

Multifamily Seller/Servicer Guide

Chapter 39

Administration of Reserves; Monitoring Repairs

39.1 General requirements for the administration of Reserves and monitoring repairs

a. Delivery of documents and notices to Freddie Mac (02/29/16)

1. Electronic Delivery

When this chapter requires electronic delivery of backup documentation related to the completion or partial completion of repairs, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents into the Property Reporting System (PRS).

When this chapter requires electronic delivery of documents related to post-origination transactions, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents into the Document Management System (DMS) and using the “File Submission” link to notify:

- For Structured Transactions, Tax Exempt Bond Credit Enhancements, Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products, or Credit Facilities, *“Structured Transactions”*
- For all other Mortgages, *“Borrower Transactions”*

2. Delivery of original documents to Freddie Mac

When this Chapter requires delivery of an original document with respect to any Mortgage, the Servicer must:

- Upload the document into DMS, and
- Deliver the original to
 - For Structured Transactions, Tax Exempt Bond Credit Enhancements, Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products, or Credit Facilities, Freddie Mac *Multifamily Asset Management, Structured Transactions*
 - For all other Mortgages, Freddie Mac *Multifamily Asset Management, Borrower Transactions*

b. Reserve Custodial Accounts (05/01/14)

The Servicer must hold Reserves in Custodial Accounts in accordance with the requirements of the Loan Documents. If the Loan Documents do not contain specific requirements, then

the Servicer must hold all Reserves in Custodial Accounts meeting the requirements of Chapter 52.

The Seller/Servicer must provide Freddie Mac all Custodial Account documentation required by Chapter 52.

The Servicer must service all Reserve Custodial Accounts required or permitted under this Chapter in accordance with the Loan Documents, this chapter, Chapter 52 and other applicable sections of the Guide, and industry-accepted practices.

39.2 Reserve requirements; Reserves for taxes, ground rents, assessments and other charges

a. Reserve requirements (04/30/19)

1. Unless Freddie Mac has deferred its right to require a Reserve for any item(s), the Servicer must collect Reserves for:
 - Taxes
 - Ground rents
 - Assessments and charges that may, if not paid on a timely basis, become prior liens on the Property
 - Premiums on all insurance policies (individual policies, Blanket Insurance policies, master insurance policies, and liability insurance policies covering multiple properties) required by Chapter 31 and/or the Purchase and Servicing Documents
 - Cap fee deposits for an ARM with an interest rate cap or swap agreement with a third-party provider that expires before the Mortgage maturity date

For taxes, ground rents, assessments, cap fee deposits and premiums for individual insurance policies, if the Servicer is collecting a Reserve when Freddie Mac purchases the Mortgage, the Servicer must continue to collect 1/12 of the yearly charge for each Reserve together with each monthly installment payable under the Note.

For Blanket Insurance policies, master insurance policies, and liability insurance policies covering multiple properties, the Seller/Servicer must do one of the following:

- Collect 1/12 of the premium allocation obtained from the insurance agent or broker, for each Property securing a Freddie Mac Mortgage that is insured under the applicable policy and serviced by the Servicer to ensure that the Servicer will have sufficient funds in the Reserve to pay the allocated premium due on the applicable policy or policies with each monthly installment payable under the Note.
- Collect 1/12 of an amount sufficient to purchase an individual insurance policy or policies with each monthly installment payable under the Note.

- Collect an amount sufficient to pay the annual premium for an individual insurance policy or policies for the Property.

See Section 31.2(c) for additional information regarding Reserves for insurance premiums.

2. If a Borrower obtains a Supplemental Mortgage, then beginning on the Origination Date of the Supplemental Mortgage, the Servicer of the most senior Mortgage will begin to collect Reserve deposits for taxes, ground rents (if applicable), insurance, and Replacement Reserves, unless one of the following circumstances exists:
 - The Mortgaged Property is a Cooperative, and collection of those Reserves was deferred at origination of the most senior Mortgage
 - The Loan Documents for the most senior Mortgage explicitly provide for continued deferral of Reserve deposits following origination of a Supplemental Mortgage (for items other than insurance)
 - The Loan Documents for the most senior Mortgage explicitly provide for the continued deferral of Reserve deposits for insurance because the Mortgaged Property was covered under a Blanket Insurance policy or a master insurance policy and under the Supplemental Mortgage, the Mortgaged Property will continue to be covered under a Blanket Insurance policy or a master insurance policy.
3. The Servicer must pay, at its own expense, any interest payable to the Borrower for Reserve funds or any other funds held by the Servicer, whether due to contractual agreement or operation of law. The Servicer must use funds deposited in a Reserve only for items related to the purpose for which the Reserve was established. The Servicer may not withdraw miscellaneous costs, including Uniform Commercial Code (UCC) filing fees, overnight delivery charges and/or late payment fees, from the Reserve.

The Servicer must obtain bills for and pay all Reserve items before the applicable penalty or termination date. The Servicer must maintain adequate records to prove payment of all Reserve items.

At least annually, the Servicer must compute the required Reserve installment amounts based on reasonable estimates of assessments and bills to determine that sufficient funds are being collected or have been collected to meet all Reserve payments. If the amount held in Reserve by the Servicer, together with the future monthly Reserve installments, exceeds the amount required to pay Reserve items as they fall due, the Servicer must either repay the excess promptly to the Borrower (if there is no default under the terms of the Loan Documents) or credit the excess to the Borrower by a reduction in monthly Reserve installments.

If the Servicer deems the amount held in Reserve insufficient to pay Reserve items when due, the Servicer must obtain the necessary additional funds from the Borrower before the latest date on which the charges may be paid prior to penalty, lapse of insurance policies, etc. If the Borrower fails to remit the deficient amount, or if there is insufficient time to obtain the amount, the Servicer must pay any Reserve items due and reflect a shortage in the Borrower's Reserve. However, during any period in which the Borrower is

in bankruptcy, the Servicer may not make any advance in excess of Reserve funds for Reserve items without the prior consent of Freddie Mac.

For Mortgages originated under this Guide, the Servicer must advance the shortage in accordance with Section 52.15 and must notify Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* if any advance is unresolved for 30 days.

For Delegated TAH Mortgages, the Servicer must advance the shortage to the extent permitted or described in its Delegated TAH Master Agreement.

To the extent permitted by the Loan Documents and applicable law, the Servicer may, without Freddie Mac's prior approval, start collecting Reserves not previously required, but may not discontinue collecting Reserves without Freddie Mac's prior written approval.

b. Annual certification (02/06/17)

Any Servicer that has a Multifamily Servicing-only approval, as described in Section 3.1(e), must certify to Freddie Mac in writing that all of the following have been paid during the preceding fiscal year and are not then delinquent, except as otherwise set forth in the certification:

1. Insurance premiums
2. Ground rents
3. Assessments
4. Taxes
5. Other charges that may, if not paid on a timely basis, become prior liens on the Property

If any such items are delinquent, the certification must describe the nature of the delinquency and the steps being taken to cure that delinquency.

