foreclosure).

**b. Submission of analysis (08/17/23)**

If the written analysis required pursuant to Section 29.2(a) was not included in the Legal Issues Analysis and/or any other required legal analysis required by the Guide submitted prior to the effective date of the Commitment, then the analysis must be submitted for approval no later than two business days prior to the anticipated Origination Date.

All requests for approval of title exceptions must be in writing and be submitted to the applicable Multifamily Attorney and Legal Analyst by email and include the anticipated closing date and pool name, if applicable, in the email subject line, and be uploaded to DMS. The request must be in the form of:

- An amended Legal Issues Analysis or other analysis previously submitted to the applicable Multifamily Attorney; and
- If applicable, such other legal analysis required by the Guide.

The analysis must describe which category or categories in Section 29.2(a) applies to such exception necessitating written analysis and must include the Seller or its counsel's recommendation (i) for mitigating any risk evidenced by the exception or explanation of why mitigation is not necessary or possible and (ii) as to the acceptability of the exception. The recommendation must expressly state why Freddie Mac should consider accepting this exception. The analysis must provide sufficient detail to enable Freddie Mac to make any necessary decision regarding the acceptability of an exception without having to read the document evidencing or creating the exception.

Submission to Freddie Mac of the underlying document creating the exception does not relieve the Seller or its counsel of the requirement to submit the written analysis of the exception. However, Freddie Mac reserves the right to require the Seller or its counsel to submit the exception document(s).

**c. Delivery of a Title Insurance Policy Certification and written analysis approval (08/17/23)**

At final delivery of the Mortgage, the Seller's counsel must deliver a Title Insurance Policy Certification in the form found at [mf.freddiemac.com/lenders/legal/](https://mf.freddiemac.com/lenders/legal/) (the "Title Insurance Policy Certification"). Copies of all emails with express approval of any exceptions for which the Seller or its counsel submitted a request for approval must be attached to the Title Insurance Policy Certification, along with the final title policy and all required endorsements.

**d. Analysis of title exceptions for Supplemental Mortgages (08/17/23)**

For any Supplemental Mortgage purchased under the Freddie Mac Multifamily Supplemental Mortgage Product, the Seller or its counsel must provide a written analysis only for:

- Any title exception that did not previously appear as an exception to title in the policy insuring the senior Mortgage and falls into one or more categories set forth in Section

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29.2(a), or

- Any title exception that previously appeared as an exception to the title in the policy insuring the senior Mortgage but will not be covered by the same endorsement or equivalent coverage.

Therefore, with respect to a Supplemental Mortgage, a written analysis will be required for any exception that appeared as a subordinate item in the policy insuring the senior Mortgage when such exception is not expressly subordinate to the Supplemental Mortgage as well.

**e. Analysis of title exceptions for Assumptions (08/17/23)**

For any assumptions, the Seller or its counsel must provide the discussion of the exceptions to the Title Policy as required by Section 41.4.

**f. Encroachments and violations on Survey (08/17/23)**

In addition to any analysis described in Section 29.2(b), Seller or its counsel must submit a written analysis of and receive approval for any encroachment or violation which materially and/or adversely affects the Property's operation, use or value or the security intended to be provided by the Mortgage (examples: income-producing buildings, parking, access ways). The written analysis must include the following:

- A reasonably detailed description of the encroachment and/or violation (e.g., how many feet a building encroaches over an easement)
- Whether there is building law and ordinance coverage for the Property if the encroachment and/or violation impacts a zoning requirement

If the risk posed by any encroachment or violation can be mitigated by an endorsement identified in the Title Policy Requirements and included in the Title Policy, then the exception does not need to be included in a written analysis. If any such required endorsement is not available or has been modified from the standard required form, then a written analysis of the exception must be submitted.

**g. Exception for Private Transfer Fee Covenant (08/17/23)**

If the Title Policy contains an exception for a Private Transfer Fee Covenant that was created on or after February 8, 2011, the Mortgage is ineligible for purchase by Freddie Mac. See Section 8.14.

**h. Exception for condominium/cooperative conversion restriction (08/17/23)**

If the Title Policy contains an exception for a prohibition against or any indemnification in connection with the conversion of the Property to a condominium or cooperative structure, the Seller or its counsel must examine the underlying agreement/restriction as provided in Section 8.18(f) to determine that the agreement/restriction meets the requirements set forth in such section.





The Seller or its counsel must confirm that all such requirements have been satisfied or that any non-compliant provisions have been identified in the Legal Issues Analysis prior to the effective date of the Commitment.

