

# Multifamily Seller/Service Guide

## Chapter 8

### Property Fundamentals



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## 8.1 Introduction (09/08/04)

This chapter details Freddie Mac's requirements for the Property. These Property requirements may also apply to Special Servicing Requests when appropriate.

The individual program and product chapters detail specific program or product requirements. In the event of a conflict between any provision of this chapter and any provision of another chapter of the Guide that contains requirements for a specific mortgage purchase program or product, the program- or product-specific chapter will control.

See Chapter 8SBL for Freddie Mac's requirements for a Property secured by an SBL Mortgage.

## 8.2 Structure (12/17/19)

### a. Structure type and habitability (06/29/18)

The Property must contain five or more dwelling units and must be designed, in whole or in part, for residential use. Construction of the Property, including subsurface utilities and off-site improvements, must be completed as of the Delivery Date. If improvements cannot be completed for valid reasons, such as inclement weather, an adequate Reserve for the incomplete items must be established. Reserves must also be established for any repairs, improvements, alterations, conditions or construction required by the appraiser, engineer and/or Freddie Mac. A satisfactory completion certificate, accompanied by color photographs, must be submitted to Freddie Mac.

Each residential unit in the Property must contain kitchen and bathroom facilities. The Property must be served by public water and sanitary sewer systems.

The Borrower must not participate in home sharing activities, which are defined as short-term rentals (typically less than one month) that are marketed through a peer-to-peer online marketplace or a home sharing platform, nor enter into leases, including master leases, of residential, corporate or commercial units that the Borrower knows or should have known are intended to be used by the tenants for full or part-time home sharing activities. For clarity, nonexclusive examples of home sharing platforms include Airbnb, VRBO, and booking.com.

### b. Commercial use (04/30/13)

Some multifamily rental properties contain space used for commercial (nonresidential) purposes. In addition to space occupied by typical commercial establishments, Freddie Mac also considers suites leased to professionals, such as physicians, dentists and attorneys, and used in the conduct of their professions to be commercial space. Freddie Mac considers leases for oil, gas and minerals located on, beneath or upon the Property to be commercial use as well.

Mortgages on such Properties are eligible for purchase under Freddie Mac's multifamily programs and products, provided that the commercial usage is permitted under local zoning and use ordinances and utilization of the commercial space is compatible with the Property and neighborhood. In addition, both the amount of gross rental income from the commercial space, as compared to the total gross income of the Property, as well as the square footage devoted to commercial space, as compared to the total square footage of the Property, must



be acceptable to Freddie Mac. For underwriting purposes, both the amount of commercial rental income recognized and the lease term must be supported by market comparison.

Freddie Mac reserves the right to require additional documentation or information for mixed-use properties, including copies of commercial space leases, lease analyses, comparable commercial rental and vacancy rate data or other data regarding comparable properties, lease rollover analysis, and separate commercial space income and expense operating history and pro forma.

**c. Reserved (05/01/14)**

**d. Aluminum wiring (02/28/18)**

If any of the buildings at the Property contain aluminum wiring, the Seller must notify Freddie Mac in writing, comply with the requirements of Chapter 62 and submit the following documentation:

1. Certification from the appraiser indicating whether the wiring has any adverse impact on the value of the Property, if required by Freddie Mac
2. A cost estimate from a licensed electrician for any repairs or corrections due to unsafe conditions or as required by any applicable code
3. Certification of completion for all repairs and corrections to the wiring in the Property due to unsafe conditions or as required by any applicable code

**e. Wood-damaging insect inspection reports (12/17/19)**

A wood-damaging insect inspection report is not required if the Property has no wood framing or structural members (*i.e.*, significant components that could be subject to damage by wood-damaging insects, such as termites, powderpost beetles, carpenter ants, etc.) as determined by either the Property Condition Report or the Physical Risk Report.

For any Property with wood framing or structural members as described above, the following documentation must be provided:

- A wood-damaging insect inspection report stating that there is no evidence of wood-damaging insect infestation, or
- Certification from the Property's current pest control provider stating that there is no evidence of wood-damaging insect infestation and that the Property is regularly inspected and/or treated to prevent wood-damaging insect infestation.

The wood-damaging insect inspection report or the certification from the Property's current pest control provider must be dated within six months prior to the date of the submission of the full underwriting package to Freddie Mac and must be in compliance with all applicable federal, State and local regulations. See Section 62.5(e) for additional requirements for wood-damaging insect inspections.



Freddie Mac will require a Repair Reserve for the costs to repair any areas damaged by wood-damaging insects.

Notwithstanding the above, the documentation listed above is not required if the following three conditions are satisfied:

- The Borrower provides documentation confirming that there is a wood-damaging insect contract in place for the Property,
- A wood-damaging insect contract(s) will remain in place for the term of the Mortgage, and
- There is no evidence of wood damage per the Property Condition Report (if applicable).

### 8.3 Moisture or Mold issues (08/17/23)

#### a. Moisture Management Plan (08/17/23)

If the environmental consultant or the physical risk consultant determines that a Moisture Management Plan (MMP) is needed at the Property, the Borrower must maintain an MMP in accordance with the following requirements:

1. Training the maintenance staff to understand the hazard and respond to all water intrusion events or leaks according to Environmental Protection Agency (EPA) guidelines
2. Providing information to tenants including, but not be limited to
  - Tenant housekeeping responsibilities (This information must be provided to tenants when they execute a new lease and at lease renewal.)
  - Tenant responsibility for notifying management in a timely manner regarding moisture or Mold issues
  - Description of any remediation done within a tenant's unit or on a tenant's behalf
3. Identifying the source of and remedying the water intrusion or leak, or remediating the Mold (in accordance with EPA guidelines) and recording the corrective actions taken
4. Documenting and promptly responding to tenant complaints relating to water intrusion, leaks, Mold, musty odors or health impacts and recording actions taken
5. Scheduling and documenting routine inspections of building areas to search for evidence of water intrusion, leaks or Mold (At a minimum, these inspections must take place annually for all common areas and areas with a past history of water intrusion, leaks or Mold and at unit turnover or at a tenant's request for all units.)
6. Keeping all plan documentation at the Property or at the property manager's office and available for the annual assessment inspection by the Servicer



The Moisture Management Plan must indicate that it is for the Property. If requested, a copy of any required Moisture Management Plan must be delivered to Freddie Mac.

For more detailed information on creating a Moisture Management Plan that meets Freddie Mac's requirements, Seller/Serviceicers should consult the [Moisture Management Plan Handbook](#).

**Note:**

Freddie Mac has published these guidelines to provide the Borrower with assistance in developing a Moisture Management Plan that is responsive to Freddie Mac's requirements. However, the Borrower is not required to use these tools. The tools provided by Freddie Mac are not documents that are ready to be implemented without the Borrower's input regarding the particular practices and conditions at the Property. In addition, Freddie Mac's tools for the preparation of the Moisture Management Plan are not a guaranty that the Property will not experience any issue with moisture or Mold in the future, and use of these tools does not relieve the Borrower of any liability it may have with regard to such issues.

**b. When Freddie Mac requires a Special Moisture or Mold Inspection or Increased Scrutiny for Moisture and Mold (02/28/19)**

Freddie Mac may require a Special Moisture or Mold Inspection (as described in Section 8.3(c)) or Increased Scrutiny for Moisture and Mold Issues (as described in Section 40.7(e)) if any of the following are applicable:

- A significant history of unresolved moisture or Mold was identified at underwriting
- Significant moisture or Mold is identified during the term of the Mortgage
- Pervasive moisture or Mold issues are listed as required Repairs in the Loan Documents

**c. Special Moisture or Mold Inspection Requirements (02/28/19)**

Freddie Mac may require a Special Moisture or Mold Issues Inspection prior to origination of the Mortgage and until the moisture or Mold issue has been resolved to its satisfaction. After the Borrower has resolved the moisture or Mold issue to Freddie Mac's satisfaction, Freddie Mac will not require a subsequent Special Moisture or Mold Issues Inspection more frequently than once every three years.

