

Multifamily Seller/Service Guide

Chapter 53

Determining and Remitting Payments



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53.1 Determining payments (10/20/22)

a. Interest in arrears (03/31/11)

The Servicer must calculate interest in arrears for each Mortgage it services for Freddie Mac by using the amortization method. Under this method, an individual mortgage payment is applied to interest and principal by first calculating the interest portion and then applying the balance of the payment as a principal reduction.

Freddie Mac does not permit the use of the prepaid interest or interest-in-advance methods on Mortgages Freddie Mac owns. Any Servicer using the interest-in-advance method must convert to the interest-in-arrears method for Mortgages purchased by Freddie Mac before delivering the Mortgages to Freddie Mac. If a different method is specifically required by the law of the State where the Property is located, the Servicer must notify Freddie Mac *Multifamily Loan Accounting* in writing before remitting payments to Freddie Mac.

b. Interest calculations for each month (10/20/22)

Unless otherwise specifically required by law, the Servicer must determine the interest portion of the payment by computing one full month's interest on the outstanding principal balance ([Exhibit 6](#)) regardless of the day on which the payment is actually received. To determine the interest due for the month, the Servicer must follow the interest rate calculation method set forth in the Note. The Servicer must carry factors used for interest calculations to at least six decimal places, then round to two decimal places based on the third digit. After applying the interest portion of the payment, the Servicer must apply the remainder to principal.

c. Interest calculations for multiple installments (10/07/02)

When computations involve multiple installments, such as several delinquent installments, the Servicer may compute the interest from each installment using the same principal balance ([Exhibit 7](#)). The Servicer, at its option, may also calculate the amount to be applied to interest from each installment in succession, using the principal balance remaining after the previous calculation and principal application. Alternatively, the Servicer, at its option, may use a method that strictly applies payments according to a predetermined amortization schedule.

d. Interest calculations involving a period of less than one month (10/07/02)

1. If a loan is originated and purchased by Freddie Mac in the same month, the Servicer must calculate, report and remit 30 days of interest to Freddie Mac, based on a 30-day month and a 360-day year. However, for loans originated and purchased by Freddie Mac in the month of February, the Servicer must calculate, report and remit interest to Freddie Mac based on the number of days in February (28 days in a non-leap year or 29 days in a leap year) and a 360-day year.
2. Except for the interest calculations referenced above, the Servicer must calculate, report and remit interest for a period of less than one month based on actual days and a 365-day year.



53.2 Application of payments: general policy (10/20/22)

Except as described in Sections 53.3 through 53.5, or as otherwise required by the Note, the Servicer must apply all payments of the monthly installment due as follows:

a. Current loans (10/31/12)

1. Any prepayment premiums due under the Note
2. Reserves
3. Interest due
4. Principal due
5. Default interest
6. Any late charges due under the Note
7. All other fees due

b. Loans one or two installments in arrears (10/31/12)

If a payment is received on a loan that is one or two installments in arrears, the Servicer must apply the payment in the following order:

1. Reserves, interest due and principal due for oldest past-due payment
2. Reserves, interest due and principal due for other past-due payment, if any
3. Prepayment premium due under the Note
4. Reserves, interest due and principal due for current payment
5. Default interest for any past-due payment
6. Late charges due under the Note
7. Any other fees due

c. Loans more than two installments in arrears (05/01/14)

If a payment is received on a loan that is more than two installments in arrears, the Servicer must apply the payment in the following order:

1. Any prepayment premium due under the Note
2. Reserves for all installments due
3. Interest for all installments due



4. Principal for all installments due
5. Default interest for all installments in arrears
6. Late charges for installments in arrears
7. Any other fees due

53.3 Application of payments: differences in collection (10/31/12)

All payments received must equal or exceed the monthly principal, interest and Reserve payments, if applicable. If there is a payment deficiency *and* the Mortgage is not otherwise in default, the Servicer must credit the payment as described below:

a. Deficient payment on any Mortgage with Reserves (10/31/12)