### 29.3 Uniform Commercial Code search requirements (08/17/23)

It is the responsibility of the Seller to ensure that a First Lien security interest is perfected in (1) all fixtures, (2) all personal property of the Borrower that is located in or on the Property or is used or intended to be used in connection with the Property and (3) any other Uniform Commercial Code (UCC) collateral described in the UCC financing statement (collectively the "UCC collateral").

In order to ensure this First Lien security interest, the Seller must perform certain searches of the Uniform Commercial Code records ("UCC search"). For additional search requirements for the MHC Mortgage Product, see Section 22.9(c).

#### a. Names to search (12/16/15)

The Seller must perform a UCC search for the Borrower's name and, if the Property is being acquired, the name of the current owner of the Property. For additional search requirements for Seniors Housing Mortgages, see the Final Delivery Instructions available at [mf.freddiemac.com/lenders/purchase](http://mf.freddiemac.com/lenders/purchase).

#### b. Location of search (03/03/17)

Each UCC search must include every office where a financing statement would be filed in accordance with the provisions of Revised Article 9 of the UCC.

#### c. Date of search (02/07/05)

A UCC search must be dated no earlier than 30 days prior to the Origination Date.

#### d. Prior financing statements (05/31/11)

If a UCC Search indicates that there are any financing statements on file (other than the financing statements filed by the current lender that will be released at origination of the Mortgage) then, prior to the Origination Date, the Seller must provide an explanation of those financing statements to the

- *Multifamily TAH Underwriter*, for TAH Mortgages
- *Applicable Freddie Mac Multifamily Regional Office* for all other Mortgages

The Seller must also submit a copy of the explanation to the applicable Multifamily Attorney.

#### e. UCC search (05/01/14)

1. If the UCC search done at underwriting shows that no financing statements have been filed in connection with any of the UCC collateral, then the Seller does not need to deliver any documentation regarding the UCC search to Freddie Mac prior to final delivery of the Mortgage.



2. The UCC search must be updated at the time of final delivery to a date no earlier than 30 days prior to the date of origination of the Mortgage. The Seller's counsel must examine the UCC search to determine that Freddie Mac has a First Lien security interest in all UCC collateral except for those items previously approved by Freddie Mac and those items for which UCC termination statements have been filed. The Seller's counsel must use the [Seller's Counsel's Certification](#) set forth at [mf.freddiemac.com/lenders/legal](http://mf.freddiemac.com/lenders/legal) to provide a certification regarding the UCC search at final delivery of the Mortgage as set forth in the Final Delivery Instructions found at [mf.freddiemac.com/lenders/purchase](http://mf.freddiemac.com/lenders/purchase).

**f. Product-specific UCC search requirements (08/17/23)**

For a Mortgage secured by an MHC Property, where a First Lien security interest in a Borrower-Owned Home cannot, under applicable law, be perfected with the filing of a UCC Financing Statement, the Seller must take additional actions necessary to verify the ownership of and ensure a perfected First Lien security interest in any Borrower-Owned Home (e.g., obtaining a copy of the certificate of title evidencing the Borrower as the sole title holder of a Borrower-Owned Home).

For a Mortgage secured by a Seniors Housing Project, in addition to the searches required in Section 21.3, UCC searches are required for:

- The Borrower,
- The Manager, if applicable, and,
- If the Property is being acquired, the current owner of the Property.

Each UCC search must include every office where a financing statement would be filed to perfect a security interest in any of the collateral described in Financing Statement Exhibit B - Seniors Housing. Additionally, each search must include the state of organization for the Borrower and the Manager, if applicable.

**g. Newly formed Borrowers and SPE Equity Owners (03/03/14)**

For each Borrower and SPE Equity Owner, if applicable, that has been formed within 90 days prior to the origination of the Mortgage, the Seller will not be required to provide a UCC search for the Borrower or the SPE Equity Owner. For any entity formed more than 90 days prior to the origination, or if Freddie Mac agrees to permit a "recycled" SPE Borrower or SPE Equity Owner, regardless of the entity's formation date, the Seller must provide a UCC search for the Borrower and the SPE Equity Owner, if applicable.