The certification must be made using Form 1110M, Multifamily Annual Certification Report – Servicer Only. Servicers must use the Multifamily Eligibility System, available on FreddieMac.com, to complete the Form and to submit it to Freddie Mac.

The Servicer must submit the completed Form 1110M within 90 days after the end of the Servicer's fiscal year following the instructions found on the form.

c. Requirements when Reserves are not collected (04/30/19)

If Freddie Mac has deferred its right to collect Reserves for any item, or if the Loan Documents or applicable law do not provide for the collection of Reserves or if Reserves

were not being collected for some or all items when the Mortgage was sold to Freddie Mac, the Servicer must proceed as follows:

1. Verification of payment

At least annually, the Servicer must either require the Borrower to furnish proof of payment of all taxes, insurance premiums, ground rents, assessments and other charges or use other reliable means (such as tax services) commonly employed by private institutional mortgage investors to determine that these items have been paid.

2. Additional verification for Mortgages with a Risk Rating greater than seven

On a semi-annual basis, for each Mortgage secured by a Property with a Risk Rating greater than seven, or any Mortgage otherwise identified by Freddie Mac to the Servicer, the Servicer must

- Require the Borrower to furnish proof of payment of water and sewer charges, or
- Require the Borrower to provide a certification that the water and sewer charges have been paid, or
- Use other reliable means commonly employed by private institutional mortgage investors to determine that water and sewage charges have been paid.

Acceptable proof of payment includes copies of paid receipts and/or cancelled checks, and the corresponding water and sewer bills showing the previous amount paid.

3. Demand upon Borrower

If the Servicer discovers that any charge listed in item 1 or 2, above, has not been paid, the Servicer must immediately contact the Borrower in writing and require the Borrower to provide proof of payment within 10 days and provide Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* and Freddie Mac *Multifamily Asset Management, Asset Resolution* with a copy of such notice.

4. Advances by Servicer

For Delegated TAH Mortgages, advances by the Servicer are governed by its Delegated TAH Master Agreement.

For all other Mortgages, if the Borrower fails to pay any charge listed in item 1 or does not provide proof of that payment within the required 10 days, the Servicer must advance funds for the unpaid charge and any applicable penalty unless the Borrower is in bankruptcy.

If the Servicer fails to advance funds for the unpaid charge, Freddie Mac will hold the Servicer solely responsible for any penalties, interest or related charges resulting from the Servicer's failure to make the advance. If the Borrower is in bankruptcy, the Servicer may not make any advances in excess of Reserve funds for Reserve items without the prior consent of Freddie Mac.

The Servicer must attempt to work out an arrangement with the Borrower for repayment of any advance and, if allowed by law and the Loan Documents, must begin to collect Reserves for future charges.

If the Servicer cannot reach an agreement with the Borrower for the Borrower's repayment of the advanced amount or if the Borrower fails to comply with the terms of any such arrangement or refuses to set up a Reserve for future charges, the Servicer must promptly notify Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* and Freddie Mac *Multifamily Asset Management, Asset Resolution* of all advances and must immediately recommend, in writing, a plan to protect Freddie Mac's interest.

39.3 Replacement Reserves, Repair Reserves, Rental Achievement and similar performance agreements – general requirements

a. Reserve requirements (10/12/17)

For each Multifamily Mortgage, the Seller/Servicer must establish at the time of Mortgage closing a Repair Reserve, a Replacement Reserve, a Special Purpose Reserve, and a Rental Achievement Reserve to the extent required by Freddie Mac's Letter of Commitment or early rate-lock application. The Seller/Servicer must ensure that upon purchase of the Mortgage, Freddie Mac has a security interest in all amounts deposited in the Repair Reserve, Replacement Reserve, Special Purpose Reserve and Rental Achievement Reserve to further secure all of the Borrower's obligations under the Mortgage.

1. Repair Reserve

Funds deposited into the Repair Reserve may be used solely to defray the costs of required repairs to the Property, as set forth in Freddie Mac's Letter of Commitment or early rate-lock application.

Funds deposited into the Repair Reserve for the purpose of undertaking Green Improvements may be used solely to defray the costs of Green Improvements to the Property, as set forth in Freddie Mac's Letter of Commitment or early rate-lock application.

2. Replacement Reserve

For non-SBL Mortgages and for SBL Mortgages documented on Loan Agreement forms with a revision date of 11-02-2015 or earlier, funds deposited into the Replacement Reserve may be used solely to defray the costs of future replacements of items of real

and personal property, as set forth in the Replacement Reserve Agreement or Loan Agreement.

For SBL Mortgages documented on Loan Agreement forms with a revision date after 11-02-2015, funds deposited into the Replacement Reserve may be used to defray the costs of future replacements of items of real and personal property specified in the Loan Agreement, including, if applicable, completion of Priority Repairs and PR-90 Repairs identified in the SBL Physical Risk Report, as set forth in the Loan Agreement.

For Supplemental Mortgages, no new replacement items should be permitted to be drawn from the Replacement Reserve that were not already permitted under the most senior Mortgage unless Replacement Reserve collection will increase accordingly. The Borrower and Seller/Servicer must request that the Loan Documents on the most senior Mortgage be modified to allow the increase to occur. The Borrower and Seller/Servicer must coordinate the request with the holder of the most senior Mortgage.

In all cases, this Section 39.3(a)(2) is subject to the provisions of Section 39.6(b).

3. Rental Achievement Reserve

Funds deposited into the Rental Achievement Reserve, or letters of credit securing Borrower's obligations under a Rental Achievement Agreement or Loan Agreement must be held as continued security for Borrower's obligations under the agreement.

4. Special Purpose Reserve

Funds deposited into the Special Purpose Reserve pursuant to the Loan Agreement must be held as continued security for Borrower's obligations under the Loan Agreement.

b. Recordkeeping (10/14/16)

The Servicer must maintain accurate and complete books and records in connection with its administration of the Repair Reserve and Replacement Reserve, Special Purpose Reserve, and Rental Achievement Agreement Reserve, including maintaining in its files every disbursement request received, together with any invoices, lien waivers, budgets, engineer's certification or other documentation received in connection with any such disbursement request.

c. Investment of funds (10/14/16)

Unless the Commitment or early rate-lock application specifies otherwise, the Servicer may accept only cash or a check (subject to collection) from the Borrower for deposit into the Repair Reserve, Replacement Reserve, Special Purpose Reserve or Rental Achievement Reserve. Funds deposited into the Repair Reserve, Replacement Reserve, Special Purpose Reserve or Rental Achievement Reserve must be held and invested by the Servicer in accordance with the provisions of the Loan Documents. If the Loan Documents do not contain specific requirements, then the Servicer must hold and invest the funds in accordance with the provisions of Section 52.4.

d. Annual certification (02/06/17)

Any Servicer that has a Multifamily Servicer-only approval, as described in Section 3.1(e), must certify to Freddie Mac in writing within 90 days after the end of the Servicer's fiscal year that all Reserve collections and disbursements have been made in accordance with the applicable Reserve agreements. The Servicer must explain in writing any discrepancies from the agreements and provide a description of the steps being taken to resolve each matter.