1. If the deficiency is less than or equal to the lower of \$1,000 or the amount of the Escrow payment due, the Servicer must:
 - Reduce the amount credited to the Reserve balance by the deficiency
 - Reflect the Due Date of the Last Paid Installment (DDLPI) as current
 - Notify the Borrower of the deficiency
2. If the deficiency is greater than \$1,000 or the amount of the Reserve payment due, the Servicer must:
 - Credit the entire payment to the Reserve balance or a suspense account until the Servicer receives the full payment
 - Ensure that the DDLPI remains the same as before the deficient payment was recorded
 - Inform the Borrower that the deficiency constitutes a Delinquency and must be paid immediately
 - Collect the deficiency from the Borrower before applying any further payment except to the Reserve balance or a suspense account

b. Deficient payment on an amortizing Mortgage without Reserves (10/31/12)

1. If the deficiency is \$100 or less, the Servicer must:
 - Reduce the amount credited to the principal balance by the deficiency
 - Reflect the DDLPI as current
 - Notify the Borrower of the deficiency



- Collect the deficiency from the Borrower before applying any further payment except to a suspense account
2. If the deficiency is greater than \$100, the Servicer must:
- Credit the entire payment to a suspense account until the Servicer receives the full payment
 - Ensure that the DDLPI remains the same as before the deficient payment was recorded
 - Inform the Borrower that the deficiency constitutes a Delinquency and must be paid immediately
 - Collect the deficiency from the Borrower before applying any further payment except to a suspense account

c. Deficient payment on an interest-only Mortgage without Reserves (10/31/12)

1. If the deficiency is \$100 or less, the Servicer must:
- Reduce the amount credited to interest by the deficiency
 - Reflect the DDLPI as current
 - Notify the Borrower of the deficiency
 - Collect the deficiency from the Borrower before applying any further payment except to a suspense account
2. If the deficiency is greater than \$100, the Servicer must:
- Credit the entire payment to a suspense account until the Servicer receives the full payment
 - Ensure that the DDLPI remains the same as before the deficient payment was recorded
 - Inform the Borrower that the deficiency constitutes a Delinquency and must be paid immediately
 - Collect the deficiency from the Borrower before applying any further payment except to a suspense account

d. Delinquency (10/31/12)

Receipt of consecutive deficient payments constitutes a Delinquency, and the Servicer must credit such a payment to the Reserve, if applicable, or a suspense account.



e. Default (10/31/12)

If the Servicer receives a deficient payment while a Mortgage is in default, the Servicer must credit the entire payment to either the Reserve balance, if applicable, or a suspense account until the Servicer receives a full payment. If the Servicer credits the payment to a suspense account, the Servicer must deposit those funds to the principal and interest Custodial Account.

The Servicer's records must indicate at all times the source of, and reason for, any funds held in suspense.

The Servicer's records must reflect checks returned because of nonsufficient funds as a complete reversal of the most recent Reserve, interest and principal application.

See Section 54.2 for application of payments under workouts/repayment plans.

53.4 Application of payments: Mortgage paid in full (04/30/15)

The Servicer must determine and accept the amount required to pay a Mortgage in full, including interest to the payoff date and the full amount of the prepayment premium, if any, in accordance with the provisions of Section 51.1.

The Servicer may retain the servicing maintenance prepayment fee (as described in Section 38.4) and must remit to Freddie Mac the amount required to prepay the Mortgage in full less the servicing maintenance prepayment fee, if applicable.

53.5 Application of payments: partial prepayments (curtailments) (04/30/15)

The Servicer may accept partial prepayments of principal if permitted by the terms of the Note, or in consideration of a partial release of the Property or the taking of the Property in whole or in part by eminent domain.

a. Computing interest (12/05/03)

Each partial prepayment received after the Due Date of the monthly installment will be credited as of the Due Date of the next monthly installment. The Servicer must either (1) compute the interest portion of the next installment on the principal balance before crediting the partial prepayment, or (2) collect curtailment interest. Curtailment interest is the partial prepayment (curtailment) multiplied by the note rate divided by 12. If curtailment interest is collected at the time of the partial prepayment, the Servicer must compute the interest portion of the next installment due on the principal balance after the curtailment.

b. Modifications (12/05/03)

Without prior written approval by Freddie Mac, the Servicer may not postpone or extend the due date of any installment due or change the amount of any installment due because of the partial prepayment.



c. Prepayment premiums (04/30/15)

At the time of any full or partial prepayment of a Mortgage providing for a Yield Maintenance Prepayment Premium, the Servicer must calculate the Yield Maintenance Prepayment Premium computed as described in the Note, in accordance with Section 51.1.