**29.4 Survey requirements (08/17/23)**

**a. ALTA/NSPS requirements; survey waivers (08/17/23)**

1. For each Mortgage purchased by Freddie Mac, the Seller must submit a survey meeting the then-current minimum standard detail requirements for American Land Title Association/National Society of Professional Surveyors, Inc. (ALTA/NSPS) Land Title Surveys. The survey must be made, dated or revised by a licensed civil engineer or registered surveyor not more than 90 days prior to the date of the Note. The surveyor's certification must:





- Be the form of certification required by the most current ALTA/NSPS requirements, except that the Table A items need not be listed in the certification
  - Be for the benefit of the Seller, Freddie Mac and its successors and assigns and the title insurer issuing the title insurance policy if required by the title insurer
2. Unless specifically waived under the terms of the Letter of Commitment, a survey is required for every Mortgage purchased by Freddie Mac. (See also the [Waiver of Certain Survey Requirements](#) found at [mf.freddiemac.com/lenders/legal/](http://mf.freddiemac.com/lenders/legal/).)

**b. Additional Freddie Mac requirements (03/03/17)**

In addition to the items that must be included in an ALTA/NSPS Land Title Survey, the survey must also include the following:

- Substantial visible improvements (in addition to buildings) such as entrance or monument signs, parking structures including carports and garages, swimming pools and other recreational facilities such as clubhouses, basketball and tennis courts.
- Indication of access to all public rights of way such as curb cuts, driveways marked, etc.
- Parking areas and type and number of parking spaces (Parking space striping need not be shown.)
- Any setback requirements applicable to the Property (including those imposed via zoning law or building codes and any documents on record affecting the Property).

**c. Survey – encroachments and violations (08/17/23)**

The Seller must analyze all encroachments and violations shown in the survey, as set forth in Section 29.2(f).

**d. Special survey requirements for MHC Mortgages (03/03/17)**

In addition to the requirements set forth in this Chapter 29 with respect to surveys, if the Property is an MHC Property, the following requirements are applicable:

- The survey must include the number of Home Sites located on the Property, as well as a description of the parking areas or spaces that are generally available for each Manufactured Home (i.e., the number of off-street parking spaces available for each Manufactured Home should be included on the survey).
- The survey must depict the location of:
  1. The extent and approximate dimensions of any encroachments by Manufactured Homes (including any Borrower-Owned Homes), Home Sites, piers, and foundations. If any of the foregoing do not constitute encroachments, their location does not need to be shown on the survey. Instead, a simple indicating mark may be included.



2. Private interior access roads or streets and visible utilities. Unless such items constitute encroachments, they may be sketched on to the survey to show their approximate location, and can be located by photogrammetric or other approximate methods in lieu of precise field measurements.

## 29.5 Legal opinions (08/17/23)

### a. Legal opinions required (08/17/23)

The Final Delivery Package must include the following legal opinions addressed to Seller (individually and collectively, the “Opinion Letter”):

- A legal opinion with respect to Borrower and any SPE Equity Owner in the form provided on the Freddie Mac Multifamily website ([the “Borrower Opinion”](#)).
- A legal opinion with respect to any Guarantor in the form provided on the Freddie Mac Multifamily website ([the “Guarantor Opinion”](#)).
- A non-consolidation legal opinion (the “Non-Consolidation Opinion”) for any Mortgage:
  - With an original principal balance equal to or greater than \$40,000,000;
  - That is a part of a cross-collateralized and cross-defaulted pool of Mortgages that are, when aggregated, \$40,000,000 or greater; or
  - If otherwise required by the Letter of Commitment or early rate lock application
- Any other legal opinions required by Freddie Mac under the Guide, in the applicable Letter of Commitment or early rate lock application, or otherwise.

Notwithstanding the foregoing, the enforceability opinions and local law opinions may be omitted from the Borrower Opinion and Guarantor Opinion for a supplemental mortgage originated under the Freddie Mac Multifamily Supplemental Mortgage Product.

### b. Review and analysis of legal opinions (08/17/23)

Seller’s counsel must review and analyze all Opinion Letters to ensure the Opinion Letters conform to Freddie Mac’s requirements. Additional guidelines and requirements for the review of opinions are set forth in the Opinion Letter Guidelines and, if applicable, the Requirements for Review of Non-Consolidation Opinions, provided on the Freddie Mac Multifamily [website](#).

All Opinion Letters must contain the following use and reliance provision, without modification:

“This opinion letter is furnished to you solely for your benefit, the benefit of subsequent holders of the Note, and any statistical rating agency that provides a rating on securities backed in part by the Loan, all of which we understand may receive copies of this opinion letter. This opinion letter may not be used, quoted from or relied upon by any other person without our prior written consent; however, you or a subsequent holder of the Note may deliver copies of this opinion letter to (a) independent auditors, accountants, attorneys and other professionals acting on behalf of you or a subsequent holder of the Note, (b) governmental agencies having regulatory authority over you or a subsequent holder of the

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Note, (c) designated persons pursuant to an order or legal process of any court or governmental agency, and (d) prospective purchasers of the Note.”