The certification must be made using Form 1110M, Multifamily Annual Certification Report – Servicer Only. Servicers must use the Multifamily Eligibility System, available on FreddieMac.com, to complete the Form and to submit it to Freddie Mac.

The Servicer must submit the completed Form 1110M within 90 days after the end of the Servicer's fiscal year following the instructions found on the form.

39.4 Required repairs, Green Improvements and Repair Reserve Servicing for non-SBL Mortgages, or for SBL Mortgages with Loan Agreement forms dated 11-02-2015 or earlier (06/29/18)

This Section 39.4 applies to all non-SBL Mortgages and to any SBL Mortgages with Loan Agreement forms with revision dates of 11-02-2015 or earlier.

For the purposes of this Chapter, any Repair Agreement, Repair Escrow Agreement, Repair Agreement with LOC, Repair and Escrow Agreement, Loan Agreement Rider relating to repairs or other agreement involving repairs or improvements to the Property will be referred to as a "Repair Agreement."

a. Monitoring and timely completion of repairs (02/28/19)

The Servicer must monitor the applicable completion date(s) under each Repair Agreement and work with the Borrower to ensure that all repairs are completed on a timely basis.

The Servicer must notify Freddie Mac within 10 Business Days following the Servicer's confirmation of the Borrower's completion of all repairs under a Repair Agreement.

- For all repairs except Green Improvements, this notification must be on the Borrower Certification – Completion of Repairs form, found on FreddieMac.com, and must be submitted to Freddie Mac via PRS.
- For repairs classified as a Green Improvements, this notification must be on the Green Improvements Verification Certification, which is an Exhibit to the Loan Agreement, which must be submitted to Freddie Mac via the Property Reporting System (PRS). The Servicer must collect the Green Improvements Verification Certification within 30 days of completion of the Green Improvements. The Verification Certification must provide the following:
 - The date of completion of the Green Improvements
 - The specifications of the completed Green Improvements

- Confirmation that the Benchmarking Data Consultant uploaded current energy and water usage (Benchmarking Data) into Portfolio Manager®, or if Portfolio Manager®, is no longer available, into another benchmarking tool identified by Freddie Mac
- If Freddie Mac no longer owns the Mortgage, the Servicer must submit the Green Improvements Verification Certification to Freddie Mac via DMS.

Unless otherwise specified by Freddie Mac, the Servicer is responsible for documenting that all repairs are completed satisfactorily, including exercising the right of the lender under the Repair Agreement to hire an engineer to certify that the repairs have been completed in a good and workmanlike manner.

The Servicer must cause a qualified engineer to certify that repairs have been completed in a good and workmanlike manner when any one of the following conditions is present:

- The repair, if improperly done, might contribute to material failure of any building component and/or the physical deterioration of the facility
- The repair is a structural repair
- The repair consists of repair to major building systems (for example, electrical, mechanical, fire protection, etc.)

The engineer must meet or exceed the qualification requirements in Section 62.8 or Section 62SBL.17, as applicable. If the Servicer does not have a qualified engineer on staff, the Servicer must retain a qualified third party engineer. When the scope of work requires specialized knowledge to verify completion and quality, the Servicer must retain an engineer with appropriate expertise.

The Servicer must maintain supporting documentation in the Mortgage File for each completed repair, including:

- A list of the items that have been completed,
- Color photographs documenting the completed repairs,
- The final completion date, and
- The engineer's certification, when required, that repairs have been completed in a good and workmanlike manner.

If the Servicer receives an Energy Certification from the Borrower for Green Improvements made at the Property, the Servicer must notify Freddie Mac of receipt of certification. If Freddie Mac no longer owns the Mortgage, the Servicer must submit the certification to green_advantage_reporting@freddiemac.com.

If requested by Freddie Mac for Green Improvement purposes, the Servicer must deliver to Freddie Mac any utility bills, reports or documentation supporting the usage of energy and

water at the Property and if available, any calculations of any Borrower savings resulting from the Green Improvements. If Freddie Mac no longer owns the Mortgage, the Servicer must submit this information to green_advantage_reporting@freddiemac.com.

b. Incomplete repairs, partially completed repairs and extension requests (06/27/19)

If it becomes apparent to the Servicer that all required repairs will not be completed by the applicable completion date, the Servicer must work with the Borrower to determine whether an extension is appropriate, and to document that extension as required in this section.

1. Submitting documentation for incomplete or partially completed repairs

At least 10 days prior to the applicable completion date, the Servicer must notify Freddie Mac of partial completion of repairs on the Borrower Certification – Partial Completion of Repairs form, available on FreddieMac.com, which must be submitted to PRS. In addition, the Servicer must submit an extension request for incomplete repairs as described in Section 39.4(b)(3) or (4), as applicable.

If the Servicer determines that repairs will not be completed by the applicable completion date and that an extension is not appropriate, then at least 10 days prior to the completion date the Servicer must provide Freddie Mac with a detailed update in PRS of the

- Status of the repairs,
- Prospects for ultimate completion of those repairs,
- Borrower's reasons for not completing the repairs in a timely manner, and
- Servicer's recommendation for resolving the matter.

2. Extension requests that the Servicer is permitted to approve

a. During any period in which Freddie Mac owns the Mortgage, the Servicer may approve an extension of the completion date of a Repair Agreement unless one of the following applies:

- The Mortgage was originated on a Note labeled “CME”
- The Mortgage was originated on a Note with a revision date on or after March 1, 2014
- The Servicer has received notification from Freddie Mac that the Mortgage has been designated for inclusion in a Securitization
- The Mortgage backs a Freddie Mac Multifamily Participation Certificate or a Freddie Mac tax-exempt or taxable Multifamily bond securitization

- b. For an eligible Mortgage, the Servicer may approve an extension only if all of the following conditions are met:
- The required repairs pose no life, health or safety issues.
 - The remaining repairs represent no more than the lesser of \$500,000 or five percent of the UPB.
 - The Borrower is making progress on required repairs, as evidenced by a recent inspection or current, dated photos and paid invoices provided by the Borrower.
 - There is no material adverse impact from an extension, including detriment to occupancy or marketing efforts, asset preservation consequences or negative cash flow impact.
 - The Property condition was average or better as of the date of the last AIF, or if no AIF has been completed, as of the date of underwriting.
 - The Borrower has a reasonable business justification (not including cash flow issues) for requesting the extension.
 - The Servicer has not previously authorized an extension of the completion date.
 - The Mortgage:
 - Has a Risk Rating of six or less,
 - Has a UPB of less than \$30 million,
 - Is not in default,
 - Was not originated under the Acquisition Rehabilitation product, the Acquisition Upgrade product, the Moderate Rehabilitation product, or the REO purchase and stabilization product, and
 - Has no additional investors who have provided credit enhancements other than those provided by a Seller/Servicer, Borrower or Affiliates of the Borrower.
 - A supervisor or higher-level manager on the Servicer's staff approved the extension of the completion date using the Repair/Rehab Agreement Extension/Modification Request available via FreddieMac.com.
- c. Notwithstanding the requirements of 39.4(b)(2)(A) and (B), if the Mortgage was originated as part of the SBL program, the Servicer may approve an extension only if all of the following conditions are met:
- The outstanding required repairs pose no life, health of safety issues
 - The Mortgage is not otherwise in default

- d. For a non-SBL Mortgage, provided that all of the requirements in Section 39.4(b)(2)(A) and (B) are met, the Servicer has delegated authority to extend the completion date of a Repair Agreement by up to the same amount of time initially granted in the Repair Agreement, but not more than a date that is 12 months after the Origination Date of the non-SBL Mortgage. (For example, if the original completion date was 90 days following the Origination Date of the Mortgage, the Servicer may extend the completion date by no more than 90 days.)

