

Multifamily Seller/Servicer Guide

Chapter 40

Assessments and Other Post-purchase Reporting



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40.1 General information regarding assessments and other post-purchase reporting (10/19/23)

a. General information regarding assessments (10/19/23)

Freddie Mac requires the Servicer to perform periodic assessments of each Property to assist Freddie Mac in preventing Mortgage defaults and losses through the early detection and resolution of concerns about a Mortgage.

The Servicer must complete the assessment in a sufficiently detailed manner to provide a framework for Freddie Mac to monitor the performance of the Mortgage. The Servicer must complete all sections of each assessment using the best information available. If the Servicer is unable to accurately complete any section or obtain any required document, the Servicer must provide a satisfactory explanation for the incomplete section or missing document with the assessment submission.

To accomplish competently the objectives of each assessment, the Servicer must employ experienced and trained personnel. Minimum training and experience requirements for all inspectors are set forth in Section 40.13. Section 40.14 sets forth training and experience requirements for the employees and contractors of a fee inspector company (FIC). The Servicer is responsible for the completed assessment submission regardless of who performed the inspection and will be held responsible for material mistakes, misrepresentations or omissions in the assessment submission as outlined in Section 40.10.

b. Additional Seller/Servicer post-purchase reporting for Mortgages purchased for Securitization (03/03/17)

For Mortgages purchased for Securitization, the Seller/Servicer must provide additional reporting prior to Securitization. These requirements are outlined in Section 40.15.

c. Additional reporting requirements for Special Product Type Mortgages including SBL Mortgages (03/03/17)

Special Product Type Mortgages, including SBL Mortgages, have additional or different reporting requirements, as outlined in Section 40.16. Except as provided in Section 40.16, Special Product Type Mortgages are subject to all of the requirements of this chapter.

40.2 Types of assessments and timing of assessments (10/19/23)

a. Types of assessments (10/19/23)

During any period in which Freddie Mac holds a Mortgage, Freddie Mac requires the following:

1. The Annual Financial is a year-end operating statement analysis in which the Servicer reviews the Property's financial condition for the most recent calendar year to identify any risks associated with the Property's financial performance. The Annual Financial includes an analysis of the Property's financial condition, the historical performance of the Mortgage and other pertinent data related to the Mortgage. Section 40.2(b) describes the use and timing of the Annual Financial submissions:



- A-CREFC-MF prepared for multifamily loans in accordance with the Commercial Real Estate Financial Council Investor Reporting Package (CREFC IRP)
- A-CREFC-HC prepared for multifamily healthcare/Seniors Housing loans in accordance with the CREFC IRP

Annual Financial interest rate cap/derivative income and expense reporting for Floating-Rate Mortgages: Notwithstanding anything to the contrary contained in the CREFC IRP, any payments (income) received pursuant to interest rate caps or other derivatives must be excluded from “other income.” Any expenses related to replacement interest rate caps or other derivatives must be excluded from “other expenses.” Accordingly, the reported debt service must reflect the sum of uncapped interest, principal and replacement rate cap escrow amounts less any income received from interest rate caps or other derivatives.

2. The Quarterly Financial is a quarterly submission in which the Servicer reviews the Property’s financial condition for the most recent quarter to identify any risks associated with the Property’s financial performance. Section 40.2(b) describes the use and the timing of the Q-CREFC submissions; Section 40.16 provides additional Quarterly Financial instructions for Special Project Type Mortgages.
 - Q-CREFC-MF prepared for multifamily loans in accordance with the CREFC IRP
 - Q-CREFC-HC prepared for multifamily healthcare/Seniors Housing loans in accordance with the CREFC IRP

Quarterly Financial interest rate cap/derivative income and expense reporting for Floating-Rate Mortgages: Same as Annual Financial reporting. See final paragraph of Section 40.2(a)(1) above.

3. A Mid-Year Rent Schedule is required for any SBL Mortgage originated on a Loan Agreement with a revision date on or after 11/08/2016. For the purposes of this Chapter 40, the Mid-Year Rent Schedule consists of a rent roll dated within five calendar days of the end of the second calendar quarter (or the end of the second quarter of the Borrower’s fiscal year if the Borrower has adopted fiscal year financial reporting).

The Servicer must submit the Mid-Year Rent Schedule and the following three data elements via the Property Reporting System (PRS) by August 31 of each year:

- The effective date of the rent schedule date
 - The physical occupancy percentage
 - The total actual rent for each loan in PRS (total actual rent received for occupied units; no income should be counted for vacant units).
4. The Loan Management Form (LMF) is an analysis of the Borrower’s compliance with the Loan Documents intended to highlight any potential problems associated with the Borrower or the loan.



Beginning with 2024 submissions, Freddie Mac will automatically add LMFs for every portfolio loan in PRS with a due date of 12/31 of that year. If at any time during the year the Servicer is made aware of any condition that merits reporting per Section 40.6(a), the Servicer must complete the LMF assessment and submit it via PRS. If there is a subsequent event that requires notification per Section 40.6(a), the Servicer must provide notification of the subsequent event by sending an email to MF_Surveillance@freddiemac.com. Each December, the Servicer must evaluate all loans that have an LMF with a “Due” status and submit the remaining LMFs for their portfolio(s). The Servicer may use the bulk LMF assessment submission for multiple submissions.

5. For purposes of this chapter only, rent roll shall mean a document certified by the Borrower that contains the following key data points:
 - a. Tenant name
 - b. Unit number or some other physical identification point
 - c. Contract rent
 - d. Lease start date
 - e. Lease end date
 - f. Commercial units, where applicable
 - g. Market rent (required for vacant units, as available for occupied units)
 - h. Subsidy amount (if any), as available
 - i. Past due balance (if any), as available
 - j. Additional fees or charges (i.e., pet, utilities, etc.), as available
 - k. Unit type, name or description, as available
 - l. Unit size, as available
6. The property inspection report is prepared after the physical inspection of the Property and documents the condition of the Property. When used in this chapter, the term “property inspection report” refers to either:
 - The Annual Inspection Form (AIF), which applies during any period in which Freddie Mac holds the Mortgage, or
 - The MBA Property Inspection Form, for securitized loans.

The AIF uses the same format as the MBA Property Inspection Form, but the Servicer must submit it to Freddie Mac via the Property Reporting System (PRS).

For all types of assessments, the Servicer must use the appropriate version of the form to complete the assessment. In completing the assessment, the Servicer must provide information addressing all of the issues set forth in this chapter. For any assessment issue that does not have a corresponding field in the applicable form, the Servicer must provide a response in the comments section of the form. All assessments must be submitted to Freddie Mac via the Property Reporting System (PRS). If a Servicer discovers that an assessment has not been submitted as required by the chart below, the Servicer must contact Freddie Mac at MF_Asset_Perf@freddiemac.com with details about the loan and assessment.



b. Conditions requiring an assessment and timing of assessments (10/19/23)

Beginning with the Quarterly Financial Submissions for second quarter 2017, the QIE assessment format will no longer be in use. The Q-CREFC-MF or Q-CREFC-HC, as applicable, will be required.