The Borrower will bear the cost of all Special Moisture or Mold Issues Inspections.

A Special Moisture or Mold Issues Inspection must meet the following requirements:

1. A third-party property condition consultant, meeting the requirements of Section 62.8 and with specific expertise in the identification and correction of water intrusion and mold issues, must conduct the Special Moisture or Mold Issues Inspection.
2. The third-party property condition consultant who performs the Special Moisture or Mold Issues Inspection must



- a. Conduct a visual and olfactory inspection for evidence of current or past moisture or Mold issues
- b. Look for evidence of moisture or Mold issues in all areas customarily inspected in accordance with Section 62.5(d)
- c. Make inquiries of the Borrower or property manager regarding past and current water intrusion or potentially damaging leaks; any known Mold problems; or any tenant complaints regarding health problems, musty odors, water intrusion or potentially damaging leaks
- d. Examine any areas where water intrusion or leaks have been reported
- e. Examine all building components or areas most typically associated with water intrusion or potentially damaging leaks
- f. Identify any defective building conditions that would likely lead to future water intrusion or potentially damaging leaks
- g. Provide Freddie Mac with a comprehensive report on the inspection which includes recommendations to correct all issues reported and observed with cost estimates for the repair work.

#### **8.4 Occupancy (02/07/05)**

For the three consecutive months prior to loan closing and as of the Delivery Date, at least 90 percent of the living units (or such higher level as may be necessary to cover debt service and pay all other expenses at the level required by the applicable purchase program or product) must have been occupied at rent levels that support the Freddie Mac Underwriting Value of the Property.

#### **8.5 Zoning and building code conformity (04/15/21)**

- a. For a Mortgage to be eligible for purchase by Freddie Mac, the Property securing it must conform to all applicable zoning, subdivision and use laws, ordinances or codes and local building and housing codes.
- b. The Seller must submit a zoning report as specified on the applicable underwriting checklist. The zoning report must be satisfactory to Freddie Mac, and must include clear determinations with respect to the following:
  - Whether all Certificates of Occupancy required for the use, operation and occupancy of the Property for its presently-contemplated use have been issued and are in effect or, if all Certificates of Occupancy are not available, a statement in accordance with Section 8.5(e),
  - Whether the applicable municipality or other jurisdiction has on record any notice of violations of applicable zoning laws and ordinances and building codes, and
  - If not fully addressed in the property condition report delivered pursuant to Chapter 62, whether the applicable municipality or other jurisdiction has on record any notice of



violations relating to fire and life safety or accessibility requirements applicable to the Property

If a zoning report is not available for the jurisdiction in which the Property is located, Freddie Mac may purchase a Mortgage if the Property meets the requirements of Section 8.5(d) below.

- c. If the zoning report states that the Property does not conform to current zoning regulations, including those governing density, building restriction lines, size or parking, Freddie Mac may purchase the Mortgage for the Property if the Property meets one of the following requirements:
- The zoning report states that the improvements may be rebuilt to predamage size, density and configuration in the event of partial or full destruction by fire or other casualty ("statement of full restoration"). The statement of full restoration must be satisfactory to Freddie Mac and must be from the zoning or housing authority or other authorized agency representative or official ("zoning authority").

If it is not possible to obtain the statement of full restoration from the zoning authority, Freddie Mac may accept a copy of legislation or a variance demonstrating that the Property may be rebuilt as is in the event of a partial or full casualty loss. Any statement of full restoration or copy of legislation or variance must be accompanied by an evaluation by the Seller, and if a copy of legislation or a variance is submitted, Seller's counsel must also submit a preliminary legal issues memorandum (PLIM) with a copy to the applicable Freddie Mac *Multifamily Attorney*.

- If the zoning report does not provide a statement of full restoration or satisfactory variance or legislation that the Property can be completely restored, in order for Freddie Mac to consider the Mortgage for purchase, all of the following conditions must be satisfied:
  1. The zoning report must contain a damage restoration statement from the zoning authority that
    - a. States the requirements of the current zoning classification (*i.e.*, number of units that could be rebuilt or the set back that would be required under current zoning), and
    - b. Specifies the percentage of damage to the Property's market, replacement or appraised value that could occur (the "damage threshold level") that would still allow the owner to rebuild the Property to predamage size and density without having to comply with current zoning requirements. The percentage of destruction must not be based on the Property's taxation assessed value.
  2. The Seller must submit an evaluation of the likelihood that a fire or other casualty could damage the Property beyond the damage threshold level by evaluating
    - a. The number of buildings on the Property and their proximity to one another
    - b. The type of construction materials used
    - c. The presence of smoke detectors and sprinklers



- d. Whether any flame-retardant material has been used
  - e. The proximity of the Property to natural hazards such as flood zones, earthquake zones or tornado alleys
  - f. The proximity of the buildings to fire hydrants and fire stations
  - g. Whether the damage threshold level applies to the Property as a whole or is applied building-by-building
3. The Seller must submit an evaluation of the availability of Ordinance and Law insurance, in accordance with the requirements of Section 31.12, to mitigate the risk of
    - a. Increased demolition cost
    - b. Increased cost to construct
    - c. Loss of value due to operation of zoning laws
  4. The Seller must submit an analysis of the impact on the Property if more than the damage threshold level of the Property was destroyed and had to be restored to current zoning requirements [*i.e.*, the number of units that could be rebuilt under current zoning requirements and the resulting Debt Coverage Ratio (DCR) and Loan-to-Value (LTV) Ratio].
  5. The Seller must submit an analysis of any other risk to Freddie Mac and how the risk could be mitigated and whether the risk has been mitigated.
  6. If requested by Freddie Mac, the Seller's counsel must submit a PLIM.
- d. If a zoning report is not available in the jurisdiction in which the Property is located, Freddie Mac may purchase the Mortgage for the Property if one of the following requirements is met:
    - The Seller must submit documentation that the improvements may be rebuilt to predamage size, density and configuration in the event of partial or full destruction by fire or other casualty ("statement of full restoration"). The statement of full restoration must be satisfactory to Freddie Mac and must be from the zoning or housing authority or other authorized agency representative or official ("zoning authority").

If it is not possible to obtain the statement of full restoration from the zoning authority, Freddie Mac may accept a copy of legislation or a variance demonstrating that the Property may be rebuilt as is in the event of a partial or full casualty loss. Any statement of full restoration or copy of legislation or variance must be accompanied by an evaluation by the Seller, and if a copy of legislation or a variance is submitted, Seller's counsel must also submit a PLIM with a copy to the applicable Freddie Mac *Multifamily Attorney*.

- If the Seller cannot provide a statement of full restoration or satisfactory variance or legislation that the Property can be completely restored, in order for Freddie Mac to consider the Mortgage for purchase, all of the following conditions must be satisfied:



1. The Seller must submit a damage restoration statement from the zoning authority that
  - a. States the requirements of the current zoning classification (*i.e.*, the number of units that could be rebuilt or the set back that would be required under current zoning), and
  - b. Specifies the percentage of damage to the Property’s market, replacement, or appraised value that could occur (the “damage threshold level”) that would still allow the owner to rebuild the Property to predamage size and density without having to comply with current zoning requirements. The percentage of destruction must not be based on the Property’s taxation assessed value.
  
2. The Seller must submit the evaluations, analysis and if applicable, the PLIM required in Section 8.5(c)(2) through 8.5(c)(6) above.
  
- e. If not all Certificates of Occupancy are available for the Property, the Property’s zoning report must include one of the following:
  1. The following statement:
 

The absence of any Certificate of Occupancy within the “applicable governmental authority” Property file is not a violation nor will it give rise to any enforcement action affecting the property. A new Certificate of Occupancy will only be required for new construction and to the extent that any renovations/remodeling are made to all or a portion of the Property.