For an SBL Mortgage, provided that all of the requirements in Section 39.4(b)(2)(C) are met, the Servicer has delegated authority to extend the completion date of a Repair Agreement up to a date that is 12 months after the Origination Date of the SBL Mortgage.

- e. For all Mortgages, the Servicer must notify Freddie Mac of any actions taken under this delegated approval within two days after the effective date of the approval by electronically submitting to Freddie Mac via DMS
- The Repair/Rehab Agreement Extension/Modification Request, available via FreddieMac.com,
 - A copy of the approval letter that the Servicer provided to the Borrower
 - Copies of any modified loan documents

3. Submitting extension requests requiring Freddie Mac approval

Freddie Mac approval is required for all modifications and extensions of the Repair Agreement with respect to any Mortgage not described in Section 39.4(b)(2)(A) and (C).

If a Borrower requests an extension or modification of a Repair Agreement, the Servicer must, within three Business Days of receiving such request, notify [MF Borrower Transactions@freddiemac.com](mailto:MF_Borrower_Transactions@freddiemac.com) or [MF Structured Transactions@freddiemac.com](mailto:MF_Structured_Transactions@freddiemac.com), as applicable, of such request via email to [MF Asset Transactions@freddiemac.com](mailto:MF_Asset_Transactions@freddiemac.com).

The Servicer must deliver its recommendation electronically to Freddie Mac using the Repair/Rehab Agreement Extension/Modification Request available via FreddieMac.com, attaching any necessary supporting documentation. The Servicer must charge the Borrower a nonrefundable extension/modification review fee as set forth in Exhibit 10. If a fee is applicable, the Servicer must remit to Freddie Mac 50 percent of the fee, and may retain the remaining 50 percent.

4. Documentation of approved extensions

Within the time specified in Freddie Mac's approval of a modification or extension of a Repair Agreement, the Servicer must deliver any required documents and fees to Freddie Mac in accordance with the delivery requirements of the approval letter.

5. Managing outstanding Repair items

The Servicer must manage notifications to the Borrower until the Servicer receives acceptable proof of completion for all items identified in the Repair Agreement. For Repairs not completed as or when required, Freddie Mac considers sending a “reservation of rights” letter to be a prudent Servicing practice in conjunction with enforcing the Loan Documents. The Servicer must work closely with Freddie Mac in handling adverse matters. If Repair items remain outstanding 30 calendar days after the Completion Due Date, the Servicer must consider issuing a “reservation of rights” letter which incorporates substantially the following language:

“Except as otherwise expressly stated above, nothing contained herein and no action or inaction by the Lender, including without limitation the collection or retention of loan payments and other sums due Lender under the Loan Documents or the acceptance of performance of any other obligation of any kind under the Loan Documents by Borrower or Guarantor, will (i) relieve or release Borrower or any Guarantor from any of their respective duties, obligations, covenants or agreements under the Loan Documents; (ii) constitute a waiver or release of any default by Borrower or Guarantor, or a limitation on the exercise of, any of the rights or remedies available to the Lender at law, in equity or under the Loan Documents arising from such default; or (iii) be deemed to constitute a modification or alteration of the terms, conditions or covenants of the Loan Documents, all of which remain in full force and effect. This [notice/letter] is being transmitted to you as a courtesy and is not intended as an admission that written notice or any communication of any kind is otherwise due from the Lender, the Borrower and/or any other party. ALL RIGHTS ARE HEREBY EXPRESSLY RESERVED.”

Disclaimer:

Prior to using the reservation of rights language quoted above in correspondence with a Borrower, a Guarantor or other loan transaction party, the Servicer must consult the Loan Documents relevant to the Mortgage to ensure such language is consistent with the terms of the Loan Documents.

If a situation escalates, and the Servicer issues a notice of default in accordance with the Loan Documents, the Servicer must provide Freddie Mac with a copy of the notice of default.

c. Disbursement from Repair Reserve (10/31/12)

The Servicer must review all estimates or contracts from contractors to determine that the bid amount for each repair is reasonable. The Servicer also must ensure that the bid price is reasonably sufficient to pay for all necessary labor and materials to be performed or supplied by that contractor. The Mortgage File retained by the Servicer must include all estimates and contracts.

Unless otherwise specified by Freddie Mac, the Servicer will be responsible for authorizing disbursements from the Repair Reserve and for documenting that all repairs are completed satisfactorily. If the Borrower has met all of the Repair Agreement conditions for disbursement, then the Servicer may make the requested disbursement to

- The Borrower, if the Borrower has submitted evidence that the work for which disbursement is requested has been fully paid for by the Borrower. This evidence must be in the form of lien waivers, copies of canceled checks, receipts or invoices that are in the amount of the disbursement request and that are marked "paid"
- The Borrower and the contractor or vendor jointly, if the Borrower has not submitted evidence that the work has been paid for in full

d. Requiring a Borrower to fund an unfunded Repair Reserve upon default (06/25/20)

Even if a Repair Agreement did not require immediate funding of a Repair Reserve, the Repair Agreement may require the Borrower to fund the Repair Reserve upon the occurrence of an event of default under the Loan Documents. The Servicer must consult with Freddie Mac *Multifamily Asset Management, Asset Resolution* upon the occurrence of an event of default by the Borrower, and must require the Borrower to establish the Repair Reserve within the time and in the amount specified by Freddie Mac. Within 10 days following funding of the Repair Reserve, the Servicer must deliver to Freddie Mac, at the address found on the form, the original of one of the following forms, as applicable, executed on behalf of the institution that maintains the Repair Reserve Custodial Account:

- If the Custodial Account for the Repair Reserve is held by an institution other than the Servicer, Form 1058, Letter Agreement for Servicer's Reserve Custodial Account
- If the Custodial Account for the Repair Reserve is held by the Servicer, Form 1060, Letter Agreement for Reserve Custodial Account

e. Prohibited actions by the Servicer (09/18/14)

The Servicer may not take any of the following actions with respect to the Repair Agreement or Repair Reserve without Freddie Mac's prior written consent:

- Charge a one-time fee in excess of the amount set forth in Exhibit 10 for establishing the Repair Reserve
- Charge a fee in excess of the amount set forth in Exhibit 10 (excluding travel and other reasonable expenses) for each inspection of the Property under the Repair Reserve Agreement
- Make disbursements from the Repair Reserve to any party other than the Borrower, except as permitted by Section 39.4(c)
- Require the Borrower to deposit funds into the Repair Reserve in excess of the deposits required pursuant to Freddie Mac's Letter of Commitment or early rate-lock application
- Exercise the right of the lender under the Repair Reserve Agreement to perform any capital replacement
- Enter into any contract in its own or the Borrower's name, incur any indebtedness or advance its own funds to perform or complete any repair

- Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply to the indebtedness any amounts on deposit in the Repair Reserve upon the Borrower's default
- Approve any modifications to the Repair Agreement except as permitted by Section 39.4(b)(2)

39.5 Priority Repairs and Replacement Reserve Servicing for SBL Mortgages with Loan Agreement forms dated after 11-02-2015 (10/14/16)

This Section 39.5 applies to all SBL Mortgages with Loan Agreement forms with revision dates after 11-02-2015.

a. Monitoring and completion of Priority Repairs (03/03/17)

In conjunction with the first annual property inspection and all subsequent property inspections, the Servicer must determine whether the Borrower has completed the Priority Repairs (including PR-90 Repairs) listed on Form 1104, SBL Physical Risk Report.

Freddie Mac will create a single Loan Item Tracking (LIT) entry in PRS that captures all of the Priority Repairs (to include PR-90 Repairs) identified on Form 1104, SBL Physical Risk Report. Within 30 calendar days of deeming any Priority Repair item to be complete, the Servicer must go into PRS and update the LIT accordingly.

If the Servicer determines that any Priority Repair (including PR-90 Repairs) has not been completed, the Servicer must issue a notification to the Borrower documenting the outstanding Priority Repair and refer the Borrower to its obligation under the Loan Agreement to complete the identified Priority Repair. The Servicer must follow up on any outstanding Priority Repair items at the next scheduled inspection, unless the incomplete repairs include Life Safety Hazards. If any remaining Priority Repair is a Life Safety Hazard, the Servicer must work closely with the Borrower until the Life Safety Hazard is remediated or resolved.

The Servicer must cause a qualified engineer to certify that repairs have been completed in a good and workmanlike manner when any one of the following conditions is present:

- The repair, if improperly done, might contribute to material failure of any building component and/or the physical deterioration of the facility
- The repair is a structural repair
- The repair consists of repair to major building systems (for example, electrical, mechanical, fire protection, etc.)

The engineer must meet or exceed the qualification requirements in Section 62SBL.17. If the Servicer does not have a qualified engineer on staff, the Servicer must retain a qualified third party engineer. When the scope of work requires specialized knowledge to verify completion and quality, the Servicer must retain an engineer with appropriate expertise.

The Servicer must maintain supporting documentation in the Mortgage File for each completed repair, including:

- A list of the items that have been completed,
- Color photographs documenting the completed repairs,
- The final completion date, and
- The engineer's certification, when required, that repairs have been completed in a good and workmanlike manner.

b. Reserved (10/14/16)

c. Disbursement from Replacement Reserve Fund for Priority Repairs (10/14/16)

The Servicer must review all estimates or contracts from contractors to determine that the bid amount for each repair is reasonable. The Servicer also must ensure that the bid price is reasonably sufficient to pay for all necessary labor and materials to be performed or supplied by that contractor. The Mortgage File retained by the Servicer must include all estimates and contracts.

Unless otherwise specified by Freddie Mac, the Servicer will be responsible for authorizing disbursements from the Replacement Reserve and for documenting that all repairs are completed satisfactorily. If the Borrower has met all of the conditions for disbursement, then the Servicer may make the requested disbursement to

- The Borrower, if the Borrower has submitted evidence that the work for which disbursement is requested has been fully paid for by the Borrower. This evidence must be in the form of lien waivers, copies of canceled checks, receipts or invoices that are in the amount of the disbursement request and that are marked "paid"
- The Borrower and the contractor or vendor jointly, if the Borrower has not submitted evidence that the work has been paid for in full

d. Reserved (10/14/16)

e. Prohibited actions by the Servicer (10/14/16)

The Servicer may not take any of the following actions with respect to the Replacement Reserve Fund without Freddie Mac's prior written consent:

- Charge a fee for establishing the Replacement Reserve Fund
- Charge a fee in excess of the amount set forth in Exhibit 10 (excluding travel and other reasonable expenses) for each inspection of the Property under the Loan Agreement
- Make disbursements from the Replacement Reserve Fund to any party other than the Borrower, except as permitted by Section 39.5(c)

- Require the Borrower to deposit funds into the Replacement Reserve Fund in excess of the deposits required pursuant to Freddie Mac's Letter of Commitment or early rate-lock application
- Exercise the right of the lender under the Loan Agreement to perform any capital replacement
- Enter into any contract in its own or the Borrower's name, incur any indebtedness or advance its own funds to perform or complete any Capital Replacement or repair
- Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply to the indebtedness any amounts on deposit in the Replacement Reserve Fund upon the Borrower's default

39.6 Replacement Reserve Servicing (10/14/16)

For the purposes of this Chapter, the term “Replacement Reserve Agreement” means any Replacement Reserve Agreement, Replacement Reserve Rider to Loan Agreement, or other Loan Document establishing a Replacement Reserve, including the Loan Agreement.

a. Funded Replacement Reserves (12/10/13)

The Servicer is responsible for authorizing releases from the Replacement Reserve and for obtaining from the Borrower copies of canceled checks or bills that are certified "paid" and valid lien waivers. The Seller/Servicer must also document that all capital replacements are completed satisfactorily, including exercising the right of the lender under the Replacement Reserve Agreement to hire an engineer to certify that the capital replacements have been completed in a good and workmanlike manner.

b. Disbursements for additional capital replacement items (07/01/14)

1. Mortgages for which the Servicer is permitted to approve additional disbursements

During any period in which Freddie Mac owns the Mortgage, the Servicer may approve a disbursement for certain capital replacement items not specifically listed in the Replacement Reserve Agreement unless one of the following applies:

- The Mortgage was originated on a Note labeled “CME”
- The Mortgage was originated on a Note with a revision date on or after March 1, 2014
- The Servicer has received notification from Freddie Mac that the Mortgage has been designated for inclusion in a Securitization
- The Mortgage backs a Freddie Mac Multifamily Participation Certificate or a Freddie Mac tax-exempt or taxable Multifamily bond securitization

2. Types of additional disbursements the Servicer may approve

Subject to the limitations in this Section 39.6(b), the Servicer may authorize a disbursement for certain capital replacement items not specifically listed in the Replacement Reserve Agreement. The only permissible additional items are as follows:

- a. A capital replacement item which was identified and made part of the projected expenditures in the property condition report
- b. A capital replacement item that the Servicer reasonably determines is critical to the continued operation of the Property (“critical replacement”), if each of the following conditions is satisfied:
 - i. The Servicer has determined that the Property’s cash flow is insufficient to cover the cost of the critical replacement, and has taken one of the following actions:
 - Confirmed that Replacement Reserve balances and projections are reasonably adequate to cover future disbursements for capital replacements listed in the Replacement Reserve Agreement, or
 - Required the Borrower to amend the Replacement Reserve Agreement to increase the amount of future monthly deposits to cover the original capital replacements as well as the critical replacement, if the Servicer has determined that the disbursement for the critical replacement will cause the amount of the Replacement Reserve to fall below an adequate level. The Servicer must prepare the applicable amendment and submit it to Freddie Mac for its review, approval and signature.
 - ii. The Servicer must retain supporting documentation and copies of its approvals in the Mortgage File for all disbursements made pursuant to Section 39.6(b)(2).
- c. The Servicer may only authorize a disbursement for a critical replacement described in Section 39.6(b)(2) when all of the following additional conditions are met:
 - The Property secures a Mortgage that has a Risk Rating of six or less and is not in default.
 - The disbursement is for capital replacement items that are upgrades which add value to and prevent an adverse condition at the Property.
 - A supervisor or higher-level manager on the Servicer’s staff has approved the disbursement for the additional capital replacement items.
 - No credit enhancement has been provided by any person or entity that is not a party to the Mortgage.