Beginning with the 2018 Annual Financial Submissions, the AIE assessment format will no longer be used. The A-CREFC-MF or A-CREFC-HC, as applicable, will be required.

| Assessment Type | Conditions requiring an assessment | Timing of the Assessment |
|--|--|---|
| A-CREFC-MF or A-CREFC-HC, as applicable | A Mortgage with a UPB > \$250,000 | <ul style="list-style-type: none"> March 31 – a Mortgage with a Risk Rating > 6, or a Special Product Type Mortgage specified in Section 40.16, except SBL Mortgages May 31 – all other Mortgages, including SBL Mortgages |
| Q-CREFC-MF or Q-CREFC-HC, as applicable, Non-SBL Mortgages | <ul style="list-style-type: none"> A Mortgage with a UPB > \$250,000 A Mortgage with an Origination Date on or after 01/01/2003 | <ul style="list-style-type: none"> May 31 (first quarter) – <ul style="list-style-type: none"> A Special Product Type Mortgage specified in Section 40.16, except SBL Mortgages A Mortgage with a Risk Rating > 6 August 31 (second quarter) November 30 (third quarter) |
| Q-CREFC-MF or Q-CREFC-HC, as applicable, SBL Mortgages | A Mortgage with a Risk Rating > 6 as of the applicable quarter-end | <ul style="list-style-type: none"> May 31 (first quarter) August 31 (second quarter) November 30 (third quarter) |
| Mid-Year Rent Schedule – SBL Mortgages | An SBL Mortgage originated on a Loan Agreement form with a revision date on or after 11/08/2016 | <p>Within five calendar days of the end of the Borrower's second calendar quarter (or the end of the second quarter of the Borrower's fiscal year), Unless otherwise notified by Freddie Mac, August 31.</p> <p>See Section 40.2(a)(3).</p> |



| Assessment Type | Conditions requiring an assessment | Timing of the Assessment |
|--|--|---|
| LMF Applicable during any period in which Freddie Mac holds the Mortgage | <ul style="list-style-type: none"> • A Mortgage with a UPB > \$1 million, or • A Mortgage with a Risk Rating > 6, or • A Mortgage held by Freddie Mac and subordinate to a securitized loan, or • A Mortgage where the Servicer has specific concerns regarding the Borrower's compliance with the original Loan Documents | <ul style="list-style-type: none"> • See Section 40.6(c). |
| Property inspection report – Non-SBL Mortgages | A Mortgage with a UPB ≤ \$2 million | <p>The calendar quarter end of the biennial anniversary of the Origination Date. Unless otherwise notified by Freddie Mac:</p> <ul style="list-style-type: none"> • March 31, • June 30, • September 30, or • December 31 |



| Assessment Type | Conditions requiring an assessment | Timing of the Assessment |
|--|--|---|
| | <ul style="list-style-type: none"> • A Mortgage with a UPB > \$2 million, or • A Mortgage with a Risk Rating > 6, or • A Mortgage held by Freddie Mac and subordinate to a securitized loan | <p>The calendar quarter end of the annual anniversary of the Origination Date. Unless otherwise notified by Freddie Mac:</p> <ul style="list-style-type: none"> • March 31, • June 30, • September 30, or • December 31 <p>For a Mortgage with a Transfer of Ownership or subordinate financing, a property inspection report is due at the time of the transfer or subordinate financing.</p> <p>For a Mortgage with a tax lien, a property inspection report is due when the tax lien is filed.</p> |
| Property inspection report – Mod Rehab Mortgages | Mod Rehab Mortgage | <p>The calendar quarter end of the anniversary of the date of the post-construction analysis report. Unless otherwise notified by Freddie Mac:</p> <ul style="list-style-type: none"> • March 31, • June 30, • September 30, or • December 31 |



| Assessment Type | Conditions requiring an assessment | Timing of the Assessment |
|--|--|---|
| Property inspection report – SBL Mortgages | A Mortgage with a Risk Rating ≤ 6 | <p>First report will be due the calendar quarter end of the annual anniversary of the Origination Date. Unless otherwise notified by Freddie Mac:</p> <ul style="list-style-type: none"> • March 31, • June 30, • September 30, or • December 31 <p>Thereafter, report will be due the calendar quarter end on the biennial anniversary of the Origination Date, unless otherwise notified by Freddie Mac</p> |
| | A Mortgage with a Risk Rating > 6 | <p>The calendar quarter end of the annual anniversary of the Origination Date. Unless otherwise notified by Freddie Mac:</p> <ul style="list-style-type: none"> • March 31, • June 30, • September 30, or • December 31 |

Notes to above table:

- Subject to Section 40.12, Freddie Mac will not require a Servicer to prepare a Quarterly Financial for a Mortgage secured by a Property owned by a Cooperative.
- When submitting assessments for a Property owned by a Cooperative using the A-CREFC assessment format, the Servicer must complete the Excel® [Co-op Assessment Supplemental Form](#) and submit it via PRS. The form can be found under the PRS Assessment: CREFC heading on the *Multifamily Asset Management* page of mf.freddiemac.com.
- When submitting assessments for a Property securing a Bond Credit Enhancement Mortgage using the A-CREFC assessment format, the Servicer must complete the Excel® [Bond ADS Supplemental Form](#) and submit it via PRS (the Bond ADS Supplemental Form is not required for quarterly submissions). The form can be found under the PRS Assessment: CREFC heading on the *Multifamily Asset Management* page of mf.freddiemac.com.



Due dates for the submission of any assessment type may be otherwise specified in the Letter of Commitment, any Servicing Agreement, or by other written communication from Freddie Mac.

For any assessment submitted via PRS in connection with a securitized Mortgage for which Freddie Mac is the master servicer, the due date will be the earlier of the date specified in the applicable sub-servicing agreement or the date set forth in the above table.

For Mortgages with a Transfer of Ownership, subordinate financing, or a tax lien filing, an LMF and a property inspection report are not required if the Servicer has submitted an LMF and a property inspection report within the previous 180 days and the Servicer does not know of any material changes with respect to the condition of the Property or the Borrower's compliance with the Loan Documents.

c. Requesting an adjustment of the Annual Financial due date (04/30/19)

The Servicer may contact Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* via PRS to request an adjustment of the Annual Financial due date if:

- The Borrower's fiscal year end would prevent the Servicer from submitting the Annual Financial by June 30 or other date required by Freddie Mac.
- The Mortgage was for the acquisition of the Property, and the purchase occurred so late in the preceding calendar year that the number of months of data available for review would prevent the Servicer from making a meaningful evaluation.

d. Reporting to senior Mortgage servicers (03/03/17)

If the Servicer is reporting Annual Financial or Quarterly Financial information to Freddie Mac with respect to a Supplemental Mortgage related to one or more securitized senior lien Mortgages, the Servicer is authorized to provide that same information to the Servicer(s) of the securitized senior Mortgage(s).

40.3 Completing and submitting the Annual Financial (04/27/18)

This Section applies during any period in which Freddie Mac holds a Mortgage.

a. Source documents for the Annual Financial (03/03/17)

The Servicer must conduct a review of the Property's income and expense statement to determine the Property's financial condition for the most recent calendar year and identify any risks associated with the Property's financial performance.

The Property's income and expense statement must be for the immediate preceding fiscal year. If the Borrower cannot provide an income and expense statement with 12 months of data, the Servicer may accept a partial-year statement from the Borrower. For non-SBL Mortgages, the assessment may be waived if less than six months of data is available from the Borrower. For SBL Mortgages, the assessment may be waived if less than three months of data is available from the Borrower.

The rent roll must be no older than six months prior to the Annual Financial submission date.



b. Completing the Annual Financial (04/27/18)

Prior to submission of the Annual Financial, the Servicer must enter all Property income and expense items into the appropriate fields on the template. Generally the Servicer must enter income details that correspond with the level of detail contained in the Property's income and expense statement. For detailed instructions on completing the A-CREFC templates, see the [PRS CREFC Individual Desk Reference](#), which can be found at mf.freddiemac.com, or any other such documentation as Freddie Mac may provide.

c. Submitting the Annual Financial (04/27/18)

The Servicer must submit all of the following components of the Annual Financial via PRS in order for Freddie Mac to deem the submission of the Annual Financial to be complete:

1. The completed A-CREFC template

The Servicer must provide additional reporting for Seniors Housing Mortgages, Bond Credit Enhancement Mortgages, Mortgages secured by Cooperative (Co-op) Properties and Properties currently deemed unstabilized by Freddie Mac in PRS along with the assessment. All of these additional reporting templates can be found at mf.freddiemac.com/lenders/asset.

