

# Multifamily Seller/Servicer Guide

## Chapter 36

### General Servicing Policies



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## 36.1 Servicing (07/15/14)

### a. Servicing topics (05/06/05)

Chapters 36 through 54 describe the specifics of servicing multifamily Mortgages for Freddie Mac.

This chapter deals with the general information that the Servicer needs to know with regard to being a Servicer for Freddie Mac.

### b. General responsibilities (07/15/14)

1. The Servicer must service Mortgages purchased by Freddie Mac in accordance with the requirements of applicable law and the Purchase and Servicing Documents (including the Guide).
2. Each Servicer must designate a Chief Servicing Officer, subject to Freddie Mac's approval. The Chief Servicing Officer must be an officer involved in, or responsible for, the administration and Servicing of Mortgages and/or whose primary responsibilities are related to the underwriting or analysis of the creditworthiness of loans being serviced by such Servicer. The Chief Servicing Officer's name must appear on a list of servicing officers furnished to and approved by Freddie Mac.

For each Servicer request for Freddie Mac approval of a transaction, the Servicer must include in the materials submitted to Freddie Mac a certification executed by the Chief Servicing Officer in the form found at [mf.freddiemac.com/lenders/asset](http://mf.freddiemac.com/lenders/asset), attesting to the package quality and adherence to the requirements of the Guide (or, for a securitized loan, the applicable Servicing Standard set forth in the securitization documents).

3. The Servicer must monitor compliance with the Mortgage Document terms and conditions, including the Borrower's fulfillment of all responsibilities. The Servicer must notify Freddie Mac in the event of noncompliance with any terms and conditions that could negatively impact Freddie Mac's security or risk exposure (see Section 43.16(a)). The Servicer, under Freddie Mac's direction, must take actions needed to address and resolve any noncompliance issues.
4. The Servicer is responsible for acting in the most timely, efficient and responsible manner to protect Freddie Mac's interests with respect to Mortgages serviced for Freddie Mac.
5. The Servicer must represent and defend Freddie Mac's interests in the applicable Mortgages or Real Estate Owned (REO) to the extent it would represent and defend its own interest.
6. Freddie Mac expects the Servicer's facilities and practices to be sufficient to safeguard Freddie Mac's interests and expects the Servicer to respond promptly to the needs of both Freddie Mac and the Borrower.
7. The Servicer must track Borrower requests for lender consent and must provide that information to Freddie Mac as and when required by Freddie Mac.



8. Accounting by the Servicer must follow the Guide, as it is amended or supplemented from time to time.

### **36.2 Securitization (06/27/19)**

At the time of Securitization of a Mortgage, Freddie Mac will cease to own the applicable Mortgage. Upon the transfer of the Mortgage to a master servicer, Servicing of the applicable Mortgage for Freddie Mac will be terminated automatically without compensation to the Servicer or any subservicer. Any and all rights of the Servicer and any subservicer that are set forth in this chapter and Chapter 42, are applicable only for the period prior to Securitization during which Freddie Mac is the owner of the applicable Mortgage. The duties, rights and compensation to the Servicer and any subservicer after Securitization will be determined in accordance with the agreement, if any, between the master servicer and the primary Servicer.

### **36.3 Servicer agreements (05/06/05)**

In addition to general undertakings, representations and warranties elsewhere in the Guide, when Servicing Mortgages and REO for Freddie Mac, the Servicer must:

- Comply with the Purchase and Servicing Documents and any instruction, request or requirement issued by Freddie Mac
- Abide by Freddie Mac's decision with respect to any of the Mortgages or REO, regardless of the Servicer's percentage of participation in the Mortgage or REO
- Hold Freddie Mac harmless for any loss the Servicer may suffer from any decision made by Freddie Mac with respect to any of the Mortgages or REO, regardless of the Servicer's percentage of participation in the Mortgage or REO

### **36.4 Staff expertise (05/01/14)**

The Servicer must maintain specialized staff knowledgeable and experienced in multifamily asset management and Servicing, multifamily Mortgage documentation and other features that distinguish multifamily Mortgages from other mortgages. The Servicer must be alert and responsive to changing economic conditions. Effective Servicing of Freddie Mac Mortgages requires initiative and early intervention if signs of asset deterioration become evident and risk of default increases.

