

Multifamily Seller/Servicer Guide

Chapter 50

General Accounting and Reporting Requirements

50.1 Servicer fiscal responsibilities (10/31/12)

The fiscal responsibilities of the Servicer include the following:

1. Accurate and timely accounting, automated reporting and remitting to Freddie Mac of the principal and interest portions of monthly installment payments, as well as any other sums paid by Borrowers that Freddie Mac may require to be remitted
2. Accurate and timely accounting for and administration of Reserves and Custodial Accounts
3. Preparing the Servicer's balance sheet and other financial statements in a manner that clearly reflects the sale of Mortgages to Freddie Mac as a sale of assets (This is required in addition to the file identification and marking of accounting records required elsewhere in the Guide.)
4. Maintaining accounting records that agree with and/or reconcile to reports provided to Freddie Mac
5. Maintaining, at all times, minimum net worth in accordance with the requirements of Chapter 3

50.2 Outsourcing requirements

a. Special terms (12/07/05)

The following terms, when used in this chapter, have the meanings described below:

- "Outsource," "Outsourced" or "Outsourcing" are the Servicer's use of a third party to perform one or more of the Servicer's accounting and reporting responsibilities
- "Outsourcer" is each third party that performs one or more of the Servicer's accounting and reporting responsibilities

b. Functions eligible for Outsourcing; contact with the Borrower (12/07/05)

Except for those accounting and reporting functions for which Outsourcing is prohibited by Section 50.2(c), Freddie Mac will permit the Servicer to Outsource certain low risk accounting and reporting functions that the Servicer deems necessary and appropriate to manage the Servicer's accounting and reporting responsibilities. As examples of such functions, Freddie Mac will permit the Servicer to Outsource accounting and reporting responsibilities such as providing administrative services, investor reporting and cash management. The Servicer must ensure that each Outsourced accounting and reporting responsibility meets the quality standards set forth in Section 50.2(d).

Outsourcer contact with the Borrower is allowed only for administrative functions. The Outsourcer may send a letter to a Borrower only if authorized to do so by the Servicer and if such correspondence is on the Servicer's letterhead.

The Servicer must ensure that the Outsourced accounting and reporting function meets the quality standards set forth in Section 50.2(d).

c. Accounting and reporting responsibilities for which Outsourcing is prohibited (12/07/05)

Freddie Mac requires that members of a Servicer's staff perform the most high-level accounting and reporting responsibilities. As a result, the Servicer may not use an Outsourcer to

1. Review Borrower or guarantor financial information or any protected personal information
2. Manage the Borrower relationship, including all communications with the Borrower, unless permitted otherwise by Section 50.2(b)
3. Communicate with Freddie Mac on behalf of the Servicer
4. Perform any services or functions that require or are likely to result in the Outsourcer receiving, using, handling, or otherwise having access to any financial or personal information pertaining to any Borrower, guarantor, or other individual, even if such services or functions are described as eligible for Outsourcing in Section 50.2(b)

d. Quality and controls of Outsourcing (05/01/14)

The Servicer must ensure that any Outsourced accounting and reporting responsibility is completed in accordance with the Guide and with high quality standards. The Servicer must also maintain thorough and accurate information and records regarding each Outsourced accounting and reporting responsibility and ensure that the Outsourcer has appropriate controls in place to fulfill its responsibilities. The Servicer must be knowledgeable about the Mortgage and able to provide accurate and thorough recommendations on all accounting or reporting issues when Outsourcing these accounting and reporting responsibilities. The Servicer will remain liable to Freddie Mac for all obligations that it Outsources.

The Servicer must have detailed, well-controlled procedures and training for all functions managed by an Outsourcer.

As part of Freddie Mac's Seller/Servicer audit, the Servicer must be able to

- Provide documentation evidencing adequate controls that ensure a high quality work product
- Provide documentation evidencing procedures and training for all Outsourced functions
- Have available, either electronically or otherwise, access to underlying Outsourced information and work product

The Servicer may lose the ability to Outsource accounting and reporting responsibilities if Freddie Mac, in its sole discretion, determines that the Servicer's or Outsourcer's controls are inadequate

or if Freddie Mac, in its sole discretion, determines that the quality of the Outsourced work is unsatisfactory.

e. Notifying Freddie Mac of Outsourcing (03/31/11)

Prior to using an Outsourcer, the Servicer must notify Freddie Mac Multifamily Customer Compliance Management by completing the Outsourcing section of the PDF version of Form 1107M, Multifamily Seller/Servicer Change Notification, and submitting Form 1107M, to the Freddie Mac Multifamily Institutional Risk Manager. (The Servicer cannot submit Outsourcer information via the electronic web format.) The Servicer must disclose on Form 1107M, the specific functions that the Servicer is planning to Outsource and the name and address of the Outsourcer selected to perform the service.

