

Multifamily Seller/Service Guide

Chapter 46SBL

SBL Collateral, Repurchase and Loss Obligations



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46SBL.1 Overview (08/18/22)

This chapter describes the collateral, repurchase and loss determination requirements for SBL Mortgages originated under the SBL Purchase Product as described in Chapter 18SBL. In this chapter, the term “Servicer” will refer to the applicable SBL Seller/Servicer in its role as Servicer of an SBL Mortgage.

46SBL.2 SBL Collateral requirements – establishment, use and replenishment (02/16/23)

Each Seller/Servicer must post \$5 million in collateral, either in cash or a letter of credit (“SBL Collateral”), to ensure that it can meet its obligations to Freddie Mac described in this Chapter 46SBL (collectively, the “SBL Obligations”). The SBL Collateral must be posted within 30 days after the Seller/Servicer’s approval as an SBL Seller/Servicer. Freddie Mac will not accept an underwriting package or rate lock on an SBL Mortgage prior to the Seller/Servicer’s posting of the SBL Collateral.

If the Seller/Servicer fails to timely reimburse Freddie Mac for an SBL Obligation as provided in this Chapter 46SBL, then Freddie Mac may apply the SBL Collateral to satisfy the outstanding SBL Obligation without any further notice to the Seller/Servicer.

If Freddie Mac withdraws funds from the SBL Cash Collateral Account (defined below) or draws on the Letter of Credit – SBL (defined below) in accordance with this Section 46SBL.2, then Freddie Mac will notify the Seller/Servicer of such action in writing. Within three Business Days following the Seller/Servicer’s receipt of such notice, it must wire funds to the designated SBL Cash Collateral Account or provide an additional Letter of Credit – SBL, as applicable, to Freddie Mac in an amount sufficient to ensure that the Seller/Servicer continues to satisfy the SBL Collateral requirement specified in this Section 46SBL.2.

a. SBL Collateral Requirements – Cash (02/16/23)

If the Seller/Servicer satisfies the SBL Collateral requirement with cash, then all the following requirements apply:

- The Seller/Servicer must remit a cash collateral fee to Freddie Mac in the amount of \$50,000 (“Cash Collateral Fee”) by wire transfer prior to establishment of the SBL Cash Collateral Account described below. The Seller/Servicer must obtain wire transfer instructions from Freddie Mac *Multifamily Counterparty Risk & Compliance*. The Seller/Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Seller/Servicer name, Seller/Servicer number and the Freddie Mac contact person.
- The Cash Collateral Fee is non-refundable. However, the Cash Collateral Fee will be returned to the Seller/Servicer if the Seller/Servicer subsequently determines that it will satisfy the SBL Collateral requirement in the form of a letter of credit instead, and the change to a letter of credit is made:
 - Prior to the establishment of the SBL Cash Collateral Account, and
 - Within 30 days after the Seller/Servicer’s approval as an SBL Seller/Servicer



- The Seller/Servicer must deposit the SBL Collateral in an account for the benefit of Freddie Mac (“SBL Cash Collateral Account”).
- Although the SBL Cash Collateral Account is not a Custodial Account, it is subject to the requirements of Chapter 52 pertaining to Custodial Accounts (as modified by this Chapter 46SBL), including recordkeeping and reporting requirements.
- The Seller/Servicer must establish the SBL Collateral Account with a depository institution that (A) is neither the Seller/Servicer or an affiliate of the Seller/Servicer, (B) meets the eligible depository requirements of Section 52.2(3), and (C) that is otherwise acceptable to Freddie Mac.
- The SBL Cash Collateral Account must be designated exactly as shown in one of the following:
 - “(Name of Seller/Servicer) – Freddie Mac SBL Cash Collateral Account”
 - “Freddie Mac SBL Cash Collateral Account – (Name of Seller/Servicer)”
- Interest earned on the SBL Cash Collateral Account, if any, less the fees and expenses for establishing and maintaining the account, will accrue and be applied to the SBL Cash Collateral Account.
- In lieu of the requirements of Section 52.6, the Seller/Servicer must deliver to Freddie Mac each of the following documents governing the SBL Cash Collateral Account (in a form and substance acceptable to Freddie Mac):
 - An SBL Cash Collateral Pledge, Security and Custody Agreement among the Seller/Servicer, the depository institution and Freddie Mac.
 - If required by the depository institution, a deposit account control agreement or similar agreement.