53.6 Reapplication of payments (10/20/22)

If a Servicer receives a payment in excess of the current amount due, the Servicer must obtain instruction from the Borrower as to the application of the excess amount prior to applying the payment. After a Servicer has applied the payment, Freddie Mac will not allow the Servicer automatically to reapply that payment.

53.7 Automated cash remittance system (06/15/23)

a. Introduction (06/12/23)

The Servicer must initiate monthly remittances through Freddie Mac's automated cash remittance system. The Servicer may initiate the drafts by accessing the myOptigo® Servicer Remittance portal.

The myOptigo® Servicer Remittance portal is also accessible from the [Investor Reporting](#) site.

The Servicer authorizes the transfer of funds by submitting the draft amount request through the myOptigo® Servicer Remittance portal which initiates an electronic debit through the Automated Clearinghouse (ACH). All ACH items must be cleared through normal banking channels before being credited to Freddie Mac. The Servicer may direct any questions concerning the myOptigo® Servicer Remittance system to (800) FREDDIE; select Option 1, then Option 4 for the Multifamily Service Desk.

b. Initial remittances (06/12/23)

Freddie Mac will give new Servicers a 60-day grace period from the date of Seller/Servicer approval to begin using the automated cash remittance system. Until Freddie Mac notifies a Servicer to begin using the cash remittance system, the Servicer must remit funds by wire transfers. The Servicer should contact its accounting representative in Freddie Mac *Multifamily Loan Accounting* regarding wire transfer instructions. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.

Before Freddie Mac can debit a Servicer for a transfer of funds via the ACH system, Freddie Mac will arrange for a zero-dollar prenotification debit for receipt by the Servicer's bank against the Servicer's account. This prenotification debit is used to verify the accuracy of the Servicer's bank routing instructions for electronic debit processing.

The prenotification process will be used in the following situations:

- Upon approval of a new Servicer whose bank is an ACH member
- When the Servicer's bank becomes an ACH member
- When a Servicer changes its bank routing instructions and its bank is an ACH member

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c. Use of the ACH (10/07/02)

Freddie Mac intends to receive funds via the ACH whenever a Servicer's bank is an ACH member.

d. Classification of remittances (06/12/23)

Before initiating a cash remittance, the Servicer must classify the remittances into three categories:

- **Nonpayoff remittances**, which include
 - Monthly principal and interest
 - Curtailments
- **Payoff remittances**, including prepayment premiums
- **Fee Remittances**, which include late fees, default interest, interest reimbursement fees, bond credit enhancement fees and noncompliance fees

e. Initiating remittances (06/12/23)

The Servicer can initiate a cash remittance request by accessing the myOptigo® Servicer Remittance portal. For step-by-step instructions, please refer to the [myOptigo® Servicer Remittance Portal User Guide](#).

For additional information,

- Visit the [Freddie Mac Learning Center](#)
- Contact (800) FREDDIE and select Option 1 then Option 4 for the Multifamily Service Desk

f. Reserved (06/12/23)

g. Changes in remittance instructions (06/15/23)

A Servicer that wants to change its designated account or modify its existing bank routing instructions must submit:

- [Form 1064, Authorization for Automatic Transfer of Funds from a Principal and Interest Custodial Account Through the Automated Clearing House \(ACH\)](#)
- The applicable Letter Agreement form to the department indicated on the form:
 - [Form 1057, Letter of Agreement for Servicer's Principal and Interest of P&I Disbursement Clearing Custodial Account](#), or



- [Form 1059, Letter of Agreement for Principal and Interest, or P&I Disbursement Clearing Custodial Account.](#)

The Servicer may direct any questions to *Multifamily Cash Management*. Freddie Mac requires its receipt of [Form 1064](#) at least 15 Business Days before the Servicer's use of the new account or modified bank routing instructions for the Freddie Mac cash remittance system.

The Servicer must continue to use the existing account or bank routing instructions until Freddie Mac gives the Servicer written authorization that the new account or modified bank routing instructions may be used.

If the Servicer discontinues use of the existing account or bank routing instructions before obtaining written authorization from Freddie Mac, the Servicer will be subject to an interest reimbursement fee as set forth in Section 53.11.