The Servicer must be alert to the objectives and interests of Freddie Mac in all matters that are relevant to the proper Servicing of multifamily Mortgages and maintenance of the Property.

The Servicer must continue to develop and maintain expertise in the following critical areas:

1. Market knowledge
2. Property valuation
3. Physical condition evaluation
4. Property management evaluation



5. Financial analysis
6. Borrower evaluation
7. Underwriting and credit analysis related to special servicing transactions
8. Insurance compliance
9. Problem resolution, including foreclosure

## 36.5 Material Vendor and Servicing Agent requirements (10/20/22)

### a. Permitted Material Vendor functions; contact with Borrower (10/20/22)

Freddie Mac will permit the Servicer to use a Material Vendor for certain low risk Servicing functions that the Servicer deems necessary and appropriate to manage the Servicer's Servicing responsibilities without prior Freddie Mac approval, but subject to the notification requirements set forth in Section 3.9. Delegation of functions beyond this scope is considered to be subservicing and requires Freddie Mac approval in accordance with Section 3.8(a). Additionally, the subservicer/Servicing Agent chosen by the Servicer must have also received Freddie Mac approval to service the requested collateral type prior to contracting with the Servicer (e.g., a Servicing Agent must be approved to service an SBL Mortgage prior to providing any Servicing function on an SBL Mortgage on behalf of a Servicer).

As examples, Freddie Mac will permit the Servicer to use a Material Vendor without prior approval for Servicing functions such as:

- Real estate tax services,
- Insurance compliance reviews,
- Uniform Commercial Code (UCC) monitoring and filings,
- Standard Replacement Reserve management,
- Financial statement data entry and other data entry, and
- Certain low risk accounting and reporting functions that the Servicer deems necessary and appropriate to manage the Servicer's accounting and reporting responsibilities, in accordance with Guide Section 50.2

Visit the Material Vendor [web page](#) for more information regarding Material Vendors and examples of ongoing loan activities that do not require further approval.

A Material Vendor without pre-approval from Freddie Mac may contact a Borrower only in the following situations:

1. An expert in the field of insurance may contact a Borrower directly in connection with providing insurance services to the Servicer.
2. For administrative functions, such as sending reminder letters to Borrowers regarding submission of annual property financial statements, the Material Vendor may send letters



to Borrowers only if authorized to do so by the Servicer and if such correspondence is on the Servicer's letterhead. In addition, the Material Vendor may engage in follow up telephone contact with the Borrower as needed in support of such administrative functions if authorized to do so by the Servicer and if the Material Vendor represents itself as calling on behalf of the Servicer.

The Servicer must ensure that each Material Vendor Servicing function meets the quality standards set forth in Section 36.5(c).

**b. Servicing functions for which the use of a Material Vendor is prohibited without prior approval (10/20/22)**

In general, the Servicer may not use a Material Vendor to make decisions related to the Mortgage's performance or credit risk, unless approved by Freddie Mac.

Specifically, Servicers may not use a Material Vendor to:

1. Perform any required Mortgage performance risk assessment or make related recommendations
2. Monitor or manage a Mortgage with a Risk Rating greater than six, a Delinquent or maturing Mortgage, or any Mortgage assigned to Freddie Mac Multifamily Asset Resolution
3. Perform credit analyses or make related recommendations (including all transaction and special Servicing requests)
4. Perform any services or functions that require or are likely to result in the Material Vendor receiving, using, handling, or otherwise having access to, any individual financial or personal information pertaining to any Borrower, Guarantor, or other individual, even if such services or functions are described as eligible Material Vendor responsibilities in Section 36.5(a)
5. Conduct property inspections, except as described in Section 40.14
6. Evaluate Repair Reserve requests or make related disbursement decisions
7. Manage letters of credit or any other collateral securing or related to the Mortgage other than UCC filings
8. Manage the Borrower relationship, including all communications with the Borrower, unless otherwise permitted by Section 36.5(a) (see also Section 50.2(b))
9. Communicate with Freddie Mac on behalf of the Servicer
10. The accounting and reporting responsibilities described in Section 50.2(b)

Upon Freddie Mac approval, a Servicer may delegate any of the above functions to a Servicing Agent.