f. Right to restrict use of a vendor and to limit or prohibit Outsourcing (12/07/05)

Freddie Mac reserves the right to

- Restrict the use of Outsourcing for a specific accounting or reporting responsibility or Property
- Prohibit the use of a particular Outsourcer as the Outsourcing vendor
- Limit or prohibit the use of Outsourcing of accounting or reporting responsibilities by a specific Servicer

g. Confidentiality (12/07/05)

The Servicer must ensure that each Outsourcer complies with the privacy and confidentiality provisions set forth in the Guide (including, without limitation, Section 36.15) and maintains appropriate training and controls to fulfill its privacy and confidentiality responsibilities. The Servicer will be liable to Freddie Mac for the failure of any Outsourcer to comply with these provisions.

50.3 Mortgage accounting records

a. Permanent records (12/07/05)

The Servicer must maintain permanent Mortgage accounting records for each Mortgage sold to Freddie Mac. The records must indicate Freddie Mac's percentage of participation in each Mortgage and must contain the complete Freddie Mac nine-digit loan number assigned to the Mortgage.

b. Accounting system (10/31/12)

The Servicer's Mortgage accounting system must be able to produce an account transcript for each Mortgage, itemizing the following in chronological order:

- The date, amount and breakdown of principal and interest of each payment
- The date to which interest is paid

- The date, amount and nature of each disbursement, advance, adjustment or other transaction affecting the amounts due from or to the Borrower

The system must also be capable of providing the following with respect to any Mortgage:

- The current outstanding principal balance
- The current balance of each Reserve
- Any insufficiency in any Reserve balance

c. Accounting principles (12/07/05)

The Servicer must maintain the accounts and records for Freddie Mac-owned Mortgages according to sound and generally accepted accounting principles in a manner that permits Freddie Mac's representatives or designees to examine and audit these accounts and records at any time.

50.4 Release or destruction of records (12/07/05)

Without Freddie Mac's prior written approval, the Servicer must not surrender or destroy any canceled checks, bank statements or other records and accounts for any Mortgage serviced for Freddie Mac, including any Mortgage paid in full, sold, foreclosed or otherwise liquidated. However, when permitted by applicable law, the Servicer may destroy any original records, including mortgage ledger cards,

- Three years after the date a Mortgage is fully paid, or
- If the Mortgage is accelerated, six years after the date it is fully paid

50.5 Freddie Mac Custodial Accounts (10/31/12)

The Servicer must establish and maintain Custodial Accounts and safeguard funds held for or owed to Freddie Mac in accordance with the requirements of Chapter 52.

50.6 Interest on Custodial Accounts (10/31/12)

If the Servicer either has entered into an agreement to or is required by law to pay interest on Custodial Accounts or Reserves, the Servicer is solely and fully responsible for this payment. The Servicer may not include the accounting related to the payment of this interest with the regular Mortgage accounting for principal and interest.

50.7 Summary of remittance requirements and transfer method (04/30/19)

The timing for remittance differs depending upon whether the Mortgage is a Gold PC® Securitized Mortgage, Tax Exempt Bond Credit Enhancement Mortgage or other Mortgage.

The Servicer must remit the following Mortgage collections and fees to Freddie Mac via Freddie Mac's automated cash remittance system (see Section 53.7):

1. Monthly principal and interest collections

2. Curtailments, including any applicable prepayment premiums
3. Proceeds from Mortgages paid in full including any applicable prepayment premium
4. Tax Exempt Bond Credit Enhancement fees
5. Default interest
6. Late fees
7. Interest reimbursement fees and noncompliance fees assessed by Freddie Mac

The Servicer must remit proceeds of miscellaneous transactions not included above by check or wire transfer to Multifamily Cash Management.

The Servicer must remit proceeds of multifamily Real Estate Owned (REO) sales and miscellaneous transactions not included above in accordance with Section 53.9.

If Freddie Mac receives a remittance by U.S. Mail, the effective date of receipt will be the date of the Freddie Mac deposit. Freddie Mac will use effective date of receipt to determine if the remittance has been made in compliance with the interim and monthly remittance requirements as set forth in Sections 53.9 and 53.10, respectively.

Failure of the Servicer to comply with the remittance and transfer requirements may result in an interest reimbursement fee as set forth in Section 53.11.

50.8 Definitions for accounting and reporting (05/01/14)

As used in this chapter, these terms are defined as follows:

1. Accounting cutoff date

The close of business on the 15th of a month (If the 15th is not a Business Day, the accounting cutoff date is the close of business on the Business Day preceding the 15th of the month.)