OR
  2. An explanation of why the statement in Section 8.5(e)(1) is not applicable, based on the particular facts and circumstances related to the Property or the requirements of the applicable jurisdiction.
  
- f. Notwithstanding the above, a zoning report is not required if the zoning analysis described in Section 60.12(f)(2) is provided in the Appraisal and all of the following conditions are met:
  - The Mortgage has an initial principal balance of \$20 million or less or the Mortgage is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are \$25 million or less in the aggregate
  - The Mortgage is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage
  - Copies of all available Certificates of Occupancy are provided to Freddie Mac in the final underwriting package

If the Additional Zoning Compliance Information identified in the chart in Section 60.12(f) is included in the zoning analysis

- If the appraiser’s conclusion on conformity states that the Property is legal conforming, then no further action is necessary



- If the appraiser’s conclusion on conformity states that the Property is legal non-conforming, Ordinance and Law Insurance per Section 31.12 and a non-conforming carveout are required
- If the appraiser’s conclusion on conformity states that the Property is non-conforming or illegal, then the Seller/Serviceicer must propose additional mitigants to address the increased risk and Freddie Mac will determine whether such mitigants are satisfactory

If Additional Zoning Compliance Information is not included in the zoning analysis, then Ordinance and Law insurance per Section 31.12 and a non-conforming carveout are required, even if the Appraisal concludes that the Property is legal conforming, unless the Seller/Serviceicer provides documentation from the zoning jurisdiction confirming legal conforming status.

## 8.6 Independent Properties (04/13/23)

### a. Independent Property (06/30/15)

Except as set forth in this Section 8.6, Freddie Mac requires that a Property be an “Independent Property.” An Independent Property is a Property that satisfies all of the following conditions:

1. Has direct access to a publicly dedicated and maintained street for all improvements and parking spaces without reliance on a Shared Access Agreement, even if the Shared Access Agreement is perpetual and the right of access to and from the Property is fully insured by a title insurance policy (See Section 8.8).
2. Contains the Essential Facilities needed to operate independently (See Section 8.9 for a description of “Essential Facilities”).
3. Contains Recreational Facilities needed to operate independently (See Section 8.9 for a description of “Recreational Facilities”).
4. Is financially viable and independent of all other properties, including other properties in the same phased development, if applicable.

If a Property is operated together with one or more properties on which the Essential Facilities, Recreational Facilities, and/or direct access are located, or with another phase of a phased development, Freddie Mac will consider the Property to be an Independent Property if it meets the requirements set forth in Section 8.6(d) and Section 8.6(e).

If the Property and the property on which the Essential Facilities, Recreational Facilities, and/or direct access are located are part of a phased development, they need not comprise all of the phases of the phased development.



**b. Information required for purchase of a Mortgage secured by a Property that is not an Independent Property (06/30/15)**

If the Seller requests that Freddie Mac purchase a Mortgage secured by a Property that is not an Independent Property, the Seller must submit the following information in writing to Freddie Mac as part of the applicable underwriting package:

- Description of the Essential Facilities and Recreational Facilities located on the Property, which may include Essential Facilities and Recreational Facilities located on other properties if the Mortgage and the Mortgage for the other properties will be cross-collateralized, cross-defaulted and coterminous as set forth in Section 8.6(d)
- Either (i) confirmation from the Seller/Service's legal counsel in a preliminary issues memorandum that any Shared Access Agreement and/or Shared Use Agreement complies or will comply as of the Origination Date with the requirements set forth in Section 8.8 and/or 8.9, as applicable, or (ii) a detailed analysis of which requirements will not be satisfied, and the legal counsel's recommendation as to whether and why Freddie Mac should accept the Shared Access Agreement and/or Shared Use Agreement
- Seller's analysis of the feasibility and practicality of the creation/construction of Essential Facilities or Recreational Facilities on the Property, if not all Essential Facilities and Recreational Facilities are located on the Property (required even if the Property has access to Essential Facilities and/or Recreational Facilities through a Shared Use Agreement)
- Seller's analysis of the practicality and feasibility of the creation of direct access to a publicly dedicated and maintained right of way, if the Property's primary access is not directly to a publicly dedicated and maintained right of way (required even if the Property has access to a public right of way through a Shared Use Agreement)

The Seller's analysis must include financial considerations as well as zoning issues and the availability of land.

**c. Requirements for purchase (06/30/15)**

If a Property is not an Independent Property, Freddie Mac may require one or more of the following as a condition to Freddie Mac's agreeing to purchase the Mortgage:

- If Freddie Mac determines that it is feasible to create or construct Essential Facilities, Recreational Facilities or direct primary access, Freddie Mac may require the Borrower to make the necessary modifications so that the Property meets all of the requirements for an Independent Property
- Freddie Mac may require the Borrower to establish a Reserve of the funds necessary to make the required modifications at a later date, as determined by Freddie Mac
- Freddie Mac may require the Mortgage to be cross-collateralized and cross-defaulted with the mortgage(s) on the property(ies) on which the Essential Facilities, Recreational Facilities or direct access are located (See 8.6(d))



- Freddie Mac may require that the Borrower be personally liable for any loss or damages incurred by Freddie Mac because the Property is not an Independent Property

**d. Cross-collateralized, cross-defaulted and coterminous Mortgages (06/30/15)**

If the Property is not and will not be an Independent Property as of the Origination Date and Freddie Mac has not required a Reserve of the funds or additional recourse pursuant to Section 8.6(c), Freddie Mac may agree to purchase the Mortgage if each of the following requirements is met:

- The Mortgage is cross-defaulted and cross-collateralized with any mortgage for any property on which the Essential Facilities, Recreational Facilities, and/or direct access are located
- The Mortgage is coterminous with any mortgage for any property on which the Essential Facilities, Recreational Facilities, and/or direct access are located
- The Property and the property on which the Essential Facilities, Recreational Facilities, and/or direct access are located are operated as a single unit with the Property and the other property having unimpeded ingress and egress to each other and to the Essential Facilities and/or Recreational Facilities, regardless of whether such ingress and egress, Essential Facilities, and/or Recreational Facilities are located on the other property
- The Cross-Collateralization Agreement does not permit the release of any property unless each of the remaining properties is able to meet the requirements for an Independent Property

**e. Additional requirements for Property and other property (04/13/23)**

The Property and the property on which the Essential Facilities, Recreational Facilities, and/or direct access are located must each meet all of the following requirements:

- The Property and the property on which the Essential Facilities, Recreational Facilities, and/or direct access are located must be owned and controlled by substantially the same Key Borrower Principals
- The Property and the property on which the Essential Facilities, Recreational Facilities, and/or direct access are located must together meet the requirements for an Independent Property
- For a Property that is part of a phased development, the Property must meet the tax parcel requirements of Section 8.7(a)

A Mortgage cannot be cross-collateralized and cross-defaulted with any other mortgage not being simultaneously purchased by Freddie Mac in order to meet the requirements set forth in this subsection.



## 8.7 Tax parcels, taxes and utilities (03/31/11)

### a. Tax parcels (03/31/11)

The Property must be identified as a single tax parcel or, if identified as multiple tax parcels, the Property must constitute the entirety of those tax parcels. Any tax parcel or parcels in which the Property is located may not include property that is not subject to the Mortgage sold to Freddie Mac.

### b. Taxes and utilities (03/31/11)

All taxes (including personal property taxes), other than ad valorem real estate taxes not yet due or payable, and all utility fees and charges must be current.