2. Annual statement of income and expense for the Property for the most recent fiscal year, certified by the Borrower (the signature of the Borrower is sufficient)

3. Current rent roll, identifying commercial units where applicable, certified by the Borrower

For the purposes of the Annual Financial, a rent roll is considered to be current if it is dated no more than six months prior to the original due date. For example, if the Annual Financial due date is June 1, the rent roll is considered current if dated on or after December 1 of the prior year.

40.4 Completing and submitting the Quarterly Financial (04/27/18)

This Section applies during any period in which Freddie Mac holds a Mortgage.

a. Source documents for the Quarterly Financial (03/03/17)

To complete a Quarterly Financial, the Servicer must conduct a review of the Property's financial condition for the most recent fiscal year to quarter end, as requested, and identify any risks associated with the Property's financial performance.

b. Completing the Quarterly Financial (04/27/18)

Generally, the Servicer must enter income details that correspond with the level of detail contained in the Property's income and expense statement when completing the applicable Q-CREFC template.

For detailed instructions on completing the Q-CREFC templates, see the [PRS CREFC Individual Desk Reference](#), which can be found at mf.freddiemac.com, or any other such documentation as Freddie Mac may provide.



c. Submitting the Quarterly Financial (12/14/17)

The Servicer must submit the following components of the Quarterly Financial in order for Freddie Mac to deem the submission of the Quarterly Financial to be complete:

- The completed template
- For a Mortgage with a Freddie Mac Funding Date
 - Prior to March 1, 2014, a year-to-date or trailing 12-month, quarter-ending property financial statement certified by the Borrower (the signature of the Borrower is sufficient)
 - On or after March 1, 2014, a trailing 12-month property financial statement certified by the Borrower (the signature of the Borrower is sufficient)
- The current rent roll, identifying commercial units where applicable, certified by the Borrower (the signature of the Borrower is sufficient)

For the purposes of the Quarterly Financial, a rent roll is considered to be current if it is dated no more than two months prior to the original due date. For example, if the Quarterly Financial due date is August 31, the rent roll is considered current if dated on or after June 30.

The Servicer must submit the second and third quarter reporting through PRS. Additional quarterly reporting requirements for Special Product Type Mortgages are found in Section 40.16.

40.5 Completing and submitting the Mid-Year Rent Schedule (04/27/18)

This Section applies to any SBL Mortgage originated on a Loan Agreement form with a revision date on or after 11/08/2016.

a. Source documents for the Mid-Year Rent Schedule (04/27/18)

The Servicer must receive and review a rent roll for the Property (statement of rents), identifying any commercial units (as applicable), to determine current physical occupancy.

b. Submitting the Mid-Year Rent Schedule (04/27/18)

The Servicer must submit the Mid-Year Rent Schedule dated within five calendar days of the end of the Borrower's second calendar quarter (or the end of the second quarter of the Borrower's fiscal year) to PRS by August 31 annually. To deem the submission complete, the Servicer must also enter, via PRS, the following data elements:

- Effective date of the Rent Schedule
- Physical occupancy rate
- Total actual rent

40.6 Completing and submitting the Loan Management Form (LMF) (10/19/23)

This Section applies during any period in which Freddie Mac holds a Mortgage.

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a. Evaluating the Mortgage and determining when an LMF is required (10/19/23)

To determine when submission of an LMF is necessary, the Servicer must evaluate the Borrower's compliance with Loan Documents, including whether any of the following conditions exist:

1. The Borrower or Property is in non-monetary default with respect to the Loan Documents.
2. There is unauthorized rehabilitation or construction underway at the Property.
3. The Borrower or Borrower Principal is the subject of a bankruptcy or insolvency proceeding.
4. There are problems or issues associated with any Reserve (*e.g., Reserve payments have not been made when due, Reserve is insufficient, etc.*).
5. The Servicer cannot certify that the UCC filings are current.

b. Completing and submitting the LMF (04/30/15)

To complete an LMF, the Servicer must enter the Borrower's compliance information into the appropriate fields on the LMF. For detailed instructions on completing the form, see the [PRS Loan Management Form \(LMF\) Desk Reference](#), which can be found at mf.freddiemac.com, or other such documentation that Freddie Mac may provide.

The Servicer must upload the completed LMF to PRS in order for Freddie Mac to deem the submission of the LMF to be complete.

c. Timing of submission of the LMF (10/19/23)

Servicers must submit the LMF within 10 Business Days of determining that any of the conditions in Section 40.6(a) above have occurred regardless of the due date in PRS. If not submitted earlier in the year, the LMF must be submitted annually on or before December 31st via PRS. See also Section 40.2(b).

40.7 Conducting the inspection of the Property (02/22/24)

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

The Servicer must conduct a property inspection and complete and submit the applicable property inspection report.

The AIF uses the same format as the MBA Property Inspection Form.

The Servicer must perform a comprehensive property inspection, including

- An evaluation of property management, including specifics regarding the property manager's tenure at the Property, on-site staffing levels, and adequacy of management's response to any changing trends in market occupancy and rental rates



- The current condition of the Property and any trends, including the condition of the site features, building exteriors, interior common spaces, amenities, building systems, vacant and Down Units, and the number of rent-ready vacant units
- Providing specificity for any declining conditions around the property, such as excessive properties for sale in immediate areas, multiple dark buildings, or excessive vacancies. Also note, any specific ingress or egress issues at the Property and any changes to adjoining land uses or major thoroughfares impacting the Property
- Any early warning signs of risk, including evidence of any Life Safety Hazards, significant Deferred Maintenance, especially if related to moisture or Mold issues; environmental issues such as lead-based paint; incomplete Operational Repairs; Repair Agreement compliance; evidence of crime or vandalism; or failure to comply with local laws

The Servicer must request copies of any violations or other notices received regarding compliance with local laws. In addition, the Servicer must request information from the property manager regarding any property condition concerns to enable the Servicer to understand the cause of any problem and the Borrower's plans to remedy the situation.

a. Unit inspection requirements and minimum number of units to inspect (09/30/20)

The units inspected must be randomly selected by the inspector, not by the property manager or the Borrower. The units inspected must also include a cross-section of unit types and locations, including the following:

- Each of the major unit types
- Units on different floors, including top floor and below-grade units, or grade-level units if there are no units below grade
- For Properties with numerous buildings, units in a sampling of various buildings across the Property
- Representative sample of occupied and vacant units

Taking into account the cross-section of unit types and locations described above, the inspector must inspect at least the following number of units:

- Occupied and vacant units: 5 percent of total occupied and vacant units, with a minimum of five units and a maximum of 15 units
- Down Units: 100 percent (Note: If there is a significant number of Down Units due to large renovation project, inspector may choose to inspect a representative sampling of Down Units)
- Commercial space: 100 percent

The inspector must conduct additional occupied and vacant unit inspections, as needed, to determine whether any problems detected in units or specific buildings are restricted to the specific units/buildings or pervasive throughout the Property.



b. Requirements for photographs (10/14/16)

Photographs are essential to convey the condition of the Property. Freddie Mac's requirements for photographs are as follows:

1. The photographs must illustrate any emerging or existing risks, inform the viewer of the trend of the Property and show a representative sample of the Property materials and conditions.
2. The photographs must include views of
 - All Life Safety Hazards
 - Samples of each type of Deferred Maintenance, any Down Units and items requiring significant capital expenditure
 - Moisture/Mold issues or environmental concerns
 - Samples of interiors of typical unit types
 - Grounds (including parking lots, sidewalks, street views and signage)
 - Typical building exterior (including windows, balconies and exterior stairs)
 - Building systems (for example, boiler, roof and HVAC)
 - Amenities, interior common areas, clubhouse, maintenance shop and office, if applicable
 - Commercial space, if applicable
 - Significant repairs and capital improvements completed subsequent to the previous inspection (including, for SBL Mortgages, all Priority Repairs and PR-90 Repairs identified in the [Form 1104, SBL Physical Risk Report](#))
3. Photographs must be compressed and added to the inspection submission. All photographs must include identifying captions.

c. Guidance for photographs (12/12/14)

Taking into account the above requirements, the size of the Property and the characteristics of the Property, the Servicer should submit 20 to 25 photographs with the inspection submission.