53.8 Availability of funds; timing of remittances (10/19/23)

Freddie Mac requires the Servicer to use the myOptigo® Servicer Remittance portal for an interim or monthly remittance. The Servicer must ensure that all funds due to Freddie Mac are available for use by Freddie Mac no later than the remittance due date.

Since Freddie Mac does not have use of funds until one Business Day after the Servicer submits a remittance request through the myOptigo® Servicer Remittance portal, the Servicer must submit each remittance to the myOptigo® Servicer Remittance System (see Section 53.7) no later than 1:00 p.m. Eastern time one Business Day preceding the remittance due date. Any remittance submitted after 1:00 p.m. Eastern Time will be processed the following Business Day.

Remittance can be submitted in advance for up to 30 days, with the exception of non-business days.

Freddie Mac may charge an interest reimbursement fee in the event of remittance delay (see Section 53.11). Freddie Mac may also charge an interest reimbursement fee in the event of any overdraft or return of the Automated Clearinghouse item to Freddie Mac.

53.9 Amounts included in interim remittances; due dates (06/12/23)

Freddie Mac requires interim remittances according to the following schedules:

a. Mortgages paid in full, third-party sales, short payoffs (02/14/22)

1. Gold PC Securitized Mortgages purchased by Freddie Mac under the Multifamily Negotiated Transactions Program or the Multifamily PC OneSM Program

The Servicer must ensure that payoff proceeds, including any applicable prepayment premium, are available to Freddie Mac on the third Business Day after a Mortgage is paid in full. The Servicer must make such remittances in accordance with Section 53.7.

2. All other Mortgages, including 55-Day Multi PC Securitized Mortgages

The Servicer must ensure that payoff proceeds, including any applicable prepayment premium, are available to Freddie Mac on the fifth Business Day after a Mortgage is paid in full. The Servicer must make such remittances in accordance with Section 53.7.



b. REO proceeds (06/12/23)

The escrow agent facilitating the REO purchase process must remit multifamily REO proceeds by wire transfer immediately after settlement. Wire transfers received after 4 p.m. Eastern Time will be credited on the next Business Day. The escrow agent will receive wire transfer instructions prior to the closing from the applicable *Freddie Mac Multifamily Attorney*. The wire transfer must reference the appropriate identifying information including Property/Project name, the Freddie Mac loan number, remittance type and appropriate Freddie Mac contact person(s).

c. Repurchase proceeds (06/12/23)

The Servicer must remit the proceeds to Freddie Mac via the myOptigo® Servicer Remittance portal in accordance with Section 53.7.

d. Proceeds of repurchases of REO (06/12/23)

For repurchases of REO, within 10 Business Days following the date of Freddie Mac's letter requiring or approving the repurchase, the Servicer must remit the multifamily REO repurchase proceeds by wire transfer. The Servicer must obtain wire transfer instructions from Freddie Mac at MF_Borrower_Transactions@freddiemac.com. The wire transfer must reference the appropriate identifying information including Property/Project name, the Freddie Mac loan number, remittance type and appropriate Freddie Mac contact person(s).

53.10 Monthly remittances (06/12/23)

a. Types of monthly remittances (10/07/02)

Unless otherwise specified by the Servicing Agreement or the Letter of Commitment, the Servicer must make monthly remittances, net of authorized reimbursements for interest advanced, for the following collections:

- Principal and interest reported for Mortgages
- Tax exempt bond principal and interest reported as reimbursements to Freddie Mac, where Freddie Mac made an advance for a prior month's Delinquency
- Default interest and late charges
- Interest on arrears
- Additions or deductions as authorized by Freddie Mac in writing
- Interest reimbursement fees, tax exempt bond credit enhancement fees and noncompliance fees assessed by Freddie Mac

b. Monthly principal and interest remittance cycles (06/12/23)

The remittance cycles are:

1. Plan B Participation Mortgages



For Mortgages purchased under the former Plan B Participation Loan Program, the Servicer must remit net yield interest and principal received from the Borrower before 3 p.m. Eastern time on the first Tuesday of the month following the monthly accounting cutoff date (the 15th of a month or the Business Day preceding the 15th if the 15th is not a Business Day).