## 8.8 Access (06/29/17)

### a. Eligibility for Purchase of Property subject to a Shared Access Agreement (06/30/15)

Freddie Mac will consider purchasing a Mortgage secured by a Property with primary access via an easement or a private road if the Shared Access Agreement meets the requirements set forth below and one of the following conditions is met:

- The Shared Access Agreement is with an Affiliate of the Borrower and the Mortgage will be cross-collateralized with the mortgage on the property on which the direct access is located in accordance with the requirements set forth in Section 8.6(d) and (e)
- The Shared Access Agreement is with an Affiliate of the Borrower and the Borrower will establish a Reserve of the funds necessary to create primary access as set forth in Section 8.6(c)
- The Borrower will be personally liable for any loss or damage incurred because of the Shared Access Agreement as set forth in Section 8.6(c)

### b. Review of Shared Access Agreement (06/29/17)

If the Shared Access Agreement fully satisfies all of the requirements listed below, the Seller/Servicer's legal counsel must confirm in a PLIM that all such requirements have been met. If the Shared Access Agreement fails to fully satisfy any of the requirements listed below and the Shared Access Agreement will not be modified prior to the Origination Date of the Mortgage to comply with all of the requirements, the Seller/Servicer's legal counsel must provide a legal analysis detailing which requirement(s) will not be satisfied and the counsel's recommendation as to whether and why Freddie Mac should accept the Shared Access Agreement without it being fully compliant with this Section 8.8.

1. The Shared Access Agreement must contain a stipulation that access to and use and enjoyment of any easement or private road are perpetual and that such rights will inure to the benefit of all future owners of the Property.
2. Each party's remedies in the event of a breach by any other party must be generally acceptable to a prudent lender. The Shared Access Agreement may not allow for loss of use in the event of a breach. However, the Shared Access Agreement may permit the



placement of a lien which is subordinate to the Mortgage for unpaid maintenance costs for the easement.

3. Each party's responsibilities and share of expenses under the Shared Access Agreement must be stipulated.
4. The Shared Access Agreement must be recorded in the applicable records for the jurisdiction prior to the Freddie Mac Funding Date. If the Shared Access Agreement is not or will not be recorded, the Seller/Service's legal counsel must provide an explanation acceptable to Freddie Mac.
5. If shared access is evidenced only by a subdivision plat, deed restriction or similar instrument then there must not be anything in the plat, deed restriction or similar instrument or under the applicable laws in the jurisdiction that could result in the loss of use by the Borrower.
6. If the Property is not visible from the public street, the Shared Access Agreement or a separate sign agreement must permit signage to be placed in the easement area or in or about the private road in a location near the entrance to the Property or, if applicable, the phased development.

**c. Underwriting requirements for access via easement or private road (06/30/15)**

The Seller/Service must confirm that the easement or private road complies with the following conditions:

1. The easement or private road must provide safe ingress/egress to a publicly dedicated and maintained street.
2. The Property must have good visibility from the public street it accesses via the easement or private road.
3. The easement or private road must be wide enough to provide satisfactory fire/police/utility access and to handle all current and foreseeable types of traffic.
4. If the easement or private road represents a shared access with, or through, another property, the Property must be able to operate satisfactorily without adverse effects (now or in the future) from the other properties that share access.
5. Signage must be of sufficient size so that it is clearly visible from the public street.

The Seller must provide a copy of the survey, if required for the Mortgage, and photographs (including photographs taken from the public street) showing the location of the access easement, the signage for the Property, the Property and the view of the Property and/or other property(ies) and the phased development, if applicable, from the public street, the easement or the private road.

**d. Additional requirements (06/30/15)**

- The Seller must provide the appraiser with all information regarding the Shared Access Agreement



- The title insurance policy must fully insure the right of access to and from the Property
- The Seller/Servicer must notify Freddie Mac immediately if the Seller/Servicer learns of any circumstances that might limit access to the Property

**e. Freddie Mac approval not a waiver (06/30/15)**

Freddie Mac's approval of any non-compliant provisions in the ingress/egress arrangement through a Shared Access Agreement does not discharge or limit the Seller's liability for breach of any warranties made under the Purchase and Servicing Documents. See Section 29.2 for more information on title exceptions.

**8.9 Essential Facilities; Recreational Facilities; Shared Use Agreement (06/29/17)**

**a. Eligibility for Purchase of Property subject to a Shared Use Agreement (06/30/15)**

Freddie Mac will consider purchasing a Mortgage on a Property that shares Essential Facilities or Recreational Facilities that are not located on the Property and under the exclusive control of the Borrower if one of the following conditions is met:

- The Shared Use Agreement is with an Affiliate of the Borrower and the Mortgage will be cross-collateralized with the mortgage on the property on which the Essential Facilities and the Recreational Facilities are located in accordance with the requirements set forth in Section 8.6(d) and (e)
- The Shared Use Agreement is with an Affiliate of the Borrower and the Borrower will establish a Reserve of the funds necessary to make the required modifications at a later date, as determined by Freddie Mac as set forth in Section 8.6(c)
- The Borrower will be personally liable for any loss or damage incurred because of the Shared Use Agreement as set forth in Section 8.6(c)

**b. Essential Facilities (03/31/11)**

“Essential Facilities” include the following:

- Leasing office
- Model unit(s), if applicable
- Private streets
- Parking necessary for the Property to be in compliance with all zoning laws and regulations
- Any utility and/or maintenance buildings and/or facilities (for example, on-site central heating and cooling system, parking and/or driveway maintenance, maintenance garage, repair shop, bridge connecting one phase to another phase)



- Any utilities (for example, electricity, gas, telephone, cable TV, water, sewer), as applicable, that are not provided by public utilities and/or local government
- Lawn/grounds maintenance and snow removal, including storage of equipment and contractual obligations to provide such services on the Property

**c. Recreational Facilities (03/31/11)**

“Recreational Facilities” include the following:

- Swimming pool(s)
- Tennis, basketball, and/or other hard-surface court(s)
- Playground(s)
- Indoor recreation center(s), club houses(s), and gym facilities
- Other recreational facilities
- Laundry facilities, if the units are not equipped with a washer/dryer
- View easement
- Air rights

**d. Underwriting requirements for Shared Use Agreements (06/30/15)**

The Seller/Servicer must submit all relevant documents concerning the shared Essential Facilities and shared Recreational Facilities in the final underwriting package and upon Freddie Mac’s request.

**e. Review of Shared Use Agreement (06/29/17)**

If the Shared Use Agreement fully satisfies all of the requirements of this Section 8.9(e), the Seller/Servicer’s legal counsel must confirm in a PLIM that all such requirements have been met. If the Shared Use Agreement fails to fully satisfy any of the requirements listed below and the Shared Use Agreement will not be modified prior to the Origination Date of the Mortgage to comply with all of the requirements, the Seller/Servicer’s legal counsel must provide a legal analysis detailing which requirement(s) will not be satisfied and the counsel’s recommendation as to whether and why Freddie Mac should accept the Shared Use Agreement without it being fully compliant with this Section 8.9(e).

1. The Shared Use Agreement must contain a stipulation that access to and use and enjoyment of the Essential Facilities and/or Recreational Facilities are perpetual and that such rights will inure to the benefit of all future owners of the Property.
2. Each party’s remedies in the event of a breach by any other party must be generally acceptable to a prudent lender. The Shared Use Agreement may not allow for loss of



use in the event of a breach. However, the Shared Use Agreement may permit the placement of a lien which is subordinate to the Mortgage for unpaid maintenance costs.

3. Each party's responsibilities and share of expenses under the Shared Use Agreement must be stipulated.
4. The Shared Use Agreement must be recorded in the applicable records for the jurisdiction prior to the Freddie Mac Funding Date. If the Shared Access Agreement is not or will not be recorded, the Seller/Servicer's legal counsel must provide an explanation acceptable to Freddie Mac.