For Properties with fewer than 100 units, limited common areas and/or few amenities, fewer photographs may be sufficient to meet the requirements in Section 40.7(b). If the Servicer believes that fewer than 20 photographs are sufficient for a Property, the Servicer must provide a justification in the comment section of the inspection submission.

d. Assessing the physical condition of the Property and any risk issues (02/22/24)

The Servicer must assess the physical condition of the Property and any risk issues as follows:



1. In evaluating the Property's physical condition, the Servicer must assess the current condition and trend of all major components of the Property. The Servicer must include in its assessment:
 - Incomplete items in any Repair Agreement,
 - Items in any Repair Agreement that were completed subsequent to the previous inspection,
 - Incomplete Operational Repair items,
 - Deferred Maintenance items,
 - Imminent Life Safety Hazards and Potential Life Safety Hazards, as defined in the Glossary,
 - Environmental issues and any moisture/Mold concerns,
 - Capital improvements that have been made subsequent to the last inspection and/or plans for future capital improvements at the Property,
 - Status of Deferred Maintenance items from most recent prior inspection, and
 - Any concerns from the property manager regarding site and/or building components
2. The Servicer must estimate and report the cost to remediate any Deferred Maintenance, Life Safety Hazards, environmental issues and moisture or Mold issues. Sources for these cost estimates include:
 - Bids received by the property manager,
 - Cost projections by the property manager, and
 - The inspector's estimate based on experience or industry cost standards

If the estimated sum for remediation of all Deferred Maintenance items is greater than \$10,000, or if there are Life Safety Hazards, environmental issues or moisture or Mold issues identified during the property inspection, the Servicer must notify the Borrower within 30 days following the inspection of the need to undertake corrective action to address the specific identified risk. The notice must distinguish Imminent Life Safety Hazards from Potential Life Safety Hazards. Imminent Life Safety Hazards pose the highest risk to tenants, (see the Glossary).

3. The Servicer must confirm that the Borrower has received any notices regarding Deferred Maintenance. Additionally, if the estimated sum for remediation of the Deferred Maintenance or other identified issues is greater than \$25,000 or the Deferred Maintenance represents a significant deficiency affecting the structure or value, or other identified issues represent an Imminent Life Safety Hazard for the tenants, then the Servicer must follow up in a timely



manner until such risks have been remediated or resolved. Quarterly reporting will be required to PRS Loan Item Tracking (LIT) for Properties that have:

- A property condition rating of 4 or 5
 - Deferred Maintenance totaling more than 10 percent of the UPB
 - An identified Imminent Life Safety issue, or
 - A situation that may require additional monitoring (at the discretion of Freddie Mac)
4. For an SBL Mortgage originated on a Loan Agreement form with a revision date on or after 11/02/2015 where the Servicer determines that any Priority Repair or PR-90 Repair on [Form 1104, SBL Physical Risk Report](#), has not been completed, the Servicer must issue a notification to the Borrower documenting the outstanding Priority Repairs and PR-90 Repairs and refer Borrower to its obligation under the Loan Agreement to complete the identified repairs. The Servicer must work with the Borrower until each PR- 90 Repair consisting of an Imminent Life Safety Hazard is remediated or resolved. The Servicer must follow up on any outstanding Priority Repair items at the next scheduled inspection.

Freddie Mac will create LIT entries in PRS that captures Priority Repairs and PR-90 Repairs identified on the [Form 1104, SBL Physical Risk Report](#). Within 30 calendar days of deeming any Priority Repair item or PR-90 Repair item complete, the Servicer must go into PRS and update the respective LIT accordingly.

5. For loans with HUD involvement, the Servicer must obtain a copy of the latest HUD REAC (Real Estate Assessment Center) Inspection and review it as an additional data point to the current inspection. The Servicer must discuss any material differences with the Borrower. If there are items included in the REAC inspection that a Freddie Mac inspection did not identify, the Servicer must explain why such items were not addressed in the AIF comments. The Servicer must include information regarding the latest REAC inspection score and note any material differences between the two inspections within the General Comments section of the AIF assessment.
6. The Servicer must work closely with Freddie Mac in handling adverse matters. If the Borrower does not respond to the Servicer's notifications within 30 calendar days and there are significant Deferred Maintenance items, or there are unremedied Imminent Life Safety Hazards, environmental issues, or moisture or Mold issues, the Servicer must issue a "reservation of rights" letter as soon as possible, and no later than 10 Business Days after such Borrower inaction. The Servicer must use the [Notice of Default and Reservation of Rights \(Conventional\)](#) or the [Notice of Default and Reservation of Rights \(SBL\)](#) form.
7. The Servicer must issue a notice of default in accordance with the Loan Documents if the Deferred Maintenance items:
- Represent a significant deficiency affecting the structure or value,
 - Are un-remedied Life Safety Hazards
 - Are un-remedied environmental issues, or moisture or Mold remain outstanding 60 calendar days after the issuance of a "reservation of rights" letter

In response to any of the Deferred Maintenance items listed above, the Servicer must evaluate such noncompliance, including the loan risk and proposed action. Within 10

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Business Days, the Servicer must notify the Freddie Mac Surveillance team via email at MF_Surveillance@freddiemac.com to detail the Deferred Maintenance, potential risk and proposed action.

The Servicer must forward a copy of any reservation of rights letter and notice of default to Freddie Mac via email at MF_Surveillance@freddiemac.com.

8. The Servicer may consider obtaining a limited scope property inspection report for the specified areas of concern. The terms of the Loan Documents will determine whether the Servicer may charge the Borrower for the cost of the property inspection report. The follow-up should take into account the nature of the risk. The Servicer must provide a copy of any limited scope property inspection and related decisions made based on the Servicer's review of the inspection to the Freddie Mac Surveillance team as follows:
 - If there is an open LIT for the property condition, provide an update in PRS
 - If there is not an open LIT for the property condition, send an email to MF_Surveillance@freddiemac.com
9. Notwithstanding the above, the Servicer must promptly and, in any case, not later than 10 Business Days from submitting the AIF assessment into PRS, notify Freddie Mac via email at MF_Surveillance@freddiemac.com if any of the following property related issues occur and have not been previously reported to Freddie Mac:
 - Property has a very low physical occupancy which is defined as less than 65% and the very low physical occupancy has not been previously reported
 - Property has had an unauthorized change in property manager
 - Deferred Maintenance is estimated at greater than 15 percent of the UPB
 - There is a property condition rating of 4 or 5
 - Property has a total of greater than 10 percent of Down Units
 - Property has any catastrophic conditions that require immediate action
 - Property has any unauthorized significant capital improvements or renovations that are likely to or are already negatively impacting occupancy or cash flow

The Servicer must retain a copy of this communication for its records.

10. If the Servicer submits an assessment inspection with a property condition rating of 4 or 5, the Servicer must begin collection of Reserve deposits for Replacement Reserves if such Reserve deposits have been deferred pursuant to the terms of the Loan Agreement. The Servicer must timely notify the Borrower in writing of such collection requirement and provide a copy of the notice to Freddie Mac. Collection of Reserve deposits for Replacement Reserves must begin no later than the second payment installment date immediately following the assessment inspection submission. Monthly deposits for Replacement Reserves will continue until Freddie Mac agrees, in its sole discretion, to remove the loan from the CREFC Watchlist for property condition issues. Deposits for Replacement Reserves will be disbursed pursuant to the terms of the related Replacement Reserve Agreement.



e. Assessing moisture or Mold issues during the inspection (02/28/19)

1. Special Moisture or Mold Inspection

See Section 8.3(b) and (c) for information regarding when Freddie Mac may require a Special Moisture or Mold Inspection, and for the parameters of such an inspection.