b. SBL Collateral Requirements – Letter of Credit (02/16/23)

1. If the Seller/Servicer satisfies the SBL Collateral requirement by providing a letter of credit, then all the following requirements apply:
 - The Seller/Servicer must deliver to Freddie Mac a letter of credit in an amount equal to the SBL Collateral requirement and otherwise satisfying the requirements of this Section 46SBL.2(b) (“SBL Letter of Credit”).
 - The SBL Letter of Credit is subject to the requirements of Section 11.2 pertaining to letters of credit, as modified by this Chapter 46SBL.
 - The required forms of the SBL Letter of Credit and [Form 921, Letter of Credit Certification – SBL](#), are available at mf.freddiemac.com.
 - Each time a new Letter of Credit – SBL (or an amendment to an existing Letter of Credit – SBL) is required, the Seller/Servicer must deliver the original Letter of



Credit – SBL (or any amendment to an existing Letter of Credit – SBL) to Freddie Mac together with a [Form 921, Letter of Credit Certification – SBL](#), and an opinion of issuer’s counsel approved by the applicable Freddie Mac *Multifamily Attorney*.

- All documentation required under this Section 46SBL.2(b) must be delivered to *Multifamily Counterparty Risk & Compliance*.
 - If the Seller/Servicer is replacing an SBL Cash Collateral Account with an SBL Letter of Credit, the Seller/Servicer must contact *Multifamily Counterparty Risk & Compliance* at least 60 days prior to the anticipated replacement date for complete requirements related to the replacement.
2. In addition to Freddie Mac’s right to draw upon the Letter of Credit – SBL, if the Seller/Servicer fails to timely meet its SBL Obligations as described in Section 46SBL.2, Freddie Mac may also draw upon the Letter of Credit – SBL for any of the following reasons:
- The Seller/Servicer fails to provide Freddie Mac with a renewal or replacement of the Letter of Credit – SBL at least 30 days prior to the expiration of the Letter of Credit – SBL.
 - The Letter of Credit Issuer ceases to be an Eligible Institution.

These reasons, individually and collectively, are an “Expiration or Non-Eligible Institution Draw Trigger.”

If Freddie Mac draws on a Letter of Credit – SBL following the occurrence of an Expiration or Non-Eligible Institution Draw Trigger, Freddie Mac will deposit the proceeds of the draw into a Freddie Mac account until the Seller/Servicer establishes an SBL Cash Collateral Account in accordance with the requirements set forth in Section 46SBL.2(a). The proceeds of the Letter of Credit – SBL held in the Freddie Mac account are SBL Collateral. If the Seller/Servicer fails to timely reimburse Freddie Mac for an SBL Obligation, then Freddie Mac may apply the SBL Collateral to satisfy the outstanding SBL Obligation without any further notice to the Seller/Servicer.

46SBL.3 Secondary Market Transaction (08/18/22)

Freddie Mac intends to include the SBL Mortgages as assets of a Secondary Market Transaction. “Secondary Market Transaction” means: (i) any sale or assignment of the Loan Agreement, the Note and the other Loan Documents to one or more investors as a whole loan, (ii) a participation of the SBL Mortgage to one or more investors, (iii) any deposit of the Loan Documents with a trust or other entity which may sell certificates or other instruments to investors evidencing an ownership interest in the assets of such trust or other entity, (iv) any other sale, assignment or transfer of the SBL Mortgage or any interest in the SBL Mortgage to one or more investors, or the use of the SBL Mortgage as part of any transaction’s reference pool.



46SBL.4 Repurchase Obligations (08/18/22)

The Seller/Servicer must repurchase an SBL Mortgage if that SBL Mortgage is (i) deemed ineligible for inclusion as an asset of a Secondary Market Transaction that is a securitization, as described in Section 46SBL.4(b) and/or (ii) the subject of a monetary or nonmonetary default described in Sections 46SBL.4(c) and 46SBL.4(d) (collectively, the “SBL Repurchase Obligations”) and Freddie Mac elects to require the Seller/Servicer to repurchase the SBL Mortgage as described in Section 46SBL.4(g).

a. Applicability of Repurchase Obligations (08/18/22)

The SBL Repurchase Obligations only apply if the underlying event giving rise to the SBL Repurchase Obligation occurs during the SBL Repurchase Period, as described in Section 46SBL.4(e).