**f. Additional requirements (06/30/15)**

- The Seller/Servicer must provide the appraiser with all information regarding the Shared Use Agreement
- The title insurance policy must fully insure the right of access to and from the Essential Facilities and Recreational Facilities, and the right of use and enjoyment of the Essential Facilities and Recreational Facilities
- The Seller/Servicer must notify Freddie Mac immediately if the Seller/Servicer learns of any circumstances that might limit the access to or the use or enjoyment of the Essential Facilities and/or Recreational Facilities

**g. Freddie Mac's approval not a waiver (06/30/15)**

Freddie Mac's approval of any non-compliant provisions in the Shared Use Agreement does not discharge or limit the Seller/Servicer's liability for breach of any warranties made under the Purchase and Servicing Documents. See Section 29.2 for more information on title exceptions.

**8.10 Adverse circumstances—Property (02/07/05)**

No proceeding may be pending for condemnation of all or any part of the Property. There must be no circumstances or conditions of which the Seller is aware involving the Property that adversely affect the value or marketability of the Mortgage.

**8.11 Nonresidential leases (04/22/25)**

**a. General (09/25/15)**

For the purposes of this Section, the term "commercial lease" refers to any non-residential lease under which the Borrower is the lessor (excluding ground leases and master leases), including leases for retail space, office space, laundry facilities, cellular communication equipment, billboards, and petroleum products/minerals.

See Section 55.2 regarding commercial lease documentation required in the full underwriting package.

**b. Analysis (09/25/15)**

Freddie Mac may request additional Commercial Lease Analyses on a case-by-case basis. In addition to any Commercial Lease Analyses submitted with the full underwriting package as required under Section 55.2, the Seller must also promptly provide a Commercial Lease Analysis for such additional commercial leases for which Freddie Mac has requested an analysis.

**c. Tenant improvements and leasing commissions (02/29/16)**

Freddie Mac will deduct tenant improvements and leasing commissions from Net Operating Income when underwriting Properties where commercial gross potential rent is five percent or more of the Property's total gross potential rent. Freddie Mac will require an escrow or other acceptable credit enhancement if there will be any outstanding tenant improvements or leasing commission obligations at Mortgage origination. Freddie Mac may require a separate escrow to address the costs of any potential future tenant improvements or leasing commissions.

**d. Tenant estoppels (09/25/15)**

The Seller must provide a tenant estoppel, executed by the applicable tenant, confirming or explaining the items detailed below, for the following commercial leases:

- Commercial leases which individually account for five percent or more of gross potential rent
- If income from all commercial leases is 10 percent or more of gross potential rent, then all commercial leases which lease more than 1,000 square feet
- Any commercial lease for which a tenant estoppel is specifically requested by Freddie Mac on a case-by-case basis

Tenant estoppels must confirm or explain the following items:

1. Commencement date, expiration date, and any extension rights
2. Tenant is in actual possession of the premises and is open for business
3. Name of any Guarantor of the lease
4. Amount of rents and all other charges payable (common area maintenance fees, real estate tax reimbursements, insurance reimbursements, etc.); date through which rent and other such charges have been paid; amount of any advance rent paid and the period for which such advance rent is to be applied; amount of any outstanding concessions, including future "free rent" periods; any additional data necessary to compute the rent (e.g., the base year and/or sales figures)
5. Amount and type (e.g., cash or letter of credit) of security deposit; if estoppel indicates that the security deposit is in the form of a letter of credit, the Seller must confirm whether the letter of credit is freely assignable/transferable to a successor owner of the Property



6. No outstanding landlord obligations (tenant improvement allowance, repairs, unpaid annual adjustments, etc.)
7. No current default by landlord or tenant; no set-off or other pending claims or disputes by tenant against landlord
8. No option or right of first refusal to purchase the Property or any space; no right of first refusal to lease additional space
9. No rights of termination except as described in the estoppel, other than customary rights of termination due to substantial casualty or condemnation
10. A true, correct, and complete copy of the lease is attached to the estoppel
11. Any additional items which are necessary to address specific unique issues relating to the lease, including concerns identified in the Commercial Lease Analysis or the PLIM

If an issue is identified in a tenant estoppel, the PLIM must be updated or supplemented to include the issue and the Seller's counsel's analysis and recommendations as to how to address the issue.

**e. Subordination, nondisturbance and attornment (SNDA) (09/25/15)**

Subordination, nondisturbance and attornment agreements (SNDAs) are not required for commercial leases unless expressly requested by Freddie Mac. Generally, such request will be reserved for the following circumstances:

- A commercial lease which provides for material liability or obligation (e.g., significant unpaid tenant improvement allowances or non-customary indemnifications) or a right of first refusal to purchase the Property
- A commercial lease for which the tenant estoppel that was received in connection with the commercial lease identified material outstanding claims or offsets, any of which, if imposed upon a lender in the event of foreclosure, would not be acceptable
- A commercial lease that has rent that provides five percent or more of gross potential rent, and such lease does not provide that upon foreclosure or deed in lieu of foreclosure the tenant will attorn to the lender and any subsequent purchaser of the Property

In the PLIM (or in an update or supplement, if such information is received after issuance of the PLIM), the Seller's counsel must identify commercial leases for which any of the above circumstances are applicable, and must recommend the execution of an SNDA upon identification of any other similarly unique instances in which an SNDA would be advisable for Freddie Mac. Additionally, the PLIM must include any modifications to the form SNDA which are necessary to address the issue for which the SNDA is recommended.

**f. Subordination of a commercial lease with Affiliate (09/25/15)**

A commercial lease between the Borrower and any Affiliate of the Borrower or any Borrower Principal (including any Guarantor) must be subordinate to the lien of the Mortgage unless



the lease contains a provision for termination by the owner of the Property with or without cause on 30 days' notice and without payment of a fee or penalty. Such subordination may be contained in the provisions of the lease itself or may be contained in a separate subordination agreement. The subordination agreement must be recorded if the lease is recorded. Freddie Mac will not agree to a nondisturbance agreement for a lease that is with an Affiliate of the Borrower or any Borrower Principal (including any Guarantor).

## 8.12 Subordinate Financing (04/18/24)

### a. Conditions for Freddie Mac approval (10/31/12)

In general, Freddie Mac does not permit Subordinate Financing for newly originated Mortgages. However, if the Borrower requests Subordinate Financing at the time of origination of the Mortgage, then the Seller must forward that request to Freddie Mac with the Seller's recommendation for action.

Freddie Mac may reject a request for Subordinate Financing at its discretion. Freddie Mac will consider consenting to Subordinate Financing only under the following circumstances:

1. The subordinate lender must be a financial institution or other lender that is not related to the Borrower.
2. The subordinate lender must enter into Freddie Mac's standard Subordination Agreement, which provides, among other things, that the subordinate lender will
  - Provide notice of default to Freddie Mac
  - Give Freddie Mac the right (but not the obligation) to cure defaults, and
  - Not exercise its remedies under the Subordinate Financing for the period specified in the Subordination Agreement after notice to Freddie Mac that sets forth the specific remedy that the subordinate lender intends to exercise
3. The Subordination Agreement must be recorded in the land records of the jurisdiction in which the Property is located.
4. The combined debt may not result in an LTV Ratio that exceeds 85 percent *and* the combined debt service may not result in a DCR that is below 1.20x.
5. The Subordinate Financing must be based on a fixed interest rate for the entire term or an adjustable interest rate with a rate cap.
6. If the Subordinate Financing is not fully amortizing, the term of the Subordinate Financing must be equal to or longer than the term of the Freddie Mac Mortgage.
7. The Seller must perform a refinance test acceptable to Freddie Mac on the combined debt.
8. The Seller must establish tax and insurance Reserves at the time of origination of the Freddie Mac Mortgage.



9. The Subordinate Financing must not provide for recourse against the Borrower or a third-party guarantee by a Borrower Principal.
10. The Borrower must be a single asset entity.