2. Increased Scrutiny for Moisture or Mold

See Section 8.3(b) for information regarding when Freddie Mac may require the Servicer to inspect a Property using the Increased Scrutiny for Moisture or Mold protocols described below.

If a Property is subject to Increased Scrutiny for Moisture or Mold Issues, during the annual assessment inspection, the Servicer must

- Conduct a specific evaluation of the integrity of the building envelope; roof and drainage; heating, ventilation and air conditioning (HVAC) system; plumbing system and associated spaces (for example, mechanical closets) for each building on the Property and document that evaluation
- Inspect a minimum of 10 percent of the units, including those units that the Servicer deems most likely to be exposed to moisture conditions
- Conduct a specific evaluation of the condition of finishes in inspected dwelling units and in all common areas and document that evaluation
- Inspect any areas where the Borrower or property manager has detected a musty odor or observed Mold, all spaces typically associated with moisture issues, water intrusion or leaks, such as basements and unheated storage areas and all areas previously identified with significant moisture or Mold issues
- Evaluate all completed repairs to correct water intrusion or leak issues since the last assessment and document that evaluation
- Evaluate and comment on all areas where Mold has been removed since the last assessment and document that evaluation

3. Standard moisture and Mold inspection requirements

For all Properties that are not subject to a Special Moisture and Mold Inspection or Increased Scrutiny for Moisture or Mold Issues, as a part of the inspection, the Servicer must

- Search for visual or olfactory evidence of moisture or Mold issues in each area identified as part of the inspection
- Make inquiries of the property owner, manager or other knowledgeable property staff regarding past and current water intrusion; potentially damaging leaks; known Mold



issues; and tenant complaints regarding health problems, musty odors, water intrusion or potentially damaging leaks

- Inspect areas where water intrusion or leaks were reported
- Identify any defective building condition that would likely lead to future water intrusion or leaks
- Provide comments to describe any moisture or Mold issues and recommend further action, including conducting a Special Moisture or Mold Issues Inspection (see Section 8.3(c) or Section 8SBL.3(c), as applicable)

f. Assessing the property management company (12/12/14)

The property management company is a key component of the success of the Property, and the Servicer must evaluate the property management company's performance, including a review of the following:

- Company experience, property manager's experience and length of time at this site and on-site staffing levels
- Whether routine maintenance matters are appropriately addressed
- Leasing status, concessions, occupancy and adequacy of management's response to any significant changes in market occupancy or market rental rates
- Operations & maintenance (O&M) plan compliance, lead-based paint (LBP) compliance, Moisture Management Plan (MMP) compliance and income compliance reports for income-restricted Properties

g. Assessing the neighborhood, adjoining land uses and any changes to submarkets impacting the occupancy or performance of the Property (12/12/14)

The inspector must provide an overview and assessment of the Property's immediate neighborhood, including details on specific ingress or egress issues at the Property. It is the inspector's responsibility to

- Drive through the neighborhood, identify trends and determine if there are any changes to adjoining land uses,
- Identify changes in nearby thoroughfares or major employers that could impact the performance of the Property, and
- Comment on any new construction in the immediate area.

40.8 Timing of the property inspection and the inspection report (10/19/23)

The Servicer must submit the inspection report no later than two calendar months after the date of the actual inspection, even if the inspection report has a later due date. For example, if the inspection



took place on April 21, the inspection report must be submitted no later than June 21, even if the inspection report due date would otherwise be June 30.

Servicers can submit the inspection report earlier than the due date, as long as the submission date is within two calendar months of the actual inspection date.

For all Mortgages held by Freddie Mac, if a Servicer submits the AIF in an earlier quarter than the due date, Freddie Mac will change future AIF due dates to the quarter in which the AIF was submitted. For example, if the AIF is due September 30, 2024 and is submitted by June 30, 2024, Freddie Mac will move the 2025 AIF due date from September 30 to June 30, 2025 to make sure that the timing between inspections is maintained at approximately 12 months.

If a property condition report performed on the Property is more current than the most recent inspection, the inspection date of the most recent property condition report can be used as the date to set the new anniversary date for the next property inspection. For example, if the last property inspection was April 15, 2025 and another property condition report was completed on December 15, 2025 in conjunction with the origination of a supplemental loan on the Property, the Servicer can request in PRS that the due date for the next inspection be moved to December 31, 2026. The Servicer should confirm in their PRS due date change request that the property condition report has been uploaded into DMS.

40.9 Completing and submitting the inspection; retention of inspection documentation (04/27/18)

To complete an inspection submission, the Servicer must enter the Borrower's property inspection information into the appropriate fields on the inspection submission. If the Property is a Seniors Housing Property, the Servicer must complete the additional Seniors Housing Supplement tab.

For detailed instructions on completing the form, see the [Annual Inspection and Loan Management Forms Desk Reference](#), which can be found at mf.freddiemac.com, or any such documentation that Freddie Mac may provide.

During any period that Freddie Mac owns the Mortgage, the Servicer must submit the following components of the AIF into PRS in order for Freddie Mac to deem the submission of the AIF to be complete:

- The completed AIF
- The current rent roll, identifying commercial units where applicable, certified by the Borrower or an individual or entity (which may include the property manager) authorized by the Borrower to execute the certification on the Borrower's behalf (the signature of the Borrower or designee is sufficient). If an individual or entity other than the Borrower provides the certificate, the Servicer must obtain and retain in the Mortgage File a copy of the Borrower's authorization for that certifying individual or entity to execute the certificate on behalf of the Borrower

For the purposes of the AIF, a rent roll is considered to be current if it is dated no more than two months prior to or after the inspection date. For example, if the Property was inspected on May 10, the rent roll is considered current if dated from March 10 through July 10.



If the Servicer is submitting an AIF for a Seniors Housing Property, the Servicer must submit the following additional items via PRS for Freddie Mac to deem the submission of the AIF to be complete:

- Completed Seniors Housing Supplement sections of the AIF
- Copies of licenses or certificates and any reports by regulating agencies
- Copies of any violations cited by any regulatory agency and notices of any fines

The Servicer must retain copies of the completed inspection submission, all attachments and any other documentation that supports the summary information shown on the inspection submission, including correspondence with the Borrower regarding any identified risk issue.

40.10 Late, incomplete or unacceptable assessments; penalties and enforcement (10/19/23)

This Section 40.10 applies during any period that Freddie Mac holds the Mortgage.

Freddie Mac considers an assessment to be late if not received in complete form on or before the due date of the assessment or if, for an AIF, the assessment is not submitted within 60 days of the Property inspection date.

If the Servicer submits the assessment without all of the necessary attachments, the assessment will continue to have a status of Due and will be late after the due date in PRS until the Servicer submits all necessary items.

If Freddie Mac, in its sole discretion, determines an assessment to be unacceptable, Freddie Mac will identify such assessment deficiencies and require the Servicer to resubmit a corrected, complete assessment and/or to re-inspect the Property as soon as practicable after such determination. Freddie Mac will consider an assessment unacceptable if such assessment: (i) materially misrepresents, misstates or conceals information about the condition of the Mortgaged Property that would otherwise be properly disclosed pursuant to industry-accepted multifamily property inspection standards; and/or (ii) fails to meet the requirements set forth in the Guide.

The Servicer must diligently and in good faith remedy any such identified deficiencies. In doing so, the Servicer must keep Freddie Mac apprised of its efforts, including actions to be taken and related timing, by sending updates to MF_Surveillance@freddiemac.com.