The SBL Repurchase Obligations apply notwithstanding that the Seller/Servicer may have endorsed any SBL Mortgage Note or other Loan Document to Freddie Mac “without recourse.”

The SBL Repurchase Obligations do not limit or otherwise impair Freddie Mac’s ability to enforce its rights against the Seller/Servicer identified elsewhere in this Guide.

b. Ineligible for Securitization (08/18/22)

1. **Qualified Mortgage.** The SBL Mortgage will be deemed ineligible for inclusion as an asset of a Secondary Market Transaction that is a securitization if the SBL Mortgage is not a “Qualified Mortgage.” For the purpose of this Section 46SBL.4(b), a Qualified Mortgage is a mortgage that is “principally secured” by an interest in real property, and “principally secured” means that the fair market value of the real property collateral for the SBL Mortgage is at least 80 percent of the outstanding principal balance of the SBL Mortgage (or a loan-to-value ratio of 125 percent or less), tested both as of the Origination Date and when the SBL Mortgage is put into the applicable securitization.
2. **Condemnation Valuation.** The SBL Mortgage will be deemed ineligible for inclusion as an asset of a Secondary Market Transaction that is a securitization if any portion of the Property is released from the lien of the SBL Mortgage in connection with a Condemnation (as defined in the Loan Agreement) and the ratio of (i) the unpaid principal balance of the SBL Mortgage to (ii) the value of the Property (taking into account only the related land and buildings and not any personal property or going-concern value), as determined by Freddie Mac in its sole and absolute discretion based on a commercially reasonable valuation method permitted in connection with a securitization, is greater than 125 percent immediately after the Condemnation and before any Restoration (as defined in the Loan Agreement) or repair of the Property (but taking into account any planned Restoration or repair of the Property as if such planned Restoration or repair were completed).

If Freddie Mac enforces an SBL Repurchase Obligation with respect to an SBL Mortgage for this reason, Freddie Mac will credit to the Seller/Servicer any net proceeds or awards from such Condemnation received by Freddie Mac, less any costs and expenses incurred by Freddie Mac in connection with the Condemnation and the Repurchase.



c. Monetary default (08/18/22)

As of March 30, 2020, the Seller/Servicer is subject to an SBL Repurchase Obligation if an SBL Borrower is in default under the applicable SBL Mortgage for failure to pay or deposit when due any amount required by the Loan Documents (“Required Loan Payment(s)”) when the Required Loan Payment has been delinquent for the period of time specified in the chart below (“Delinquency Period”):

Delinquency Period			
	SBL Mortgage for which Borrower participates in the COVID-19 forbearance	SBL Mortgage includes a COVID-19 Debt Service Reserve	All other SBL Mortgages
Applicable Delinquency Period*	120 consecutive days beginning on the date the Required Loan Payment following the end of the forbearance period was due	60 consecutive days beginning on the date the Required Loan Payment was due	60 consecutive days beginning on the date the Required Loan Payment was due
*Calculated without considering any grace or cure period that may be applicable to the Required Loan Payment in the Loan Documents.			

d. Non-monetary default (08/18/22)

The Seller/Servicer is also subject to an SBL Repurchase Obligation if an SBL Borrower is in default under the applicable SBL Mortgage for any of the following non-monetary “Events of Default” described in the Loan Agreement for that SBL Mortgage (“Non-Monetary Defaults”):

- Section 9.01(d) or Section 8.01(b) (fraud, material misrepresentation or material omission)
- Section 9.01(f) or Section 8.01(g) (transfers that violate the provisions of Article VII of the Loan Agreement, including liens on the Mortgaged Property)
- Section 9.01(g) or Section 8.01(h) (forfeiture proceeding)
- Section 9.01(j and n) or Section 8.01(i and j) (uncured defaults(s) under other lien(s) on the Mortgaged Property)
- Section 9.01(k) or Section 8.01 (l and m) (bankruptcy, insolvency and related matters)
- Section 9.01(p) or Section 8.01(n) (Guarantor bankruptcy)



Note that references above to Loan Agreement Sections 9.01 apply to Mortgages with Loan Agreements that have a form revision date prior to 11/02/15.

e. Repurchase Period (08/18/22)

As of March 30, 2020, the repurchase period for Seller/Servicer’s SBL Repurchase Obligations begins on the Origination Date of the SBL Mortgage and remains in effect until the earlier to occur of the events set forth in Sections 46SBL.4(e)(1) through (4) (collectively, the “Repurchase Period”).