**b. Information to be provided to Freddie Mac for review (02/07/05)**

The Seller must include all relevant information that Freddie Mac may request pertaining to the proposed Subordinate Financing, including

1. Seller's analysis of the Subordinate Financing along with the Seller's recommendation for action
2. If the Subordinate Financing is not already in existence, a copy of the signed commitment from the subordinate lender, containing the Subordinate Financing amount, interest rate (including the factors relating to a floating rate), term to maturity and anticipated amount of annual debt service
3. Copies of the proposed or actual Subordinate Financing loan documents that have been completed with the applicable loan amount, interest rate, payment schedules, and all other transaction-related information (If the Subordinate Financing is not already in existence, all Subordinate Financing loan documents must be approved by Freddie Mac prior to execution.)
4. Payment histories for any existing Subordinate Financing on the Property, including the amount of annual debt service
5. A description of the proposed use of the Subordinate Financing proceeds
6. Information about the proposed or actual subordinate lender and its financial capacity

**c. Documents to be provided after settlement of Subordinate Financing (04/18/24)**

At final delivery of the Freddie Mac Mortgage or within 15 days after the settlement of the Subordinate Financing if the Subordinate Financing is originated after the Freddie Mac Mortgage, the Seller/Servicer must provide to Freddie Mac a copy, a certified copy or an original (as noted) of each executed relevant document. If the provisions of this section require delivery of a certified copy of a filed or recorded document, the copy must show the recorder's stamp, book and page numbers or instrument numbers. If recorder's or clerk's delays make it impossible to effect timely delivery of a copy showing the required information, the Seller may provide a copy that the Title Company or closing attorney has certified as a "true and correct copy of the recorded/filed original." The Seller must deliver to Freddie Mac a copy of the recorded/filed original showing the required information as soon as the copy becomes available. The documents are:

1. Recorded Subordination Agreement (certified copy)
2. Subordinate note (copy)
3. Recorded Subordinate Financing security instrument (certified copy)



4. Any third-party guaranties executed in connection with the Subordinate Financing (copy)
5. Recorded or filed subordinate Uniform Commercial Code (UCC) financing statements (certified copy)
6. Settlement statement (copy)

The title policy that the Seller delivers to Freddie Mac with the final delivery of the Freddie Mac Mortgage must insure that the lien of the Freddie Mac Mortgage is superior to the lien of the Subordinate Financing and that there are no inferior liens other than the Subordinate Financing. The policy must reflect the recordation of the Subordination Agreement and the security instrument for the Subordinate Financing and must meet all the requirements of Chapter 29.

### 8.13 General property management requirements (12/16/15)

At all times, the Borrower either must manage the Property or provide for professional management of the Property by a property management company meeting the requirements of the Loan Documents. No property management company will be acceptable if the property management company appears on the Freddie Mac Exclusionary List or the [Multifamily Restricted Vendor List](#), or on the most current U.S. Treasury Department Office of Foreign Assets Control (OFAC) Specially Designated Nationals and Blocked Persons (SDN) List, the OFAC Consolidated Sanctions List, or the Federal Housing Finance Agency (FHFA) Suspended Counterparty Program (SCP) List.

See Section 2.18 regarding the Freddie Mac Exclusionary List, Section 2.23 regarding OFAC compliance and Section 2.24 regarding the FHFA SCP.

Unless the property management contract has been assigned to the Mortgage lender and subordinated to the lien of the Mortgage, the contract must be terminable upon not more than 30 days' notice without the necessity of establishing cause and without payment of a penalty or termination fee by Borrower or its successors. The forms of [Assignment of Management Agreement and Subordination of Management Fees](#) and [Assignment of Management Agreement and Subordination of Management Fees \(New Property Manager\)](#) can be found at [mf.freddie.com/lenders/legal/](http://mf.freddie.com/lenders/legal/).

As part of its underwriting process, and as part of its review of a proposed replacement property management company (if required), Freddie Mac will evaluate

- The appropriateness of the management fee charged by the property management company
- For Properties entitled to Low Income Housing Tax Credits (LIHTC) or benefiting from other forms of subsidy, whether the property management company has expertise in managing comparable properties, including experience and a demonstrated track record in managing properties comparable to the Property in scale, complexity and regulatory compliance requirements



## 8.14 Mortgages ineligible for purchase (09/26/19)

A Mortgage is ineligible for sale to Freddie Mac if

- The Mortgage is secured by a Property located in an Elevated Seismic Hazard Region, the Probable Maximum Loss (PML) on a Seismic Risk Assessment (SRA) is greater than 40 percent, and the affected buildings have not undergone a seismic retrofit
- The Mortgage is secured by a Property that is encumbered by a Private Transfer Fee Covenant that was created on or after February 8, 2011
- The Mortgage is secured by a Property located in an area that has been identified by FEMA as a Special Flood Hazard Area (SFHA), and
  - The community where the Property is located does not participate in the National Flood Insurance Program (NFIP), regardless of whether private flood insurance is available, or
  - The Borrower has not obtained the required flood insurance coverage
- The Mortgage is secured by a Property that is encumbered by a regulatory agreement that encumbers any property other than the Property

For additional information regarding flood insurance see Section 31.8. For additional information regarding seismic risk, see Chapter 64.

## 8.15 Property inspections and lease audits (06/24/25)

The Seller must inspect the Property and submit the required property inspection documentation. An inspector who is familiar with evaluating multifamily asset quality must review the age, condition and quality of all major asset components. A third-party contractor may not perform the inspection.

See Section 8SBL.15 for property inspection for SBL Mortgages, Section 8.16 for property inspection requirements for Forward Commitments. See Section 22.8 for property inspection requirements for MHC Mortgages. For MHC Mortgages with Borrower-Owned Homes, see Section 22.8 for additional requirements.

### a. Preliminary property inspection requirements (04/18/24)

Prior to early-rate lock or Index Lock (if applicable per Section 3.15) the Seller must:

- Interview the property manager or other management company staff,
- Walk the Property, and
- Inspect an appropriate sample of units based on the Seller's discretion and expertise, the condition of the Property, and any identified issues or other factors

Prior to early rate-lock or Index Lock (if applicable), the Seller must complete and document these inspection requirements as part of the mortgage transaction narrative analysis or on



the [Property Inspection and Lease Audit](#) form. The Seller must include the names of all parties participating in the property inspection and the management interview, including the company each individual represents.

**b. Complete property inspection and lease audit (06/24/25)**

At full underwriting, in addition to conducting the inspection requirements specified in 8.15(a) above, the Seller must conduct a complete property inspection including, but not limited to, the following:

1. The unit inspection must include the following:
  - 10 percent of units, with no fewer than 10 units and no more than 30 units. This excludes Down Units and commercial units and must include a representative sample of vacant units and occupied units (of which at least 50% must be occupied), unit types and floor levels, including top floor and bottom floor units, and any owner-operated guest suites, units subject to corporate leases, or units rented by short-term stay operators.
    - If the calculation results in a decimal, it can be truncated to the nearest whole number so long as the minimum 10-unit requirement is met (e.g., 10.9 units becomes 10 units)
    - Notwithstanding the above, if inspecting 10 percent of the total number of units results in an insufficient number of inspected units to meet lease audit requirements, then additional units must be inspected to meet those requirements
  - All Down Units
  - All commercial units
2. Prior to the inspection date, the Seller must select twice the required number of units for inspection, and the Seller must instruct the Borrower to provide appropriate notification to the tenants of the selected units. A list of the units selected must be provided to Freddie Mac prior to the date of inspection.
3. On the day of the inspection, if Freddie Mac is on-site and participating in the inspection, Freddie Mac will identify an appropriate sample of units to inspect from the selected units, ensuring that the required number of units are inspected and that the inspected units are sufficient to meet lease audit requirements, which can be confirmed by the Seller. If Freddie Mac is not present, the Seller will select units to be inspected. Neither the Borrower nor the property manager may select or recommend units to be inspected.