The following penalties are payable to Freddie Mac for: (i) late or incomplete submission of an assessment, or (ii) submission of an unacceptable assessment:

| | |
|--|----------|
| Complete assessment received during the first month following due date month | \$1,000 |
| Complete assessment received during the second month following due date month | \$2,500 |
| Complete assessment not received by the end of the second month following due date | \$5,000 |
| Submission by a Servicer of an unacceptable assessment | \$25,000 |



| |
|---|
| Submission by a Servicer of an unacceptable assessment more than one time |
|---|

| |
|----------|
| \$50,000 |
|----------|

The Servicer must pay any penalty assessed against it within 10 Business Days of Freddie Mac's request. If a Servicer fails to comply with any of its assessment/inspection obligations pursuant to this Chapter 40, including the failure to timely remit to Freddie Mac any penalty assessment, the Servicer will be subject to: (i) increased or targeted audits related to the Servicer's quality and control standards; and/or (ii) disciplinary action(s) "with cause" (as described in Chapter 4).

40.11 Obligation to review and verify the General Loan Information (02/18/21)

During any period in which Freddie Mac holds a Mortgage, the Servicer must review, no less than annually, the General Loan Information (GLI) displayed in the Property Reporting System (for example, Property name and total units). If any GLI data is incorrect, the Servicer must submit proposed changes via email noting such changes to MF_Asset_Perf@freddiemac.com.

40.12 Freddie Mac's rights (12/12/14)

In addition to other rights and remedies set forth in the Guide, Freddie Mac reserves the right, in its sole discretion, to

- Require more frequent assessments
- Request the Seller/Servicer to submit to Freddie Mac the following:
 - Copies of all tax returns filed by the Borrower, within five days after receipt of tax returns from the Borrower
 - Other financial information or property management information that Freddie Mac may require (including information on tenants under leases to the extent that such information is available to the Borrower, copies of bank account statements from financial institutions where funds owned or controlled by the Borrower are maintained, and an accounting of security deposits)
 - With respect to each guarantor and each SPE Equity Owner, a certified balance sheet and profit and loss statement (or if such party is an individual, such party's personal financial statement) and any additional information as Freddie Mac may request
- Reject unsatisfactory inspectors, including FICs
- Perform its own assessment (the property inspection and/or any analysis) at the Servicer's expense if the Servicer fails, when required, to perform an assessment or to submit an assessment in accordance with the requirements of this chapter
- With respect to Mortgages secured by a Property owned by a Cooperative, require one or more of the following:
 - A current maintenance roll
 - A statement of income and expenses for a Cooperative Borrower's operation of the Property



- The most recent approved annual operating budget
- The most recent capital expense study/plan

40.13 Inspector requirements (10/19/23)

a. General inspector requirements for all Mortgages (06/25/20)

The Servicer must retain qualified inspection staff within its asset management department to inspect Properties securing Freddie Mac Mortgages. Under certain circumstances, the Servicer may use other qualified personnel to perform inspections, such as loan production staff or third-party inspectors, in accordance with the requirements in Sections 40.14. All inspectors must meet the following requirements, as well as the specific requirements in 40.13(b):

- Know Freddie Mac's Guide requirements relating to inspections
- Be able to make independent judgments on the condition of the Property
- Have sufficient multifamily real estate knowledge and experience to assess general functionality and maintenance of the Property, and to conduct a property inspection as described in Section 40.7.

The property inspector cannot be the originator of the Mortgage, unless the Servicer ensures that there is no Equity Conflict of Interest for the Mortgage originator and that the Mortgage originator is able to make an independent, unbiased assessment of the condition of the Property. The Servicer must retain adequate documentation with the property file to justify this determination.

The appraiser who conducted the Appraisal when the Mortgage was originated may not perform the physical property inspection for an assessment.

b. Specific inspector requirements (10/19/23)

Beginning with all inspections with a PRS submission year of 2024, Freddie Mac requires inspectors to have at least the following specific experience and training based on the level of risk.



| Mortgage Characteristics | Eligible Inspector |
|---|--|
| Mortgage is not on the CREFC Watchlist at the time the inspection is scheduled <u>or</u> the Mortgage's Risk Rating is 6 or less | 1. Industry Trained Inspector, or 2. Certified Inspector, or 3. Exempt Inspector |
| Mortgage is on the CREFC Watchlist at the time the inspection is scheduled, <u>or</u> the Mortgage's Risk Rating is > 6 | 1. Certified Inspector, or 2. Exempt Inspector |
| All Mortgages with Significant Repairs and/or Replacements | 1. Certified Inspector, or 2. Exempt Inspector |
| All affordable housing loans originated in the TAH program, and/or with property-based HUD Section 8 involvement, regardless of CREFC Watchlist or Mortgage's Risk Rating | Exempt Inspector at least every other inspection |
| All Mortgages for Properties that are older than 40 years from the current year and haven't had a renovation (see below) in the prior 20 years from the current year | Exempt Inspector at least every other inspection |

Notes:

1. An Industry Trained Inspector has:

- Successfully participated in a Freddie Mac-approved training program relating to property inspections, such as the Mortgage Bankers Association of America's (MBA) Multifamily Property Inspection Workshop, Fannie Mae's Property Risk Management Training or an equivalent inspection program,
- Completed at least 25 multifamily asset inspections under supervision by a Certified or Exempt Inspector, and
- At least one year of experience in analyzing the physical and/or financial condition of commercial real estate assets

2. A Certified Inspector has:

- Successfully participated in a Freddie Mac-approved training program relating to property inspections, such as the Mortgage Bankers Association of America's (MBA) Multifamily Property Inspection Workshop, Fannie Mae's Property Risk Management Training or an equivalent inspection program,



- Completed more than 50 multifamily inspections comparable to Freddie Mac's property inspections, and
 - At least two years' experience performing multifamily inspections comparable to Freddie Mac's property inspections
3. An Exempt Inspector:
- Has at least five years' experience performing multifamily inspections comparable to Freddie Mac's inspections and has completed more than 100 of such inspections, or
 - Meets the qualifications for a property condition consultant set forth in Section 62.8 or Section 62SBL.17, as applicable
4. Renovation Criteria – Properties over 40 years old will not require an Exempt Inspector if the date of the renovations is less than 20 years from the current year and all of the following criteria are met:
- The documented property renovations amount to at least \$10,000/unit
 - At least 75% of units were renovated
 - Renovations include updates to at least two major building systems (electrical, heating, ventilation, air conditioning, plumbing, fire protection, elevators roofs, etc.)

c. Waiver of inspector requirements (03/03/17)

If the Servicer determines that an inspector on its staff is the most qualified individual to inspect a particular Property, but that person does not meet the experience requirements in Section 40.13(b), the Servicer may allow the inspector to perform that inspection. However, the Servicer must retain adequate documentation with the property file to justify this determination. The Servicer may use this waiver on an exception basis when warranted, not on an ongoing basis. Freddie Mac reserves the right, in its sole discretion, to determine that a Seller/Servicer may not continue to exercise this waiver.

d. Guidance for a quality control program for staff inspectors (12/12/14)

Freddie Mac recommends that the Servicer establish an inspector quality control (QC) program to ensure that inspections completed by staff and/or third-party fee inspector company (FIC) inspectors are accurate, reliable and in compliance with Freddie Mac's requirements.

e. Servicer conflicts of interest and required independent inspections (06/25/20)

The property inspector must not have an Equity Conflict of Interest, as defined in Section 2.25. If there is a Seller/Servicer-Level Owner Equity Conflict of Interest and/or an Employee-Level Owner Equity Conflict(s) of Interest with respect to all employee(s) who could perform the inspection, an independent third-party fee inspector company must perform the physical inspection, regardless of the Risk Rating or CREFC Watchlist status of the Mortgage.