1. The date of settlement or closing of a Secondary Market Transaction that includes the SBL Mortgage.
2. The last day of the applicable initial Repurchase Period specified in the chart in Section 46SBL.4(e)(3) below (“Initial Repurchase Period”) unless one of the following conditions is applicable:
 - (A) Freddie Mac has provided a Repurchase Notice to the Seller/Servicer for the SBL Mortgage, as set forth in 46SBL.4(g) and the SBL Mortgage repurchase has not been completed, in which case the Repurchase Period for the SBL Mortgage is extended until the repurchase has been completed.
 - (B) An Extended Repurchase Period Trigger has occurred as provided in subsection 46SBL.4(e)(3).
3. The last day of the applicable extended Repurchase Period specified in the chart below (“Extended Repurchase Period”) if any of the following conditions are applicable (each an “Extended Repurchase Period Trigger”):
 - (A) Borrower fails to make any Required Loan Payment during the final three months of the Initial Repurchase Period.
 - (B) Funds from the COVID-19 Debt Service Reserve, if applicable, are used to make any Required Loan Payment during the final three months of the Initial Repurchase Period.
 - (C) An event that could trigger a Repurchase Obligation has occurred and is continuing at the expiration of the Initial Repurchase Period.

If Freddie Mac has provided a Repurchase Notice to the Seller/Servicer for an SBL Mortgage during the Extended Repurchase Period, the Repurchase Period for that SBL Mortgage is extended until the repurchase has been completed.

Repurchase Period			
	SBL Mortgage for which Borrower participates in the COVID-19 forbearance	SBL Mortgage includes a COVID-19 Debt Service Reserve	All other SBL Mortgages



Repurchase Period			
Initial Repurchase Period	12 months from the Origination Date of the SBL Mortgage <u>plus</u> the number of months for which the SBL Mortgage receives forbearance	12 months from the Origination Date of the SBL Mortgage	12 months from the Origination Date of the SBL Mortgage
Extended Repurchase Period* *When subject to an Extended Repurchase Period Trigger	6 months from the end of the Initial Repurchase Period	6 months from the end of the Initial Repurchase Period	6 months from the end of the Initial Repurchase Period

4. The occurrence of a Secondary Market Transaction Standstill Event (as defined below) unless one of the following is applicable:
- (A) If Seller/Servicer is subject to a Repurchase Obligation during any applicable Repurchase Period and such Repurchase Obligation is in effect prior to the Secondary Market Transaction Standstill Event, notwithstanding the Secondary Market Transaction Standstill Event, the SBL Repurchase Obligation will remain in effect for any such SBL Mortgage.
 - (B) If Freddie Mac has provided a Repurchase Notice to the Seller/Servicer for an SBL Mortgage during any applicable Repurchase Period, notwithstanding the Secondary Market Transaction Standstill Event, the SBL Repurchase Obligation will remain in effect for any such SBL Mortgage until the repurchase has been completed.

A “Secondary Market Transaction Standstill Event” will be deemed to be in effect when one of the following occurs:

- i. Either the Federal Housing Finance Agency (FHFA), the U.S. Department of Treasury (Treasury), any successor to the FHFA or Treasury, or any other conservator or regulator with authority over Freddie Mac directs Freddie Mac to stop including SBL Mortgages as assets of a Secondary Market Transaction, and as a result, Freddie Mac has not included any SBL Mortgages as part of a Secondary Market Transaction for 30 consecutive calendar days.



- ii. Freddie Mac has declined to or is unable to include SBL Mortgages as assets of a Secondary Market Transaction for 120 consecutive calendar days for any reason other than the reasons set forth in Section 46SBL.4(e), subsection 4(i) above.

f. Notice of repurchase event (08/18/22)

Within five Business Days following its discovery of the occurrence of a 60 Day Delinquency or a Non-Monetary Default, the Seller/Servicer will provide Freddie Mac written notice of the occurrence of such event. If Freddie Mac discovers the occurrence of a 60 Day Delinquency or a Non-Monetary Default, Freddie Mac will provide written notice to the Seller/Servicer of such event.

g. Repurchase determination and notification to Seller/Servicers (08/18/22)

If an SBL Mortgage is subject to an SBL Repurchase Obligation during a Repurchase Period and Freddie Mac elects to require the Seller/Servicer to repurchase the SBL Mortgage (“SBL Repurchase Mortgage”), Freddie Mac will provide written notice to the Seller/Servicer of such election (“Repurchase Notice”).