**c. Quality and controls (10/20/22)**

The Servicer must ensure that any Servicing that is the responsibility of a Material Vendor or Servicing Agent is completed in accordance with the Guide and with high quality standards, including as follows:

1. A Servicer that uses a Material Vendor or Servicing Agent domiciled in, or that provides services to the Servicer from, an offshore location (i.e., not in any State) must apply the same requirements and ensure the same level of service and compliance that is applicable to a Material Vendor or Servicing Agent domiciled in and providing services to the Servicer from a State.
2. The Servicer must maintain thorough and accurate information and records regarding each Material Vendor or Servicing Agent responsibility and ensure that the Material Vendor or Servicing Agent has appropriate controls in place to fulfill its responsibilities.
3. Notwithstanding the use of a Material Vendor or Servicing Agent, the Servicer must be knowledgeable about the Mortgage and the Property and be able to provide accurate and thorough recommendations on all Servicing issues. The Servicer will remain liable to Freddie Mac for all obligations for which it has engaged a Material Vendor or Servicing Agent.
4. The Servicer must have detailed, well-controlled procedures and training for all functions managed or otherwise supported by a Material Vendor or Servicing Agent. As part of Freddie Mac's Seller/Servicer audit, the Servicer must be able to:
  - Provide documentation evidencing adequate controls that ensure a high quality work product
  - Provide documentation evidencing procedures and training for all functions assigned to a Material Vendor or Servicing Agent
  - Have available, either electronically or otherwise, access to underlying Material Vendor or Servicing Agent information and work product

The Servicer may lose Freddie Mac's approval to use a Material Vendor or Servicing Agent for Servicing responsibilities if Freddie Mac determines, in its sole discretion, that the Servicer's or Material Vendor's or Servicing Agent's controls are inadequate or if Freddie Mac, in its sole discretion, determines that the quality of the Material Vendor's or Servicing Agent's work is unsatisfactory.

**d. Notifying Freddie Mac of a Material Vendor or Servicing Agent (10/20/22)**

Within 10 Business Days of the date of onboarding of a Material Vendor, the Servicer must notify Freddie Mac in accordance with the requirements in Section 3.9.

At least 60 days before contracting with a Servicing Agent, the Servicer must request Freddie Mac's prior written approval and notify Freddie Mac in accordance with the requirements in Section 3.8(a).





**e. Right to restrict use of a Material Vendor or Servicing Agent and to limit or prohibit use (10/20/22)**

Freddie Mac reserves the right to:

- Restrict the use of Material Vendors or Servicing Agents for a specific Servicing responsibility
- Prohibit the use of a particular Material Vendor or Servicing Agent for Servicing responsibilities
- Limit or prohibit a Servicer from using a Material Vendor or Servicing Agent for Servicing responsibilities

**f. Confidentiality (10/20/22)**

The Servicer must ensure that each Material Vendor or Servicing Agent used for Servicing responsibilities complies with the privacy and confidentiality provisions set forth in the Guide (including Section 36.15) and maintains appropriate training and controls to fulfill its privacy and confidentiality responsibilities. The Servicer will be liable to Freddie Mac for the failure of any Material Vendor or Servicing Agent to comply with these provisions.

**36.6 Servicing facilities and duties (05/06/05)**

The Servicer must maintain adequate facilities and experienced staff and must take all actions necessary to ensure that the Mortgages and REO in which Freddie Mac has an interest are serviced in accordance with the Purchase and Servicing Documents, applicable law, regulation or requirement, and any instructions issued by Freddie Mac.

**36.7 Power of attorney (05/06/05)**

In its discretion, Freddie Mac may give, and the Servicer must accept, a power of attorney that grants broader powers to the Servicer. Freddie Mac may require that the Servicer identify to Freddie Mac all jurisdictions where Freddie Mac's power of attorney has been recorded. The Servicer must comply with all local recording requirements and is solely responsible for paying any recording fee assessed by the applicable authority.