40.14 Third-party fee inspector company requirements (06/25/20)

a. Restrictions on the use of a third-party fee inspector company (06/25/20)

The Servicer may not engage an FIC to conduct any inspection for a Property securing a Mortgage that is held by Freddie Mac and that has a current Risk Rating greater than six. However, for other inspections, the Servicer may use an FIC that meets all Freddie Mac inspector and FIC requirements if the FIC has no ownership interest in the Borrower or other conflict of interest with the Borrower. For the purpose of determining a conflict of interest, the Servicer should apply the Equity Conflict of Interest standards set forth in Section 2.25, as if the FIC were the Employee-Level Owner or the Seller/Servicer Level Owner, as applicable.

The Servicer is responsible for working with the FIC to ensure inspectors have the minimum requirements per Section 40.13. The Servicer is ultimately responsible for the accuracy of all information included in the inspection, whether or not the Servicer performed the inspection directly.

b. FIC acceptability (05/31/12)

Freddie Mac does not select, hire or approve any specific FIC for the performance of physical property inspections for assessments. However, Freddie Mac does reserve the right to refuse to accept an assessment for which the property inspection was performed by an FIC or inspector that Freddie Mac deems unacceptable. Freddie Mac will maintain, on FreddieMac.com, the [Multifamily Restricted Vendor List](#). If an FIC appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that FIC for future Freddie Mac assessments until notified otherwise by Freddie Mac. The Multifamily Restricted Vendor List is made available to Seller/Servicers for the sole purpose of ensuring that unacceptable vendors do not prepare reports for Multifamily and will constitute “Confidential Information” as defined in Section 2.8.

An FIC may not at any time represent itself to third parties as being approved by Freddie Mac.

Freddie Mac may revoke the Servicer's general right to use an FIC for physical property inspections for assessments if the Servicer does not administer the selection and use of FICs in a manner that ensures compliance with all Freddie Mac requirements.

An FIC may employ contract workers who meet the inspector requirements and follow all inspection requirements contained in this chapter.

40.15 Additional Seller/Servicer reporting requirements for non-SBL Mortgages prior to Securitization (04/30/19)

For any non-SBL Mortgage scheduled for Securitization, the Seller/Servicer must submit all documentation via DMS with a notice to MF_Asset_Perf@freddiemac.com. The Seller/Servicer must provide all Borrower and Property financial data as presented by the Borrower. No analysis of the data is required. The Loan Documents may permit the Seller/Servicer to assess a late charge if the Borrower does not submit the documentation listed below within a specified time. The Seller/Servicer may retain 100 percent of this late charge.

The Seller/Servicer must submit, in an electronic format acceptable to Freddie Mac, the following documentation:



1. A rent roll, a statement of income and expenses for the Borrower's operation of the Property, and a statement of changes in financial position and balance sheet, as follows:
 - a. Except for Mortgages secured by a Property owned by a Cooperative, within 30 days after the end of each calendar quarter following purchase:
 1. Current rent roll dated no earlier than the date five days prior to the end of such quarter
 2. Income and expenses for the Borrower's operation of the Property either
 - For the 12-month period ending on the last day of such quarter, or
 - If, at the end of such quarter, the Borrower and any Affiliate of the Borrower have owned the Property for less than 12 months, for the period commencing with the first full month of operations following the acquisition of the Property by the Borrower or its Affiliates and ending on the last day of such quarter.
 - b. Within 100 days after the end of each fiscal year:
 1. Annual statement of income and expenses for the Borrower's operation of the Property for that fiscal year
 2. Statement of changes in financial position of the Borrower relating to the Mortgaged Property for that fiscal year
 3. Balance sheet showing all assets and liabilities of the Borrower relating to the Mortgaged Property as of the end of that fiscal year and a profit and loss statement for the Borrower
 4. Accounting of all security deposits held pursuant to all leases meeting the requirements of the Loan Documents

If the Loan Documents have been modified to allow the Borrower more than 90 days to deliver the documents set forth above, the Seller/Servicer must deliver the documents within five days after receiving them from the Borrower.
 - c. At any time prior to securitization upon Freddie Mac's request, the Seller/Servicer must submit to Freddie Mac the following:
 1. Current rent roll
 2. Income and expense statement for the Borrower's operation of the Property for the most recent month or months, as applicable
 3. Statement that identifies all owners of any interest in the Borrower and any controlling entity meeting the requirements of the Loan Documents
2. Other documentation

Upon Freddie Mac's request, the Seller/Servicer must submit to Freddie Mac the following:



- a. Copies of all tax returns filed by the Borrower, within five days after receipt of returns from the Borrower
- b. Other financial information or property management information that Freddie Mac may require (including information on tenants under leases to the extent such information is available to the Borrower, copies of bank account statements from financial institutions where funds owned or controlled by the Borrower are maintained, and an accounting of security deposits)
- c. With respect to each guarantor and each SPE Equity Owner, a certified balance sheet and profit and loss statement (or if such party is an individual, such party's personal financial statement) and any additional information as Freddie Mac may request

40.16 Reporting for Special Product Type Mortgages (04/14/22)

The following Mortgages are considered “Special Product Type Mortgages” for the purposes of this chapter:

- SBL Mortgages
- Value-Add Mortgages
- Mortgages secured by Properties deemed unstabilized by Freddie Mac in PRS
- Mod Rehab Mortgages
- MHC Mortgages with MHC Tenant Protections

Except as modified by this Section 40.16, Special Product Type Mortgages are subject to all of the requirements of this chapter.

a. SBL Mortgages (03/03/17)

Additional documentation requirements for SBL Mortgages prior to securitization will be limited to the following:

- At any time prior to securitization upon Freddie Mac's request, the Seller/Servicer must submit to Freddie Mac the following:
 - a. Current rent roll
 - b. Income and expense statement for the Borrower's operation of the Property for the most recent month or months, as applicable
 - c. Statement that identifies all owners of any interest in the Borrower and any controlling entity meeting the requirements of the Loan Documents
 - d. Copies of all tax returns filed by the Borrower, within five days after receipt of returns from the Borrower
 - e. Other financial information or property management information that Freddie Mac may require (including information on tenants under leases to the extent such information is

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available to the Borrower, copies of bank account statements from financial institutions where funds owned or controlled by the Borrower are maintained, and an accounting of security deposits)

- f. With respect to each guarantor and each SPE Equity Owner, a certified balance sheet and profit and loss statement (or if such party is an individual, such party's personal financial statement) and any additional information as Freddie Mac may request

b. Value-Add Mortgages (09/30/20)

The Servicer must submit the Annual Financial and Quarterly Financial assessments for a Value-Add Mortgage as outlined in Sections 40.2(a) and 40.2(b).

In addition, starting with the end of the first quarter after the Origination Date (unless the end of the quarter is within one calendar month of the Origination Date), and continuing every quarter thereafter until the loan has paid off, the Servicer must report on renovation progress and rental conditions at the Property via the **Value-Add Reporting** LIT. The report is due within one month after the close of the quarter. The Servicer must submit the following documentation:

- **Form 1028, Value-Add Monitoring Form**

A version of [Form 1028](#) customized by Freddie Mac for each Property will be attached to the LIT within 45 days of the Freddie Mac Funding Date and must be used for all reporting requirements. The copy available at mf.freddiemac.com/lenders/asset is for informational purposes only and should not be used for reporting. This completed form must be submitted in its original Excel format.

In the event there are errors in the form, corrections should be requested via the **Value-Add Reporting** LIT. Freddie Mac will make form corrections as needed.

The reporting options available (and explained in more detail in the *Help Me Choose* menu in the form) are:

- Quarterly update – work has not commenced
- Quarterly update – work has commenced
- Quarterly update – post renovation completion monitoring
- Close-out

- **Borrower Quarterly Certification, Value-Add Transaction**

A copy of the certification was included in the original Loan Documents. This certification must be fully executed by the Borrower and must include all relevant attachments as defined in the certification.