The Seller/Servicer must purchase the SBL Repurchase Mortgage from Freddie Mac no later than 10 Business Days after its receipt of a Repurchase Notice from Freddie Mac (“Mandatory Repurchase Date”) by paying to Freddie Mac the Repurchase Price, which is described in Section 46SBL.4(h)(1).

Until the Seller/Servicer’s repurchase of an SBL Repurchase Mortgage, Freddie Mac, in its sole discretion, will direct and control any loss mitigation activities with respect to the SBL Repurchase Mortgage.

h. Repurchase requirements (08/18/22)

1. **Repurchase Price.** The “Repurchase Price” is the sum of the following amounts as of the date specified in the Repurchase Notice:
 - The unpaid principal balance of the SBL Repurchase Mortgage as of the anticipated date of repurchase (payoff)
 - Accrued interest at the Accounting Net Yield rate from the Due Date of the Last Paid Installment (as described in Chapter 50) through the day before the anticipated repurchase
 - Any amounts advanced by Freddie Mac in connection with the SBL Repurchase Mortgage for which Freddie Mac has not been reimbursed
2. **Repurchase Expenses.** The Seller/Servicer will be responsible for all expenses payable in connection with the transfer of the SBL Repurchase Mortgage to the Seller/Servicer, including all documentary stamp taxes, recording fees, title insurance fees, transfer taxes and legal fees (“Repurchase Expenses”).
3. **Repurchase Statement.** The Repurchase Notice will include an informational statement listing the Repurchase Price information described in Section 46SBL.4(h)(1) above, as well as any Repurchase Expenses owed to Freddie Mac. It will also include

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the Freddie Mac account information required for the Seller/Servicer's wire transfer and any Repurchase Expenses incurred by Freddie Mac ("Repurchase Statement").

4. **Completion of Repurchase.** An SBL Repurchase Obligation with respect to an SBL Repurchase Mortgage will not be satisfied until the Seller/Servicer has satisfied the remittance and reporting requirements of Chapters 53 and 54 with respect to the repurchase.
5. **Repurchase Obligation Default.** If the Seller/Servicer fails to repurchase the SBL Repurchase Mortgage by the Mandatory Repurchase Date ("Repurchase Obligation Default"), in addition to the Repurchase Price, Repurchase Expenses, and any other rights and remedies Freddie Mac may have with respect to the Seller/Servicer under the Guide (including suspension or termination of selling and servicing rights), Freddie Mac may charge the Seller/Servicer an interest reimbursement fee as provided in Section 53.11.

Following a Repurchase Obligation Default, Freddie Mac will recalculate the Repurchase Price, determine whether additional amounts are due, and provide the Seller/Servicer with a revised Repurchase Statement.

If the Seller/Servicer fails to repurchase an SBL Repurchase Mortgage within 10 Business Days following Freddie Mac's transmission of a revised Repurchase Statement to the Seller/Servicer, in addition to the Repurchase Price and all other amounts due to Freddie Mac under this Section 46SBL.4(h)(5), the Seller/Servicer will become obligated to Freddie Mac for all SBL Losses (as defined in Section 46SBL.6) with respect to the SBL Repurchase Mortgage.

6. **Statement Errors.** The Seller/Servicer and Freddie Mac must each bring to the other's immediate attention any arithmetic or other error in any Repurchase Statement and diligently attempt to resolve any questions or claimed errors in the Repurchase Statement. Absent patent error, Freddie Mac's determination of the amount of the Repurchase Price will be final.

46SBL.5 Repurchase Options (08/18/22)

The Seller/Servicer has the right to repurchase an SBL Mortgage ("Repurchase Option") as provided below.

a. During Repurchase Period (08/18/22)

Subject to satisfaction of each of the conditions set forth in 1-4 below, the Seller/Servicer has the right to a Repurchase Option (i) prior to the expiration of the Repurchase Period for any SBL Mortgage in default under the terms of the applicable Loan Documents, and (ii) prior to the Seller/Servicer's receipt of a Repurchase Notice from Freddie Mac for any SBL Mortgage subject to a Repurchase Obligation as described in Section 46SBL.4.