**36.8 Inspection of Property; review of financial statements (05/06/05)**

A periodic inspection of the Property and review of the Income and Expense Statements for the Property are important tools in preventing, monitoring and evaluating the potential for a default of a Mortgage. For detailed instruction on types and timing of inspections and assessments required by Freddie Mac, see Chapter 40.

**36.9 Borrower inquiries (10/07/02)**

If asked by the Borrower, the Servicer must inform the Borrower whether Freddie Mac has purchased the Borrower's Mortgage. If Freddie Mac has purchased the Mortgage, the Servicer must explain to the Borrower that it services the Mortgage for Freddie Mac. The Servicer must answer the Borrower's inquiries and not refer the Borrower to Freddie Mac or advise the Borrower





to contact Freddie Mac directly concerning the Mortgage. The Servicer must give Borrowers prompt, clear and accurate information about their Mortgages. (See Sections 36.15 and 42.11 for additional Servicer obligations regarding Borrower inquiries.)

### **36.10 General requirements for Servicing reports (06/30/16)**

The Servicer must send assessments and loan-level accounting reports in conjunction with various paper reports.

Each report and all correspondence for a particular Mortgage must reference the Freddie Mac Seller/Servicer number and the Freddie Mac loan number. The Servicer must ensure that all reports required or requested by Freddie Mac are accurately prepared and promptly submitted.

The Servicer must submit such other reports as Freddie Mac may require from time to time.

### **36.11 Noncompliance fees (05/06/05)**

Freddie Mac may assess Servicing reporting noncompliance fees against the Servicer if the Servicer fails to provide timely, complete and accurate reports (regardless of the mode of submission or transmission).

Freddie Mac separately monitors Servicing reporting, accounting reporting and Delinquency reporting and separately assesses noncompliance fees. Freddie Mac will send the Servicer a written notification of each violation.

### **36.12 Modification; release (04/30/13)**

The Servicer must not modify, waive or release any term of any Note, Security Instrument or other Loan Document, accept any prepayment, or consent to any postponement of performance by any Borrower of any obligation under a Note, Security Instrument or other Loan Document except as authorized by the Purchase and Servicing Documents or by Freddie Mac.

### **36.13 Retention of Mortgage files (05/06/05)**

The Servicer must maintain all files and other materials relating to each Mortgage serviced for Freddie Mac in accordance with the requirements of Chapter 34.

### **36.14 Fraud prevention, detection and reporting (04/22/25)**

The Servicer must have specific fraud prevention, detection and reporting practices and procedures in place in all areas of Servicing. See Chapter 7.

### **36.15 Confidential information; privacy; conflicts of interest; security of information (05/01/14)**

Through its Servicing of Mortgages for Freddie Mac, the Servicer sometimes obtains confidential information concerning the Borrower, Borrower Principals and the Property. The Servicer may use this information only as permitted under applicable law, including laws and regulations regarding privacy, disclosure of credit information, and the purchase and sale of securities. The



Servicer may not use this information in any way that could be construed to represent a conflict of interest or breach of confidentiality.

The Servicer must maintain confidential information concerning the Borrower, Borrower Principals and the Property in such a way as to ensure the security and confidentiality of the information, protect against anticipated threats or hazards to the security or integrity of the information, and protect against unauthorized access to or use of such information.

### **36.16 Disclosure of Borrower payment history (05/06/05)**

The Servicer must disclose to the Borrower, or to any third party authorized in writing by the Borrower, information maintained by the Servicer concerning the Borrower's payment history if the Borrower (or any third party authorized by the Borrower) requests such information in writing. Information so disclosed must be correct, complete and up-to-date, and must accurately reflect the Borrower's performance in meeting payment obligations without the use of codes or abbreviations.

### **36.17 Misuse of material information (05/01/14)**

Certain information about an individual Mortgage or Property obtained by the Servicer through its Servicing of Mortgages for Freddie Mac may be material to a purchaser or a seller of Participation Certificates (PCs) or other securities representing interests in that Mortgage. Information about the Mortgage or the Property is considered to be material if there is a substantial likelihood that a reasonable investor would consider the information to be important in determining whether to purchase or sell a PC or other security representing interests in the Mortgage. If the Servicer has material information about the Mortgage or the Property that Freddie Mac has not made publicly available, the Servicer may not purchase or sell such a PC or other security (or disclose material information relating to the PC or other security to a third party for its use) without disclosing such material information to the other party in the transaction. However, if disclosure of such information to other parties would contravene applicable law and regulations regarding disclosure of credit information, the Servicer must refrain from trading with respect to the PC or other security.