In addition to the Value-Add Reporting LIT, the Servicer must use the **Construction Completion Date – Value-Add** LIT to document the Value-Add completion date. Upon completion of the renovation, [Form 1028](#) must be submitted to this LIT – using the *Close-out* option – with the following documentation (which, except for the first bullet, are defined further in the Rider to [Multifamily Loan and Security Agreement Value-Add Transaction](#)):



- Certification of substantial completion by the Architect of Record using AIA Form G-704 (if applicable)
- Engineer's certificate
- Final and unconditional lien waiver from the general contractor
- Evidence of Compliance with Laws
- Evidence of Minimum Expenditure Requirement
- Other Certificates and Items as detailed in the Rider to [Multifamily Loan and Security Agreement Value-Add Transaction](#)

Any additional comments regarding these documents should be made on [Form 1028](#).

In the event close-out documentation is being submitted concurrently with quarterly reporting, then two Form 1028s must be submitted – one to the **Construction Completion Date – Value-Add** LIT using the “Close-out” reporting option, and the other to the **Value-Add Reporting** LIT using the “Quarterly update – post renovation completion monitoring” reporting option.

All reporting must reflect trailing 12-month financial statements, unless indicated otherwise on [Form 1028](#).

With respect to the AIF described in Section 40.7, the Servicer must address the status of each Value-Add component described in the Value-Add Schedule of Work that was included in the final loan package in the “Repairs Verification” tab of the AIF and provide a representative number of photographs. Once the work is completed, the AIF must be performed by an individual meeting the qualifications of either a Certified or Exempt Inspector as identified in Section 40.13(b); an engineer/architect or off-cycle site visit will not be necessary.

c. Mortgages secured by Properties deemed unstabilized by Freddie Mac (06/27/19)

In conjunction with the requirements described in Sections 40.3 and 40.4, the Servicer must submit the following items for Mortgages secured by Properties deemed unstabilized by Freddie Mac in PRS:

- The appropriate Q-CREFC Assessment template with financial spreads provided on a trailing 12-month basis (instead of year-to-date annualized)
- Most recent construction or engineering report, as available, added as an attachment (unless already provided to Freddie Mac)
- The Excel® Unstabilized Monitoring Form, completed as specified in Section 40.3(c), when submitting assessments using the Q-CREFC or A-CREFC assessment format, except for Value-Add Mortgages, which require the use of [Form 1028](#).

The Excel® [Unstabilized Monitoring Form](#) can be found under the PRS Assessment: CREFC heading on the *Multifamily Asset Management* page of mf.freddiemac.com.



The Servicer must submit a Quarterly Assessment for the first, second and third quarter reporting to Freddie Mac through PRS by May 31, August 31 and November 30.

d. Mod Rehab Mortgages (05/05/17)

In addition to the requirements described in Section 40.2(b), the Servicer must submit various reports and documentation to Freddie Mac when disbursing funds periodically to reimburse renovation expenses. See Section 39.9 for a description of these requirements.

e. MHC Mortgages with MHC Tenant Protections (04/14/22)

In addition to the requirements described in Section 40.2(b), to validate Borrower's compliance with the MHC Tenant Protections, the Servicer must:

1. Submit the "Borrower's Certificate - MHC Tenant Protections" through Loan Item Tracking (LIT) in PRS no more than 45 days after the first anniversary of the Origination Date, and thereafter no more than 45 days after each successive anniversary of the Origination Date
2. Conduct an annual audit of the residential leases with the Applicable MHC Residents and any other MHC Tenant Protection Document(s) that contain the MHC Tenant Protections, to confirm:
 - A. The MHC Tenant Protections are included in the MHC Tenant Protections Document(s)
 - B. The applicable MHC Tenant Protection Document(s) have been executed by the Applicable MHC Residents; and
 - C. The Applicable MHC Residents are existing residents of the Property

If the Borrower has elected to (i) incorporate the MHC Tenant Protections in the MHC rules and regulations and (ii) deliver to each Applicable MHC Resident an MHC Tenant Protections Notification as described in Guide Section 22.2(p), then in lieu of item B above, the Servicer must conduct an audit of the MHC Tenant Protections Notifications to confirm they include all the MHC Tenant Protections and were correctly addressed to the Applicable MHC Residents.

3. In connection with any audit conducted under this Section 40.16(e)(2):
 - A. The Servicer must request electronic copies of the residential leases and/or applicable MHC Tenant Protections Document(s) and/or applicable MHC Tenant Protections Notifications no more than 10 days after the first anniversary of the Origination Date, and thereafter no more than 10 days after each successive anniversary of the Origination Date
 - B. The Servicer must randomly select residential leases and/or Applicable MHC Residents chosen for the audit and cannot include residential leases and/or Applicable MHC Residents from a prior annual audit unless all residential leases and/or Applicable MHC Residents have already been audited



- C. The Servicer must review at least five percent, but no greater than 20 residential leases and/or applicable MHC Tenant Protections Document(s) and/or applicable MHC Tenant Protections Notifications
4. Upon completion of the applicable annual audit required under Section 40.16(e)(2) above, the Servicer must submit, through LIT in PRS, the related Chief Servicing Officer (CSO) Certification (MHC Tenant Protections - Compliance) found on mf.freddiemac.com at <https://mf.freddiemac.com/lenders/asset/#ServicerSpecialRequestForms> certifying as to the status of Borrower's compliance with the MHC Tenant Protections. The Servicer must submit the CSO Certification no more than 45 days after the first anniversary of the Origination Date, and thereafter no more than 45 days after each successive anniversary of the Origination Date.

If the Servicer certifies to the Borrower's "substantial compliance" with the MHC Tenant Protections on any Mortgage, the Servicer will be required to provide a written status update to Freddie Mac every six months addressing the Borrower's efforts to obtain executed copies of the MHC Tenant Protections Document(s) from all Applicable MHC Residents until such time as the Borrower has fully complied with the applicable requirements. The status updates must be submitted through LIT in PRS.

40.17 Mortgages with Required Rent Restrictions Rider to the Loan Agreement – reporting requirements (04/13/23)

In addition to the other requirements described in this chapter, to validate the Borrower's compliance with the Required Rent Restrictions Rider to the Loan Agreement, the Servicer must submit through the Loan Item Tracking (LIT) in the Property Reporting System (PRS):

- Within 15 Business Days after the initial reporting date and each anniversary thereafter (or 10 Business Days after the end of the related cure period, if such cure period is available), the Borrower's Affordability Certification evidencing the Borrower's compliance with the Required Rent Restrictions Rider to the Loan Agreement
- Within 30 days after the initial reporting date and each anniversary thereafter (or 10 Business Days after the end of the related cure period, if such cure period is available), a notice to Freddie Mac of the Borrower's failure to comply with the Required Rent Restrictions Rider to the Loan Agreement, together with Servicer's calculation of any related noncompliance fee
- Within 60 days after the initial reporting date and each anniversary thereafter (or 30 days after the related cure period, if such cure period is available), the [Chief Servicing Officer Certification \(Required Rent Restrictions - Compliance\)](#) form, certifying that the Servicer has validated the Borrower's compliance or noncompliance with the Required Rent Restrictions Rider to the Loan Agreement and, if applicable, has calculated any related noncompliance fee
- As soon as practicable upon request by Freddie Mac or any regulatory body having regulatory authority over Freddie Mac, any other information pertaining to the loan as may be specified in the request, and copies of any leases or other data received and used by the Servicer to: (i) confirm Borrower's compliance or noncompliance with the Required Rent Restrictions Rider to the Loan Agreement, and (ii) calculate any noncompliance fee