1. The Seller/Servicer must exercise the Repurchase Option not less than two Business Days prior to the initial pricing date of the Secondary Market Transaction for which the SBL Mortgage has been preliminarily designated as collateral.



2. The Seller/Servicer must provide written notice to Freddie Mac of its Repurchase Option election, which notice must include all the following:
 - Freddie Mac loan number
 - Property name
 - Reason for the repurchase
 - Seller/Servicer's estimate of the Repurchase Price
3. Freddie Mac will verify the Repurchase Price and provide written confirmation of the Repurchase Price to the Seller/Servicer.
4. The Seller/Servicer must purchase the SBL Mortgage within 10 Business Days following the date of the written notice to Freddie Mac of the Repurchase Option election. The Seller/Servicer will be responsible for the payment of any Repurchase Expenses.

b. Following the Repurchase Period and Prior to an SBL Mortgage Default (08/18/22)

If the Repurchase Period has expired and the Seller/Servicer's SBL Mortgage has not yet been included as an asset of a Secondary Market Transaction and Freddie Mac still owns the SBL Mortgage, the Seller/Servicer may exercise a Repurchase Option with respect to the SBL Mortgage, subject to the provisions of Section 46SBL.5(a). For any SBL Mortgage that has become an SBL Defaulted Mortgage following the Repurchase Period, the Repurchase Option is subject to Section 46SBL.5(c).

c. Following an SBL Defaulted Mortgage Determination (08/18/22)

If the Repurchase Period has expired, and the SBL Mortgage has become an SBL Defaulted Mortgage, then the Seller/Servicer may exercise a Repurchase Option with respect to the SBL Defaulted Mortgage if all the conditions below are satisfied:

- The Seller/Servicer provides Freddie Mac written notice of its Repurchase Option Election that includes all of the requirements in Section 46SBL.5(a)(2) within 30 days after the occurrence of a 60 Day Delinquency or within 60 days after the occurrence of a Non-Monetary Default
- The Seller/Servicer's exercise of the Repurchase Option complies with Sections 46SBL.5(a)(1), (3), and (4)
- The Servicer pays to Freddie Mac any applicable SBL Losses with respect to the SBL Defaulted Mortgage as provided in Section 46SBL.6

46SBL.6 Loss Obligation (08/18/22)

a. SBL Loss Obligation (08/18/22)

For each SBL Mortgage, upon a Mortgage Default (as defined in Section 46SBL.6(d)(1)), if Freddie Mac suffers a loss with respect to an SBL Mortgage that has not yet been included as an asset for a Secondary Market Transaction or otherwise sold or disposed of (whether through securitization, note sale, deed-in-lieu, foreclosure or otherwise), the Seller/Servicer will be liable to Freddie Mac for the first loss/top loss on that SBL Mortgage up to the Loss

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Maximum defined in Section 46SBL.6(c) (“SBL Loss Obligation”), for the period set forth in Section 46SBL.6(b), calculated as set forth in Section 46SBL.6(d).

Notwithstanding the endorsement to Freddie Mac of any SBL Mortgage Note or other Loan Document by the Seller/Servicer “without recourse,” the Seller/Servicer acknowledges and agrees that it will be liable for the payment to Freddie Mac of its SBL Loss Obligation.

b. Loss Obligation Period (08/18/22)

The “Loss Obligation Period” for an SBL Mortgage is set forth in Sections 46SBL.6(b)(1) - (2).

1. The Seller/Servicer’s Loss Obligation Period commences immediately upon the expiration of the Repurchase Period for any SBL Mortgage that Freddie Mac has not yet been included as an asset for a Secondary Market Transaction or otherwise sold or disposed of (whether through securitization, note sale, deed-in-lieu, foreclosure or otherwise).
2. The Loss Obligation Period for an SBL Mortgage will terminate upon the earlier to occur of:
 - The date of settlement or closing of a Secondary Market Transaction that includes the SBL Mortgage
 - The Seller/Servicer’s payment of the applicable Loss Obligation for the SBL Mortgage as set forth on the Loss Statement, as described in Section 46SBL.6(e), subject to the Loss Maximum specified in Section 46SBL.6(c)
 - The Seller/Servicer’s payment of the SBL REO Price for the Property secured by the SBL Mortgage, if the Seller/Servicer selected the REO Property Repurchase Option described in Section 46SBL.6(g)
 - The occurrence of a Secondary Market Transaction Standstill Event (as defined in Section 46SBL.4(d) above); provided, however, that if an SBL Mortgage is in the Loss Obligation Period and a Mortgage Default has occurred prior to the effective date of the Secondary Market Transaction Standstill Event, the SBL Loss Obligation will remain in effect for any such SBL Mortgage until the SBL Loss Obligation for that SBL Mortgage is satisfied

c. Loss Maximum (08/18/22)