2. Accounting cycle

The 16th of one month through the 15th of the following month

3. Exception activity

Activity resulting in the unpaid principal balance (UPB) of a Mortgage being reduced to zero

The following transactions are exception activities:

- Mortgages paid in full or repurchased (Sections 54.3 and 54.4)
- Mortgages liquidated by third-party foreclosure sale (Section 54.5)

- Mortgages transferred to REO (Section 54.6)
- Mortgages sold into a Securitization

4. Loan-level reporting information

Information about loan activity and status of a Mortgage reported on an individual loan basis

50.9 Monthly reporting and exception activity (02/29/12)

Every month, each Servicer must report to Freddie Mac, via MultiSuite® for Investor Reporting, all transactions affecting the Mortgages serviced (see Section 50.9). The monthly automated reports must include all loans with an unpaid principal balance as of the beginning of that accounting cycle.

The entries that a Servicer must transmit include monthly principal reductions, net yield interest and unscheduled principal reductions since the previous month's accounting cutoff date. Freddie Mac relies on the Servicer's accuracy in reporting principal reductions to determine the amounts Freddie Mac will pay to its security investors and report to its stockholders.

If an exception activity occurs with respect to a Mortgage serviced, then the exception activity must be reported via MultiSuite for Investor Reporting.

a. Report due dates (12/07/05)

See Section 50.10 for information on due dates for loan-level transactions.

b. Reporting requirements for MultiSuite for Investor Reporting (02/29/12)

Automated transmission of accounting transactions via MultiSuite for Investor Reporting is mandatory for all Freddie Mac Multifamily Mortgages. Transmissions must be usable, accurate and timely. Failure to comply with these requirements will result in the assessment of the accounting reporting noncompliance fees set forth in Section 54.9. For further information on reporting requirements for MultiSuite for Investor Reporting, contact Freddie Mac Multifamily Loan Accounting.

c. Back-up reporting requirements (02/29/12)

If Freddie Mac Multifamily Loan Accounting notifies a Servicer that a MultiSuite transmission is unacceptable, the Servicer must provide Freddie Mac with a corrected transmission via MultiSuite for Investor Reporting within 24 hours. Failure to transmit timely and accurate corrected automated accounting reports may subject the Servicer to the accounting reporting noncompliance fees set forth in Section 54.9.

d. Accounting reporting corrections (02/29/12)

If a Servicer discovers an error after transmitting accounting reporting information via MultiSuite for Investor Reporting, the Servicer must call Freddie Mac Multifamily Loan Accounting to report the error. The Freddie Mac accounting representative will unlock the record, allowing the Servicer to enter the correct information.

50.10 Accounting reporting due dates

a. Due dates for reporting for Gold PC Securitized Mortgages via MultiSuite for Investor Reporting (08/10/12)

Freddie Mac accounting reports must reach Freddie Mac Multifamily Loan Accounting, or such other department as Freddie Mac may designate, according to the schedule below:

For each Mortgage without exception activity, accounting reports are due:
Three Business Days after the accounting cutoff date.
For each Mortgage paid in full or sold, accounting reports are due:
By the earlier of: <ul style="list-style-type: none"> • Two Business Days after the payoff or sale occurred; or • The last Business Day of the month in which the payoff or sale occurred.
For each Mortgage liquidated by a third-party foreclosure sale, short payoff or transfer to REO, accounting reports are due:
By the earlier of: <ul style="list-style-type: none"> • Three Business Days after receipt of third-party foreclosure sale proceeds, short payoff notification or notification of transfer to REO; or • The last Business Day of the month in which third-party foreclosure sale proceeds, short payoff notification or notification of transfer to REO were received.

b. Due dates for reporting for Tax-Exempt Bond Credit Enhancement Mortgages via MultiSuite for Investor Reporting (02/29/12)

Loan-level reporting information for each Mortgage must conform to the requirements set forth in the Commitment.

c. Due dates for reporting for ARMs that have not been securitized, are not Tax-Exempt Bond Credit Enhancement Mortgages and have been purchased on or after June 1, 2009 via MultiSuite for Investor Reporting (02/29/12)

Loan-level reporting information for each Mortgage for which exception activity did not occur must reach Freddie Mac Multifamily Loan Accounting, or such other department as Freddie Mac may designate, by the third Business Day following the 15th of the month.

d. Due dates for reporting for all other Mortgages via MultiSuite for Investor Reporting (08/10/12)

Freddie Mac accounting reports must reach Freddie Mac Multifamily Loan Accounting, or such other department as Freddie Mac may designate, according to the schedule below:

For each Mortgage without exception activity, accounting reports are due:
Three Business Days after the accounting cutoff date.
For each Mortgage paid in full or sold, accounting reports are due:
<p>By the earlier of:</p> <ul style="list-style-type: none"> • Two Business Days after the payoff or sale occurred; or • The last Business Day of the month in which the payoff or sale occurred.
For each Mortgage liquidated by a third-party foreclosure sale, short payoff or transfer to REO, accounting reports are due:
<p>By the earlier of:</p> <ul style="list-style-type: none"> • Five Business Days after receipt of third-party foreclosure sale proceeds, short payoff notification or notification of transfer to REO; or • The last Business Day of the month in which third-party foreclosure sale proceeds, short payoff notification or notification of transfer to REO were received.

e. Newly purchased Mortgages (12/07/05)

For a newly purchased Mortgage, the Servicer must report transactions for the Mortgage for the first time according to Section 54.1

50.11 Interest and Servicing compensation (04/07/06)

When Freddie Mac purchases a Mortgage, it computes interest at the Accounting Net Yield on the total outstanding principal. Freddie Mac pays that interest to the Seller from the first of the month through the day before the Freddie Mac Funding Date.

When computing the Accounting Net Yield, Freddie Mac takes into consideration a minimum Servicing compensation. Usually, the Accounting Net Yield equals the Required Net Yield, which is the Coupon Rate less the Servicing Spread. If the Coupon Rate of a Mortgage, less the Servicing Spread, is greater than Freddie Mac's Required Net Yield, the Servicer must refer to the Purchase and Servicing Documents to determine whether the Servicer may retain the interest received in excess of the Freddie Mac Required Net Yield as additional Servicing compensation.

Freddie Mac's Accounting Net Yield for ARMs will vary as the interest rate varies. Freddie Mac's Accounting Net Yield for ARMs will be the index rate applicable to such month plus the Freddie Mac required net spread.

50.12 Method of accounting for Freddie Mac yield (12/07/05)

For each Mortgage, Freddie Mac designates one of three methods for calculating monthly interest and principal to be reported to Freddie Mac.

1. Alternate method

Under the alternate method, the Servicer must report Freddie Mac's proportionate share of all interest and principal actually received. Freddie Mac requires the use of the alternate method for Mortgages purchased under the Multifamily Conventional Cash Mortgage Purchase Program, as well as for certain designated Mortgages purchased under the Multifamily Negotiated Transactions Program.

2. Net yield method

Under the net yield method, the Servicer must compute the monthly interest by applying the Accounting Net Yield rate to the beginning principal balance, using a 30-day month and a 360-day year, regardless of the amount collected from the Borrower. The Servicer must report the interest computed and the principal actually received for each monthly reporting period.

3. Scheduled/scheduled method

Under the scheduled/scheduled method, the Servicer reports to Freddie Mac both principal and interest payments calculated on a scheduled amortized balance, regardless of actual collections. The Servicer must use the scheduled/scheduled method for certain designated Mortgages purchased under the Multifamily Negotiated Transactions Program.

50.13 Certification and financial reporting requirements (05/11/10)

Sections 3.5 and 3.6 set forth the requirements for submitting the following:

- Form 16M, Multifamily Annual Certification Report,
- Form 17M, Multifamily Annual Certification Report – Structured Transactions and Tax-Exempt Bond Seller/Servicers, and
- Form 1055, Mortgage Bankers Financial Reporting Form.

50.14 Audit confirmation requests (12/07/05)

Sellers or Servicers requiring audit confirmation from Freddie Mac with respect to the Mortgages sold to and serviced for Freddie Mac must use the format and address provided in Exhibit 8.

50.15 Accounting for Servicer's compensation (12/07/05)

The compensation earned by the Servicer for the performance of its duties is based on the outstanding principal balance and the interest collected from Mortgages. The Servicer earns compensation when it collects interest on Mortgages. See Section 50.11 for details regarding the computation of compensation for each of the various Freddie Mac programs and products.

50.16 Transfer of Servicing (12/07/05)

The Servicer must not transfer its Servicing portfolio (in whole or in part) without Freddie Mac's prior written approval. Chapter 42 describes the conditions under which a transfer of Servicing may take place.

50.17 Reconciliation responsibilities (02/29/12)

Each month, the Servicer must report via MultiSuite for Investor Reporting each Mortgage serviced for Freddie Mac. The data reported must reflect accurately the activity applied to each Mortgage. The Servicer must report each Mortgage regardless of whether there was any activity on that Mortgage during the accounting cycle. The Servicer must take action to identify and reconcile discrepancies that result in transaction errors no later than the next accounting cutoff date. The Servicer must notify Freddie Mac immediately of any reporting errors that appear to be caused by incorrect information on Freddie Mac's system (see Section 54.10).