When a property inspection is delegated to the Seller, and the Borrower or the property manager cannot gain access to units, the Seller may substitute originally noticed units for the inaccessible units in order to fulfill the unit inspection and lease audit requirements. The Seller must identify the inaccessible units and the substituted units in the inspection form.



4. The Seller must interview the property manager to discuss unit and property amenities, concessions, tenant mix, renovations, capital expenditures, marketing efforts, turnover, current competition, and any new supply that will compete with the Property. If unit renovations are reported, the Seller should request a list of such units.
5. The Seller must inspect each building, including exteriors and all common spaces to include the following:
  - a. Roof access should be gained if not clearly visible from the ground (flat roofs)
  - b. Inspect a representative sample of ongoing or recently completed unit renovations, if applicable
  - c. Verify reported completed or in process capital improvements
  - d. Inspect amenities available to tenants at the Property
  - e. Walk the Property and look for deferred maintenance and any easily recognizable need for environmental remediation
  - f. Inspect the building's heating, ventilation and air conditioning (HVAC) and other systems
6. The Seller must include in the property inspection documentation the names of all parties participating in the property inspection and the management interview, including the company each individual represents.
7. The Seller must conduct a market analysis to include the following:
  - a. Drive by the rental comparables identified for purposes of the preliminary site visit and identify any new rental comparables in the market
  - b. Determine the Property's compatibility with the neighborhood and assess the Property's competitiveness in its submarket
  - c. Take photographs of rental comparables
  - d. If requested by Freddie Mac, inspect any other multifamily properties that are owned by the Borrower and/or Key Borrower Principal and are located in the Property's submarket
8. The Seller must document the complete property inspection and lease audit. At full underwriting, the Seller must submit the property inspection and lease audit documentation set forth below:
  - a. Photographs representative of the Property. If Freddie Mac delegates the property inspection to the Seller, at least two photographs of each unit inspected must be provided.



- b. Rent roll dated the day of inspection from the property manager consistent with the rent roll requirements as defined in Section 55.2
  - c. A sample or unexecuted residential lease or an executed residential lease with any personal or private information redacted
  - d. Completed applicable property inspection form
  - e. Completed applicable lease audit form, reflecting the following:
    - A lease audit of 10 percent of units, with no fewer than 10 units and no more than 30 units. At least 50 percent of leases audited must be units inspected; the remainder can be chosen randomly by the inspector after including representative samples of:
      - Leases from any inspected corporate units
      - Leases signed within the last 60 days

If the calculation results in a decimal, it can be truncated to the nearest whole number so long as the minimum 10-unit requirement is met (e.g., 10.9 units becomes 10 units).

    - Leases must also be validated against documentation reflecting actual rental payments received by the respective tenant, such as a tenant ledger, general ledger, copies of checks, or similar documentation. If discrepancies are identified, the applicable comments field must be used to provide an explanation, such as when a portion of the rental payment is in the form of a governmental subsidy (e.g., Section 8 or Medicaid) or when the ledger reflects additional payments (e.g., late fees or other one-time charges).

The Seller/Servicer must retain electronic or hard copy records evidencing Seller's compliance with the verification requirements in this section.
  - f. An indication of the number of units that were actually notified of the potential property inspection, as required by Section 8.15(b)
  - g. Documentation of complete property inspection in accordance with this section
  - h. If Freddie Mac delegates the property inspection to the Seller, acknowledgement that the inspection is a delegated inspection
9. If Freddie Mac delegates any inspection requirement to the Seller, the Seller may not further delegate the inspection requirement.

**c. Timing of property inspections (06/13/24)**

- When submitted as part of the preliminary underwriting package:

The inspection requirements of Section 8.15(a) must have been completed within 90 days of Freddie Mac's receipt of the preliminary underwriting package.



- When submitted as part of the full underwriting package:

The inspection requirements of Sections 8.15(a) and 8.15(b) must have been completed within 90 days of Freddie Mac's receipt of the full underwriting package.

If the Seller inspection is not completed within 90 days of Freddie Mac's receipt of the underwriting package, a new inspection must be performed; no recertification will be allowed.

## 8.16 Property inspections for Forward Commitments (06/13/24)

For a Forward Commitment, a Forward Commitment Property Inspection must be conducted prior to commitment and a complete property inspection must be conducted prior to conversion. Freddie Mac may either conduct the property inspection or delegate the property inspection to the Seller. When conducting a property inspection, the Seller must document the findings on the [Property Inspection and Lease Audit](#) form.

### a. General requirements for the Forward Commitment Property Inspection (03/03/17)

As part of the Forward Commitment Property Inspection, the Seller must develop an understanding of the scope of the proposed construction and look for any conditions or other factors of the site or market that might affect the completion or lease-up of the Property when constructed as proposed. In addition, for substantial rehabilitation projects, the Seller must determine that the scope of the work proposed is sufficient to address all observed and/or documented deficiencies in the Property's physical condition.

### b. Specific requirements for the Forward Commitment Property Inspection (12/14/23)

For a Forward Commitment Property Inspection, the Seller must, at a minimum, complete the following items:

- Inspect a representative sample of the units and all commercial space, if any
- Drive by the rental comparables that the Seller and/or the property manager and the appraiser have identified, and conduct an inside inspection, if the Seller deems such an inspection necessary
- Interview the property management for at least three market rate rental comparables. For Low Income Housing Tax Credit (LIHTC) Forward Commitment Property Inspections, obtain three LIHTC comparables, if available
- Drive by any other multifamily properties owned by the Borrower or Key Borrower Principal that are located in the Property's submarket
- Include in the property inspection documentation the names of all parties participating in the property inspection and the management interview, including the company each individual represents

In addition to the above, if the Forward Commitment is for a Property with substantial rehabilitation, the Seller must complete the items specified in Section 8.15(a). In addition,



the Seller must:

- Discuss unit and property amenities, concessions, tenant mix, marketing efforts, turnover, current competition, and any new supply that will compete with the Property in the interview with the property manager
- Take interior and exterior photographs of the Property
- Comment on the physical condition of the units inspected and general maintenance of the Property
- Identify any needed repairs or required environmental remediation that is observed beyond the scope of the rehabilitation
- Inspect the site, common areas and units sufficiently to confirm the recommendations and conclusions made by the architectural consultant (Architectural Consultant). See Sections 63.3(b), 63.4(b) and 63.5(b) for additional information regarding the duties and responsibilities of the Architectural Consultant

**c. Timing of the Forward Commitment Property Inspection (06/13/24)**

When submitted as part of the Forward Commitment full underwriting package, the Forward Commitment Property Inspection requirements must have been completed within 90 days of Freddie Mac's receipt of the Forward Commitment underwriting package. If not, a new inspection must be performed; no recertification will be allowed.

**d. Complete property inspection conducted by the Seller at time of conversion (03/03/17)**

The Seller must conduct a complete property inspection at time of conversion. See Section 8.15(b) for a description of the requirements for a complete property inspection.

**e. Timing of the property inspection at time of conversion (06/13/24)**

When submitted as part of the conversion underwriting package, the property inspection requirements must have been completed within 90 days of Freddie Mac's receipt of the conversion underwriting package. If not, a new inspection must be performed; no recertification will be allowed.