The maximum Seller/Servicer loss with respect to an SBL Loss Obligation (“Loss Maximum”) for any SBL Mortgage will equal ten percent of the principal balance of the SBL Mortgage as of the Origination Date for the SBL Mortgage. The amount of the SBL Loss Obligation will be calculated as provided in Section 46SBL.6(d).

d. SBL Loss Obligation Calculation (09/28/18)

1. Following the expiration of the Repurchase Period for an SBL Mortgage, the occurrence of any event that entitles Freddie Mac to accelerate the indebtedness or seek other relief against the Borrower pursuant to the Loan Documents (subject to any applicable

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grace or cure period in the Loan Documents) is a “Mortgage Default,” and the SBL Mortgage is a “Defaulted Mortgage.”

2. For purposes of calculation of the amount of the loss for an SBL Mortgage (“SBL Loss”), if the Loan Documents provide a grace or cure period with respect to a failure by the Borrower to comply with one or more of its obligations, the Mortgage Default will be deemed to have occurred on the date of the failure, not the end of the grace or cure period.
3. The date on or after the Mortgage Default on which Freddie Mac calculates the SBL Loss is the “SBL Loss Obligation Calculation Date.”
4. The terms “SBL Loss” or “SBL Losses” mean the sum of each of the following, minus any applicable Default Recoveries or Modification Recoveries:
 - The unpaid principal balance of the Defaulted Mortgage as of the Mortgage Default
 - Default or Modification Resolution Costs as of the SBL Loss Obligation Calculation Date
 - Interest due from Borrower under the Loan Documents from the date of the Mortgage Default until the SBL Loss Obligation Calculation Date not otherwise included in the calculation of Default or Modification Resolution Costs
5. “Default or Modification Resolution Costs” means the sum of the following paid or incurred by, or on behalf of, Freddie Mac:
 - The cost, if any, of servicing by a third-party servicer of the SBL Mortgage while a Mortgage Default is continuing
 - All costs and expenses, including legal fees, and receivership fees and expenses, incurred in connection with any Loss Mitigation Activities
 - All costs and expenses, including legal fees, incurred in connection with a Bankruptcy Proceeding or a forbearance or the modification of the Loan Documents
 - All costs and expenses, incurred in connection with the rehabilitation, maintenance and/or operation of the Property securing the SBL Mortgage, including legal fees, receivership fees and expenses, taxes, insurance, management fees, maintenance salaries, utilities, leasing commissions and the cost of any repairs or improvements necessary to restore the Property to decent, habitable, safe and sanitary condition and necessary to maximize the value of the Property
 - All costs and expenses, including legal fees, sales commissions and third-party costs incurred in connection with the disposition of the Property or a forbearance or the modification of the Loan Documents
 - Any other payments due and owing from the Borrower to Freddie Mac



The reasonableness and necessity of all Default or Modification Resolution Costs will be determined by Freddie Mac in its sole discretion.

6. “Default Recoveries” means all the following amounts received by Freddie Mac:

- If the Property or Note evidencing or securing the SBL Mortgage has been sold, any amounts received from the sale of the Property or Note, net of any sales commissions, legal fees or costs of sale, other than those described in Section 46SBL.6(d)(5) above (excluding any fees, interest or other charges in connection with a mortgage made or purchased to facilitate the sale of the Property or Note)
- If the Property or Note evidencing or securing the SBL Mortgage has not been sold, and the Property has been owned by Freddie Mac for 30 or more months, the Appraised Value of the Property (less necessary and reasonable operating costs)
- All rental or other income received by Freddie Mac from the operation of the Property (or from a court-appointed receiver) since the date of the Mortgage Default
- Any other amounts received from the Borrower on account of the SBL Mortgage since the date of the Mortgage Default
- Any amounts received from any guarantor(s) of the Borrower’s obligations since the date of the Mortgage Default
- Any amounts received from any third party with respect to the Property, including insurance proceeds, condemnation proceeds, insurance premium rebates, property tax refunds, and vendor refunds rebates
- Any escrows, reserves or previously unapplied amounts that are applied against amounts owed under the SBL Mortgage
- The proceeds of any insurance policies not applied to restoration of the Property or obligations of the Borrower