If any one or more of the conditions described in this Section 39.6(b)(1) or (2) is not met, the Servicer must seek Freddie Mac’s approval, as described in Section 39.6(b)(2)(d) below.

- d. Freddie Mac approval is required for any Replacement Reserve disbursement request for any capital replacement item that is not specifically listed in the

Replacement Reserve Agreement nor permitted under Section 39.6(b)(1) or (2) (a) – (c). For all such disbursement requests, the Servicer must electronically deliver to Freddie Mac a written request for such modification using the General Servicing Request, available via FreddieMac.com, attaching any necessary supporting documentation.

c. Requiring a Borrower to fund an unfunded Replacement Reserve (05/01/14)

If the Replacement Reserve Agreement did not require immediate monthly funding of the Replacement Reserve, the Agreement may nonetheless require the Borrower to begin to make deposits to the Replacement Reserve upon the occurrence of certain conditions specified in the agreement. The Servicer must consult with Freddie Mac upon the occurrence of any of the specified conditions, and must require the Borrower to commence funding of the Replacement Reserve when specified by Freddie Mac. Within 10 days following funding of the Replacement Reserve, the Servicer must deliver to Freddie Mac an original of one of the following forms, as applicable, executed on behalf of the institution that maintains the Replacement Reserve Custodial Account:

- If the Custodial Account for the Replacement Reserve is held by an institution other than the Servicer, Form 1058, Letter Agreement for Servicer's Reserve Custodial Account
- If the Custodial Account for the Replacement Reserve is held by the Servicer, Form 1060, Letter Agreement for Reserve Custodial Account

d. Unfunded Replacement Reserves with required capital expenditures (04/30/19)

If the Borrower is required to spend a minimum or specified amount on capital expenditures annually, or an average amount per year over a specified period of time, and a Replacement Reserve Custodial Account is not in place, the Servicer must monitor compliance with the expenditure requirements in accordance with the Replacement Reserve Agreement and may accept either of the following items as evidence of compliance:

- An operating statement for the reporting period, certified by the Borrower, that includes sufficient details to confirm the capital expenditures were made, or
- An itemized list, certified by the Borrower, of capital expenditures for the reporting period identifying the item, cost for the item, and total paid for capital expenditures for the period.

The Servicer must monitor the capital expenditures in accordance with the Replacement Reserve Agreement. If the Servicer determines the Borrower is not in compliance with the capital expenditure requirements, the Servicer must work with the Borrower to resolve the noncompliance. The Servicer must notify Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* if any of the following conditions is present:

- The Property secures a Mortgage that has a Risk Rating greater than six or is in default
- The Property condition had a rating of

- Less than Average on the Freddie Mac rating scale, if the last inspection took place before 2012, or
- Four or five if the last inspection took place in 2012 or later
- There are significant outstanding Deferred Maintenance issues or the Borrower is out of compliance in an amount that exceeds 20% of the required expenditures
- There are additional investors who have provided credit enhancements (other than those provided by a Seller/Servicer, Borrower, or Affiliates of the Borrower)
- The Mortgage backs a Freddie Mac Multifamily Participation Certificate or a Freddie Mac tax-exempt (or taxable) Multifamily bond securitization

e. Prohibited actions by the Servicer (09/18/14)

The Servicer may not take any of the following actions with respect to the Replacement Reserve without Freddie Mac's prior written consent:

1. Charge a one-time fee in excess of the amount set forth in Exhibit 10 for establishing the Replacement Reserve
2. Charge a fee in excess of the amount set forth in Exhibit 10 (excluding travel and other reasonable expenses) for each inspection of the Property under the Replacement Reserve Agreement
3. Make disbursements from the Replacement Reserve to any party other than the Borrower
4. Require the Borrower to deposit funds into the Replacement Reserve in excess of the deposits required pursuant to Freddie Mac's Letter of Commitment or early rate-lock application, except as authorized under Section 39.6(b)
5. Exercise the right of the lender under the Replacement Reserve Agreement to perform any capital replacement
6. Enter into any contract in its own or the Borrower's name, incur any indebtedness or advance its own funds to perform or complete any capital replacement
7. Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply to the indebtedness any amounts on deposit in the Replacement Reserve upon the Borrower's default

f. Mortgages with terms longer than 10 years (12/12/14)

For a Mortgage with a loan term longer than 10 years, the Replacement Reserve requirements in the Loan Documents may provide that the lender may adjust the Replacement Reserve amount following receipt of an updated property condition report. If the Loan Documents provide for such an adjustment, then on the 10th anniversary of the

Origination Date of the Mortgage, the Servicer must conduct a re-evaluation of the adequacy of the Replacement Reserve.

If the Loan Documents permit the lender to adjust the Replacement Reserve amount, then the Servicer must take one of the following actions:

- If the Loan Documents provide that the lender may obtain a property condition report and either charge the cost to the Borrower or deduct the cost from the Replacement Reserve Fund, then the Servicer must obtain an updated property condition report conducted in accordance with the requirements of Chapter 62.
- If the Loan Documents do not contain a provision authorizing the lender to obtain a property condition report at the Borrower's expense, then the Servicer must conduct a property inspection in accordance with the requirements of Chapter 40 for annual inspections; however, third-party fee inspectors are not permitted.

Within 15 days following receipt of the updated property condition report or property inspection, as applicable, the Servicer must electronically submit a recommendation on the General Servicing Request to Freddie Mac regarding the need for adjustments to the Replacement Reserve amount.

Unless the Loan Documents provide otherwise, the Servicer must deduct from the Replacement Reserve Fund an amount sufficient to pay all reasonable fees and expenses charged by the property condition consultant or Servicer.

39.7 Rental achievement Reserve Servicing (05/01/14)

For the purposes of this section, any Property performance achievement agreement, such as a rental achievement guaranty, a Rental Achievement Escrow Agreement – Cash or Rental Achievement Agreement – Letter of Credit, or Rental Achievement Rider to Loan Agreement which a Borrower or guarantor has executed with respect to a Mortgage, will be referred to as a “rental achievement agreement”.