### **36.18 Equity Conflicts of Interest (08/26/21)**

#### **a. Notice (08/26/21)**

The Seller/Servicer must disclose the nature and extent of the Equity Conflict of Interest in writing to [Multifamily Asset Management, Borrower Transactions](#) any time that an Equity Conflict of Interest arises, or when the Seller/Servicer (including any of its employees, or affiliates) plans to enter into a transaction that would result in an Equity Conflict of Interest.

Refer to Section 2.25 for the definition of Equity Conflict of Interest.

#### **b. Freddie Mac rights (06/25/20)**

Freddie Mac may require that the Servicer repurchase a Mortgage, transfer Servicing of the Mortgage, or impose conditions on the Servicer's continued Servicing of the Mortgage if a Seller/Servicer-Level Owner Equity Conflict of Interest exists as defined in Section 2.25 and Freddie Mac, in its sole discretion, determines that such ownership is likely to result in inadequate Servicing of the Mortgage.

**36.19 Indemnity (05/01/14)**

The Servicer must indemnify Freddie Mac for and hold it harmless from any loss, damage or expenses (including court costs and reasonable attorney fees) that Freddie Mac sustains as a direct or indirect result of any failure on the Servicer's part to properly perform its services, duties and obligations under the Purchase and Servicing Documents or as a direct or indirect result of the Servicer's bankruptcy or insolvency.

**36.20 Independent contractor (05/06/05)**

Under the Purchase and Servicing Documents, the Servicer contracts with Freddie Mac as an independent contractor to service Mortgages for Freddie Mac. The Servicer is not an agent or assignee of Freddie Mac.

**36.21 Assignment by Freddie Mac (05/06/05)**

Freddie Mac has the unconditional right to sell, assign, convey, hypothecate, pledge or in any way transfer, in whole or in part, its rights under the Purchase and Servicing Documents. Freddie Mac has the right to direct the Servicer to send remittances, notices, reports and other communications to any party designated by Freddie Mac and may designate any such party to exercise any and all of Freddie Mac's rights.

**36.22 Assignment by the Seller or the Servicer (05/06/05)**

The Seller or the Servicer must not assign, sell, convey, hypothecate, pledge or in any other way transfer, conditionally or otherwise, its interests, rights or obligations under the Purchase and Servicing Documents except as expressly permitted in the Purchase and Servicing Documents.

**36.23 Minimum net worth (05/06/05)**

The Servicer must maintain, at all times, a minimum net worth in accordance with the requirements of Chapter 3.

**36.24 Use of counsel with respect to Mortgages serviced for Freddie Mac (06/30/16)**

For the requirements regarding the use of counsel for Mortgages serviced for Freddie Mac, see Chapter 6. For the requirements regarding the use of counsel for SBL Mortgages serviced for Freddie Mac, see Chapter 6SBL.

**36.25 Consent Request Tracker (04/18/24)**

When a Servicer receives a Borrower request for Lender consent, the Servicer must use Freddie Mac's Consent Request Tracker (CRT), a shared tool that provides information to track the progress of Borrowers' requests with respect to all Mortgages.

Within 2 Business Days after receipt of a Borrower request for Lender consent, the Servicer must:

- Log the request into the CRT,



- Record general information regarding the request, including completing data fields as required, and
- Assign the next level reviewer of the request as needed

As the review of the request continues, the Servicer must keep the CRT current by timely recording date milestones, status information, any comments and key dates on individual consent requests. For securitized Mortgages, primary servicers, master servicers and special servicers will also have access to and use the CRT to record such information.

CRT can also be used to upload the required documentation for the request rather than uploading it directly to Document Management System (DMS). For securitized Mortgages, this capability applies solely where Freddie Mac is master servicer.