If this day is a holiday and not the first day of the month, the remittance must be made on the immediately preceding Business Day. If this day is a holiday and is the first day of the month, the remittance must be made on the next Business Day.

2. Gold PC (45-Day PC) Securitized Mortgages

For Gold PC Securitized Mortgages, the Servicer must make principal and interest payments available to Freddie Mac on the following dates:

- For all collections received by the Servicer from the 16th of the previous month through the 13th of the current month, the Servicer must make all remittances to Freddie Mac by the 15th of the month (or the following Business Day if the 15th is not a Business Day).
- For all collections received by the Servicer on the 14th or the 15th of the current month, the Servicer must make all remittances to Freddie Mac by the third Business Day following the 15th of the month.

3. 55-Day Multi PC Securitized Mortgages

For 55-Day Multi PC Securitized Mortgages, the Servicer must make all collected principal and interest available to Freddie Mac, in accordance with Section 53.8, on the Business Day after the monthly 55-Day Multi PC determination date.

4. Tax Exempt Bond Credit Enhancement Mortgages

Monthly remittances of credit enhancement fees and principal and interest Delinquency reimbursements to Freddie Mac are due on the 15th of the month (or the next Business Day if the 15th is not a Business Day).

5. All other Mortgages, except ARMs

For all other Mortgages purchased by Freddie Mac, except ARMs, the Servicer must make collected principal and interest available to Freddie Mac, in accordance with Section 53.8, on the fifth Business Day after the monthly accounting cutoff date (the 15th of a month or the Business Day preceding the 15th if the 15th is not a Business Day).

6. ARMs that have been securitized and are not Tax Exempt Bond Credit Enhancement Mortgages

The Servicer must make collected principal and interest available to Freddie Mac, in accordance with Section 53.8, on the third Business Day after receipt from the Borrower.

7. ARMs that have not been securitized



The Servicer must make principal and interest available to Freddie Mac on the following dates:

- For ARMs purchased before June 1, 2009, the Servicer must make collected principal and interest available to Freddie Mac, in accordance with Section 53.8, on the third Business Day after receipt from the Borrower.
- For ARMs purchased on or after June 1, 2009, the Servicer must make all principal and interest collections received by the Servicer from the 16th of the previous month through 15th of the current month available to Freddie Mac, in accordance with Section 53.8, by the third Business Day following the 15th of the current month.

c. Overremittance and underremittance (05/01/14)

In the event of an overremittance of funds, the Servicer must notify its accounting representative at Freddie Mac *Multifamily Loan Accounting* immediately by telephone.

If the Servicer determines there has been an underremittance of funds, the Servicer must remit the shortage to Freddie Mac immediately. Underremittance of funds is a violation of the Purchase and Servicing Documents and may result in the assessment of an interest reimbursement fee. (See Section 53.11.)

53.11 Failure to comply with Freddie Mac remittance requirements (06/12/23)

a. Interest on late remittances (12/05/03)

Failure of the Servicer to comply with the required remittance procedures constitutes a violation of the Purchase and Servicing Documents. If the Servicer's failure to comply with the remittance procedures results in late availability of funds to Freddie Mac, Freddie Mac will charge the Servicer interest on the amount of the late remittance.

This interest is in addition to other remedies that may be available to Freddie Mac.

b. Rate of interest (12/05/03)

The rate of interest on the late remittance will equal the highest quoted prime rate printed on the first Business Day following the 15th of each month in *The Wall Street Journal* in its regular column entitled "Money Rates," plus 3 percent. If the prime rate is not published, the rate will be determined by Freddie Mac.

c. Interest calculation (06/12/23)

Freddie Mac will determine the amount of the interest according to the amount of the late remittance and the number of days the remittance is late, based on a 365-day year. Freddie Mac will charge a minimum interest amount of \$50 on any late remittance. For an example, see [Exhibit 9](#).

Freddie Mac reserves the right to change its method of calculating the interest or the amount of the minimum interest at any time and at its sole discretion.

Freddie Mac reserves the right to adjust, waive or reverse any penalty fee assessments.



53.12 Determining and remitting product-specific payments (09/08/04)

For additional information on determining and remitting payments for Multifamily Housing Bond Credit Enhancements, see Sections 28.22 and 28.23.