If a rental achievement agreement exists with respect to the Property, the Servicer must require the Borrower to establish any required Reserve or post any required letter of credit within the time and in the amount specified by Freddie Mac. A rental achievement guaranty executed in connection with the Mortgage may include rental achievement provisions tied to a reduction in the amount of the base guaranty or other provisions. See Section 11.2 for the Seller/Servicer's obligations with respect to the approval and monitoring of Letters of Credit.

a. Monitoring of Property performance; requests for release or reduction of Reserve funds (09/18/14)

The Servicer must monitor the performance of the Property under the terms of the rental achievement agreement. If the Borrower or guarantor submits a request for release of the Reserve or letter of credit, or a reduction in the base guaranty, the Servicer must

- Collect all data required to analyze the request under the terms of the applicable document

- Review and analyze the data
- Submit the data and the Servicer's written recommendation with respect to the request to Freddie Mac electronically, using the Release/Extension of Monetary Collateral Request, available via FreddieMac.com, and attaching any necessary supporting documentation

If the rental achievement agreement includes an earn-out expiration date, the Servicer must monitor the earn-out expiration date, and must contact Freddie Mac, via email at least 30 days prior to the earn-out expiration date, providing the Servicer's discussion of the Property's performance in relation to the performance standard. In the email, the Servicer must advise Freddie Mac whether:

- The Servicer expects the Property to meet the performance standard prior to the earn-out expiration date,
- The Borrower or guarantor is likely to request an extension of the earn-out expiration date, and
- The Servicer recommends any action by Freddie Mac.

b. Extension of earn-out expiration date (09/18/14)

If the Borrower or guarantor requests an extension of the earn-out expiration date, the Servicer must advise the Borrower or guarantor in writing that Freddie Mac is under no obligation to consider or agree to such a request. If Freddie Mac does agree to an extension, it may charge a fee as set forth in Exhibit 10.

The Servicer must submit any request for an extension of the earn-out expiration date to Freddie Mac electronically. The request must include all of the following:

- A determination of the performance of the Property with respect to the applicable performance standard
- The Servicer's assessment of the likelihood that the Property will meet the performance standard within the extended time requested
- An explanation from the Borrower or guarantor of the reasons that the Property will not meet the performance standard by the earn-out expiration date
- The Servicer's recommendation regarding the extension request

c. Servicer's notice to Freddie Mac following approved addition, release, reduction or substitution of the Reserve or letter of credit (10/31/12)

If Freddie Mac approves the addition, release or reduction of the Reserve or letter of credit, or a substitution of collateral, then the Servicer must notify Freddie Mac by email within one Business Day after the completion of the addition, release, reduction or substitution. The Servicer must electronically deliver to Freddie Mac any background documentation regarding the addition, release, reduction or substitution.

d. Failure of Property to meet performance standard; application of collateral (10/31/12)

If the earn-out expiration date passes and the Borrower or guarantor, as applicable, has not demonstrated that the Property has met the performance standard specified in the rental achievement agreement, then

- Freddie Mac may elect to apply the Reserve or the proceeds of the letter of credit to reduce the outstanding principal balance due under the Note, or to make a claim against the guarantor, as applicable. If Freddie Mac determines to take such action, it will advise the Servicer in writing and direct the Servicer to take the action necessary to implement Freddie Mac's decision.
- Unless and until Freddie Mac elects to take any action described above, the Servicer must maintain the Reserve or letter of credit, as applicable, and any guaranty will remain in place.

e. Prohibited actions by the Servicer (10/31/12)

Without Freddie Mac's written approval, the Servicer may not:

- Take any action to reduce the amount of or release the Rental Achievement Reserve or letter of credit
- Extend any earn-out expiration date specified in the applicable agreement
- Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply any Reserve or letter of credit proceeds
- Otherwise amend the terms of the applicable agreement

39.8 Special Purpose Reserve Servicing (10/14/16)

If the Loan Agreement for a Mortgage requires a Special Purpose Reserve, the Servicer must require the Borrower to establish the Reserve within the time and in the amount specified by Freddie Mac.

a. Monitoring of Property performance; requests for release or reduction of Reserve funds (10/14/16)

The Servicer must monitor the performance of the Property under the terms of the Loan Agreement relative to the Special Purpose Reserve. If the Borrower submits a request for release of the Reserve, the Servicer must

- Collect all data required to analyze the request under the terms of the Loan Agreement
- Review and analyze the data
- Submit the data and the Servicer's written recommendation with respect to the request to Freddie Mac electronically, using the Release/Extension of Monetary Collateral Request, available via FreddieMac.com, and attaching any necessary supporting documentation

b. Extension of termination date (10/14/16)

If the Borrower requests an extension of the termination date for the Special Purpose Reserve, the Servicer must advise the Borrower in writing that Freddie Mac is under no obligation to consider or agree to such a request.

The Servicer must submit any request for an extension of the termination date to Freddie Mac electronically. The request must include all of the following:

- A determination of the performance of the Property with respect to the applicable performance standard
- The Servicer's assessment of the likelihood that the Property will meet the performance standard within the extended time requested
- An explanation from the Borrower of the reasons that the Property will not meet the performance standard by the termination date
- The Servicer's recommendation regarding the extension request

c. Servicer's notice to Freddie Mac following approved addition, release, reduction or substitution of the Reserve or letter of credit (10/14/16)

If Freddie Mac approves the addition, release or reduction of the Reserve, then the Servicer must notify Freddie Mac by email within one Business Day after the completion of the addition, release, or reduction. The Servicer must electronically deliver to Freddie Mac any background documentation regarding the addition, release, or reduction.

d. Failure of Property to meet performance standard; application of collateral (10/14/16)

If the termination date passes and the Borrower has not demonstrated that the Property has met the performance standard specified in the Loan Agreement for the release of the Special Purpose Reserve, then

- Unless prohibited by the Loan Agreement, Freddie Mac may elect to apply the Reserve to reduce the outstanding principal balance due under the Note. If Freddie Mac determines to take such action, it will advise the Servicer in writing and direct the Servicer to take the action necessary to implement Freddie Mac's decision.
- Unless and until Freddie Mac elects to take the action described above, the Servicer must maintain the Reserve.

e. Prohibited actions by the Servicer (10/14/16)

Without Freddie Mac's written approval, the Servicer may not:

- Take any action to reduce the amount of or release the Special Purpose Reserve

- Extend any termination date specified in the applicable agreement
- Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply any Reserve
- Otherwise amend the terms of the applicable agreement

39.9 Servicing Moderate Rehabilitation (Mod Rehab) Mortgages (05/05/17)

Capitalized terms used but not defined in this section have the meanings given to them in Section 17.4(a).