The counsel rendering the opinions must be acceptable to Freddie Mac or to Seller if Seller is authorized to approve the opinion. The Letter of Commitment or the early rate lock application may require that the counsel state additional conclusions in the opinion. Freddie Mac reserves the right to require Seller at any time to deliver to Freddie Mac all documents on which the counsel based or should have based the opinion.

**c. Opinions requiring Freddie Mac review and approval (08/17/23)**

Seller must submit a copy of the following opinions for Freddie Mac’s review and approval not less than three business days prior to the scheduled origination date of the Mortgage:

- All Opinion Letters for any Mortgage with an original principal balance equal to or greater than \$100,000,000.
- Any Seniors Housing Mortgage licensure opinion, specifically opinions #27 and #28 from the Borrower Opinion form.

Such opinions must be marked to clearly indicate the additions to and deletions from the appropriate form of Opinion Letter. Borrower or Seller must pay for any legal fees associated with the review and approval of any such additions to or deletions from the appropriate form of Opinion Letter in connection with the origination of the Mortgage.

Seller’s counsel must provide an analysis and recommendation with respect to such opinions (the “Opinion Analysis”). Freddie Mac will not be responsible for any loss, costs or damages incurred by Seller or Borrower as a result of the origination of the Mortgage being delayed due to the failure of Seller to timely deliver to Freddie Mac a draft Opinion Letter and/or the Opinion Analysis.

**d. Non-Consolidation Opinion Requirements (08/17/23)**

Non-Consolidation Opinions must state that if any equity owner or group of affiliated equity owners (or group of family members) who own more than 49% of the equity in Borrower were to become insolvent, neither Borrower, nor its assets and liabilities, would be substantively consolidated with that of the equity owner or group of affiliated equity owners (or group of family members) or with the SPE Equity Owner.

A “should” Non-Consolidation Opinion is not acceptable; all Non-Consolidation Opinions must be “would” opinions.

All Non-Consolidation Opinions must be submitted to Freddie Mac for review and approval prior to origination of the Mortgage as provided in the Requirements for Review of Non-Consolidation Opinions provided on the Freddie Mac Multifamily website. Borrower or Seller must pay for any legal fees associated with the review and approval of any Non-Consolidation Opinion required in connection with the origination of a Mortgage.



**e. Required Opinion Provisions for Seller Application (08/17/23)**

The Seller must include, as part of its loan application with or commitment to the Borrower, the following provision.

**Delivery of Opinion Letters to Be Delivered to Freddie Mac**

Borrower acknowledges and agrees that as part of the loan closing process it is required to deliver to [Seller to Insert Seller's Name] certain legal opinion letters in form and substance acceptable to the Federal Home Loan Mortgage Corporation ("Freddie Mac") addressing, among other things, enforceability, due formation, execution and delivery, non-consolidation (under certain circumstances) and such other matters as may be required by Freddie Mac (collectively if more than one, the "Opinion Letter"). In order to properly review any Opinion Letter requiring Freddie Mac's approval Freddie Mac must receive a draft of the Opinion Letter, with analysis and recommendations from [Seller to Insert Seller's Name], not less than three business days prior to the anticipated consummation of the loan transaction. Accordingly, Borrower acknowledges and agrees to deliver to [Seller to Insert Seller's Name], not less than \_\_\_\_ business days [Seller to Insert Number of Days as Required by Seller's Counsel] prior to the anticipated consummation of the loan transaction, a draft Opinion Letter for review. Borrower acknowledges and agrees that [Seller to Insert Seller's Name] will not be responsible for reviewing any Opinion Letter received less than \_\_\_\_ Business Days [Seller to Insert Number of Days as Required by Seller's Counsel] prior to the anticipated consummation of the loan transaction and that Borrower's failure to timely deliver such Opinion Letter may result in the consummation of the loan transaction being delayed. Borrower further acknowledges and agrees that neither [Seller to Insert Seller's Name] nor Freddie Mac will be responsible for any loss, costs or damages incurred by Borrower as a result of the consummation of the loan transaction being delayed due to the failure of Borrower to timely deliver a draft Opinion Letter.