7. “Modification Recoveries” means all the following amounts received by Freddie Mac:

- Any amounts received from the Borrower or any guarantor on account of the SBL Mortgage since the date of the Mortgage Default, which amounts have not been applied to principal or interest
- The present value (calculated at the original gross interest rate of the Note secured by the SBL Mortgage) of all payments due and owing to Freddie Mac through the date of maturity of the SBL Mortgage under the original terms of the Loan Documents, as modified or forbore

e. Loss Statement (08/18/22)

1. **Issuance of the Loss Statement.** Following the calculation of the SBL Loss and the applicable Loss Maximum, Freddie Mac will issue a loss statement to the Seller/Servicer (“Loss Statement”) that includes the following information:



- An itemized calculation of the SBL Loss with respect to the Defaulted Mortgage
 - The Freddie Mac account information required for the Seller/Servicer's wire transfer to Freddie Mac in satisfaction of the SBL Loss Obligation
2. **Remittance Due Date.** The Seller/Servicer must remit the amount due and payable to Freddie Mac identified on the Loss Statement within 10 Business Days after the date of the Loss Statement. Payment must be made by wire transfer of funds to the account as Freddie Mac designates in the Loss Statement.
 3. **Statement Errors.** The Seller/Servicer and Freddie Mac must each bring to the other's immediate attention any arithmetic or other error in any Loss Statement and diligently attempt to resolve any questions or claimed errors in the Loss Statement. Absent patent error, Freddie Mac's determination of the amount of the SBL Loss Obligation will be final.

f. Interim SBL Loss Information Statement (08/18/22)

Upon the request of the Seller/Servicer, if a Mortgage Default has occurred and is continuing, Freddie Mac will transmit to the Seller/Servicer an informational statement setting forth the accrued SBL Loss for the SBL Mortgage as of the date of the informational statement ("Interim Loss Information Statement").

The Interim Loss Information Statement will contain the same information that would be provided in a Loss Statement, with the amounts calculated as though the date of the Interim Loss Information Statement was an SBL Loss Obligation Calculation Date. Freddie Mac will not be required to provide the Seller/Servicer with an Interim Loss Information Statement for a Defaulted Mortgage more than once each calendar quarter. The Seller/Servicer agrees that any Interim Loss Information Statement is for informational purposes only and if there is a conflict between an Interim Loss Information Statement and an SBL Loss Statement, the SBL Loss Statement will control.

g. REO Property Repurchase Option (08/18/22)

If the Property securing a Defaulted Mortgage becomes an REO Property ("REO Property"), the Seller/Servicer may elect to purchase the REO Property in lieu of paying the SBL Loss. The purchase price for the REO Property will be calculated as follows ("SBL REO Price"):

- The sum of each of the following:
 - The unpaid principal balance of the Defaulted Mortgage as of the acquisition date or the date of acceptance of a deed in lieu of foreclosure
 - Accrued interest at the Accounting Net Yield rate from the Due Date of the Last Paid Installment through the day before the Seller/Servicer's purchase of the REO Property
 - Any expenses reimbursed by Freddie Mac to the Servicer



- Any expenses incurred by Freddie Mac in marketing the REO Property
- Reduced by each of the following:
 - Any sale proceeds
 - Other proceeds or refunds remitted to Freddie Mac by or on behalf of the Servicer, except any rental proceeds remitted or due to Freddie Mac

At Freddie Mac's discretion, the SBL REO Price will include an amount equal to any loss, damage or expense, including court costs, costs of investigation and reasonable attorney fees, incurred by Freddie Mac in connection with its purchase, ownership and resale to the Seller/Servicer of Freddie Mac's interest in the REO Property. In addition, the Seller/Servicer must pay all documentary stamp taxes, recording fees, transfer taxes and all other expenses payable in connection with the transfer of the REO Property to the Seller/Servicer, including legal fees.