During the Interim Phase of a Mod Rehab Mortgage the Servicer disburses funds periodically at the request of the Borrower to reimburse renovation expenses; this disbursement is subject to holdbacks as identified in the Disbursement Agreement. The Servicer must disburse draws only upon receipt of documentation sufficient to indicate that the renovation work has been properly completed. A general overview of the draw process is as follows:

- To initiate the disbursement of funds, the Borrower submits a Disbursement Request to the Servicer.
- The Servicer requests that the Architectural Consultant inspect the Property.
- Based on the Architectural Consultant's inspection, the Servicer's review of the Borrower's Disbursement Request, and confirmation that the Mortgage meets the performance metrics as identified in the Disbursement Agreement, the Servicer sends a Disbursement Certification to Freddie Mac.
- Upon receipt of the funds from Freddie Mac, the Servicer forwards the funds to the Borrower.
- The Servicer submits the completed draw package described below to Freddie Mac within five Business Days after the Servicer submits the Disbursement Certification.

The Servicer may not submit a subsequent Disbursement Certificate or draw package to Freddie Mac unless Freddie Mac has approved the previous draw package.

The Borrower's responsibilities are found in the Disbursement Agreement and the Servicer's responsibilities are found in the Disbursement Servicing Agreement, each of which is executed at loan origination.

a. Servicer responsibilities (05/05/17)

As more fully detailed in the Disbursement Servicing Agreement, the Servicer must:

- Evaluate each Disbursement Request from the Borrower (which consists of fully executed AIA Forms G702 and G703, or their equivalent) to confirm that work was adequately completed and properly represented by the request

- Review construction monitoring reports for accuracy, completeness and compliance with Section 63.4
- Review all change orders to ensure that revisions do not impact the scope or quality of renovations and to ensure that sufficient funds remain to complete the project
- Confirm that the Property has met any performance metric requirement set forth in the Disbursement Servicing Agreement, typically related to net rental income
- Submit a Disbursement Certification (the form of which is attached as an exhibit to the Disbursement Servicing Agreement) to mfla@FreddieMac.com and MF_AM_PhysicalRisk@FreddieMac.com upon verification of the request
- Within five Business Days after submitting the Disbursement Certification, submit the completed draw package to MF_AM_PhysicalRisk@FreddieMac.com. The draw package must include the following:
 - A cover letter that summarizes
 - Disbursement Request (including AIA Forms G702/G703 or their equivalent)
 - Budget status
 - Renovation progress
 - Construction monitoring report
 - Status of the performance metric(s)
 - Copy of the Disbursement Certification
 - Title update
 - Construction monitoring report meeting the requirements of Section 63.4
 - Current rent roll
- Promptly upon receipt of the disbursement funds from Freddie Mac, and no more than 10 Business Days after receipt of the Disbursement Request, make the requested disbursement to the Borrower

b. Draw calculation (05/05/17)

Projects are generally subject to a funding source split between Freddie Mac and Borrower equity. Additionally, the full portion of each draw funded by Freddie Mac is subject to a retainage. The amounts of the Freddie Mac/Borrower equity split and retainage are detailed in the Disbursement Agreement. The amount shown in the Disbursement Certification must reflect the amount owed to the Borrower, net of the equity portion and the retainage.

Sample Draw Calculation

- The Borrower submits a Disbursement Request in the amount of \$1,300,000
- The Servicer confirms that the amount requested is appropriate, and submits the Disbursement Certification to Freddie Mac. The amount submitted to Freddie Mac is the amount requested in the Disbursement Request less the Borrower's equity share of 20 percent and the retainage amount of five percent:
 - Borrower equity is subtracted first: $\$1,300,000 \text{ less } (1,300,000 * 0.20) = 1,040,000$
 - Retainage of five percent is then subtracted: $\$1,040,000 \text{ less } (1,040,000 * 0.05) = \$988,000$
- The Servicer's Disbursement Certification requests the net amount of \$988,000 for funding by Freddie Mac

c. Release of retainage and holdback amounts (05/05/17)

Upon substantial completion of the renovation project and Borrower submission to the Servicer of the documentation outlined in the Disbursement Agreement, Freddie Mac will release to the Servicer the retainage amount, less a \$250,000 holdback.

Upon final completion of the renovation project, including completion of all remaining punch list items, and Borrower submission to the Servicer of final documentation outlined in the Disbursement Agreement, Freddie Mac will release to the Servicer the final \$250,000 holdback balance.

39.10 Servicing a Mortgage with a Green Up® or a Green Up Plus® loan option (10/12/17)

Capitalized terms used but not defined in this section have the meanings given to them in the Glossary.

Green Improvements are treated as repairs. Funds earmarked for Green Improvements are included in the Repair Reserve, and the requirements of Sections 39.1 and 39.3 apply. The Servicer must monitor and report on Green Improvements in accordance with the requirements of Section 39.4.

a. Benchmarking Metrics (02/28/19)

As a requirement for a Green Up® or Green Up Plus® loan option, the Benchmarking Data Consultant must collect, input and monitor the energy and water usage for the Property in Portfolio Manager®, the online tool located on the ENERGY STAR® website of the EPA, to provide Benchmarking Metrics to Freddie Mac.

The Borrower, through the Benchmarking Data Consultant, will be required under the Loan Documents to provide Benchmarking Metrics generated through Portfolio Manager for the Property. The Benchmarking Metrics include:

- ENERGY STAR® Score
- Energy Use Intensity

- EPA 1-100 Water Score
- Water Use Intensity

Freddie Mac will monitor submission of the Benchmarking Metrics through Portfolio Manager and will notify the Servicer of any metrics not received by the date specified in the Loan Agreement. The Servicer must then contact the Borrower and request that the Borrower, through the Benchmarking Data Consultant submit the required Benchmarking Metrics.

The benchmarking process is as follows:

- The Borrower sets up an account in Portfolio Manager
- The Servicer assists the Borrower in gaining access to the information to be inputted for the Property by the Green Consultant in Portfolio Manager
- The Benchmarking Data Consultant inputs on-going Property consumption data into Portfolio Manager
- The Borrower, through the Benchmarking Data Consultant, submits the annual Benchmarking Metrics to Freddie Mac via Portfolio Manager

The responsibilities of the Borrower, Benchmarking Data Consultant and the Servicer with respect to the on-going benchmarking process are found in the Green Improvements Rider attached to the Loan Agreement.

b. Borrower, Green Consultant and Benchmarking Data Consultant Access to Portfolio Manager (02/28/19)

In accordance with Section 65.2, the Green Consultant must input historical Property energy and water consumption information into Portfolio Manager. To enable the Borrower to gain access to the Property information in Portfolio Manager, the Servicer must:

- Ensure the Borrower has a Portfolio Manager account
- Provide the Borrower's Portfolio Manager user name, email and the name of the Property to the Green Consultant

The Green Consultant must send a connection request to the Borrower through Portfolio Manager. Once the Borrower accepts the connection request, the Green Consultant will share the Property information with the Borrower.

The Borrower will be responsible to ensure the Benchmarking Data Consultant has access to the Property information in Portfolio Manager to begin inputting energy and water consumption usage in accordance with the timeframes provided in the Loan Agreement.

Prior to the Origination Date, the Seller/Servicer must follow up with

- the Borrower and the Green Consultant to ensure that the Borrower has access to the Property information which has been inputted by the Green Consultant in Portfolio Manager and
- the Borrower to confirm that the Benchmarking Data Consultant has been given access to the Property information in Portfolio Manager and is able to input energy and water consumption usage