## **8.17 Property condition report (12/12/24)**

This section sets forth the requirements, duties and responsibilities of the Seller/Service once the property condition report has been completed by the property condition consultant. See Chapter 62 for the following:

- The property condition consultant's requirements for evaluating the physical condition of the Property and completing [Form 1105, Property Condition Assessment](#)
- The Seller's requirements for retaining a property condition consultant and reviewing [Form 1105](#)



1. Freddie Mac requires the Seller/Service Provider to submit a property condition report (also commonly referred to as an engineering report) meeting the requirements of Section 62.3 before Freddie Mac will issue a Letter of Commitment or accept the early rate-lock application to purchase a Mortgage.
2. Once the Seller has received and reviewed [Form 1105](#), the Seller must disclose to Freddie Mac any Critical Repairs, as defined in Section 62.3(b), including actual or suspected structural, mechanical, electrical or other material physical deficiencies or Mold at the Property and inform the *Applicable Freddie Mac Multifamily Regional Office* or the *Multifamily TAH Underwriter* of unusual or questionable conditions.
3. Additionally, the Seller must:
  - Verify that all Critical Repairs have been addressed and provide evidence of completion to Freddie Mac prior to Freddie Mac's issuance of the Letter of Commitment or acceptance of the early rate-lock application
  - Prepare Loan Documents which include completion, reserve funding and other requirements for Capital Replacements and Repairs required by the Letter of Commitment, as applicable
  - If applicable, prepare a Repair Letter for all Operational Repairs if there are any identified by the property condition consultant, to be provided to the Borrower prior to or on the Origination Date
4. Each Priority Repair listed in the Loan Agreement, as required by the Letter of Commitment, must:
  - Clearly describe the work to be completed
  - Have a specific and realistic proposed completion date that reflects the urgency of the Priority Repair and the Borrower's plans and capacity
  - Be escrowed for when the total cost of all Priority Repairs exceeds 0.25 percent of the loan amount or \$25,000, whichever is greater
  - Seismic retrofits are excluded from the waiver calculation above. Seismic retrofits must be escrowed at 125 percent of the estimated cost in the Seismic Risk Assessment, regardless of amount, as required in Section 64.14

The most urgent Priority Repairs must be identified as PR-90 Repairs on [Form 1105, Property Condition Assessment](#), and completed within 90 days after the Origination Date. All other Priority Repairs must be addressed as soon as possible and must be completed within 365 days after the Origination Date.

5. ***For loans taken under Seller Application after December 31, 2024, the following applies:***

If the Priority Repairs exceed the greater of 100 basis points of the loan amount or \$200,000 or have a material repair more likely to impact habitability, the Seller must submit a remediation plan from the Borrower indicating the source of funds for completing the work,



whether work will be performed in-house or by a third party, if permitting is required and other pertinent details for remediating all repairs within the required time frame. See Guidance – [Priority Repair Remediation Plan](#) at [mf.freddiemac.com/lenders/uw](http://mf.freddiemac.com/lenders/uw).

Material repairs more likely to impact habitability are:

- Structural repairs related to foundation/building slabs, stairs, walkways, balconies, decks, and fire escapes
- Moisture and mold issues requiring the use of a mold remediation professional or where a major building system is identified as the source of moisture
- Major building system such as electrical (excludes in-unit systems, fixture replacement such as GFCI outlets, smoke detectors, etc.), HVAC, plumbing, down elevator(s)

## 8.18 Condominiums (10/14/16)

### a. Types of Condominiums (06/30/15)

Freddie Mac will consider purchasing a Loan that is secured by a security interest in Property that is subject to a condominium regime (“Condominium”). If the Seller requests that Freddie Mac purchase a Mortgage secured by a Condominium, the Seller must submit the following information in writing to Freddie Mac as part of the applicable underwriting package:

- The total number of units subject to the Condominium regime (“Condominium Units”)
- The number of Condominium Units the Borrower owns
- The percentage of Borrower’s undivided interest in the common elements of the Condominium
- If the Borrower does not own 100 percent of the real property that is subject to the Condominium regime (“100 Percent Borrower-owned Condo”), whether the Property is
  - A “Partial Condo” (*i.e.*, the Property consists of all of the residential units in the Condominium but there are commercial, office, parking or other Condominium Units that will not be part of the collateral for the Mortgage)
  - A “Fractured Condo” (*i.e.*, the Property does not consist of all of the residential units in the Condominium and some of the residential Condominium Units have been sold to third party purchasers)
- The number of members that comprise the board of directors of the Condominium association (“Condominium Association”) and the number of members of the board of directors of the Condominium Association that the Borrower controls

**b. Requirements for a 100 Percent Borrower-owned Condo (06/30/15)**

- The Seller/Servicer's legal counsel must state in the PLIM that the Property is a 100 percent Borrower-owned Condo
- There are no additional underwriting requirements for a Property that is a 100 percent Borrower-owned Condo
- The Letter of Commitment or early rate-lock application may require certain modifications to the Loan Agreement and the Security Instrument

**c. Requirements for a Fractured Condo or Partial Condo (06/30/15)**

The Seller/Servicer's legal counsel must confirm in a PLIM that the Condominium meets all of the requirements set forth below. If the Condominium fails to fully satisfy any of the requirements set forth below and the Condominium Documents will not be modified prior to the Origination Date of the Mortgage to comply with all of the requirements, the Seller/Servicer's legal counsel must provide a legal analysis detailing which requirement(s) will not be satisfied and the counsel's recommendation as to whether and why Freddie Mac should accept the Condominium without it being fully compliant with this Section 8.18(c).

- The Borrower must own a majority of the Condominium Units
- The Borrower must control a majority of the Condominium Association's board of directors
- The voting rights held by the Borrower must be sufficient to control voting for the following:
  1. Appointment of a majority of directors on the board of directors of the Condominium Association established under the Condominium Documents
  2. Amendments or modifications to the Condominium Documents
  3. Improvements to the buildings or common areas
  4. Approval of the operating budget (including special assessments and reserves) of the Condominium Association
  5. Removal of the board of directors or trustees with or without cause
  6. Filling any vacancy caused by the removal of a director or trustee
  7. Adoption of the budget
  8. Levying a special assessment
  9. Ability of the board of directors to spend beyond its budget



10. Amending the Condominium Unit owners' right to the use of the recreational facilities or common areas
- The consent of at least a "super majority" of the lenders holding mortgages on the Condominium Units ("Condominium Mortgagee") must be necessary in order to amend the Condominium Documents concerning various rights, priorities, remedies and interests of the mortgagees including the following:
    1. Changing the voting rights of any owner
    2. Changing any restrictions on the use of the Condominium Units
    3. Changing the priority of liens for assessments
    4. Reallocating the undivided interest in common elements
    5. Encumbering the common elements
    6. Expanding, contracting or terminating the Condominium
    7. Materially modifying the insurance requirements
    8. Using any insurance or condemnation proceeds for anything other than the repair of the Condominium or distribution to the Condominium Unit owners
    9. Restricting the leasing of Condominium Units
    10. Altering any provision that decreases the rights of any Condominium Mortgagee
  - There must be no limits on the rights of a Condominium Unit owner to alter its unit(s)

**d. Legal issues (06/30/15)**

The Seller/Service's legal counsel must provide a PLIM with regard to the following:

- The rights of the Condominium Mortgagees with respect to proceeds of a claim on the Condominium Association's insurance policy covering the building and common areas including the percentage of Condominium Mortgagees that must agree to rebuild
- The rights of Condominium Mortgagees with respect to the proceeds of a partial condemnation affecting the building and/or common areas
- Whether the Condominium board of directors is required to hold insurance proceeds and condominium awards or whether such funds can be held by an independent trustee
- Whether the Condominium Mortgagees have any consent right with regard to the appointment of an independent trustee
- The rights of a Condominium Unit owner and a Condominium Mortgagee in connection with the ability to partition the Condominium and what applicable law provides with regard



to partitioning the Property

- Any additional information that a prudent lender would consider in its review of the Condominium Documents

**e. Additional legal issues with regard to a Fractured Condo (06/30/15)**

In addition to the issues set forth above, the Seller/Service's legal counsel's PLIM must also address the following:

- Whether there are any statutes or case law that would prevent or impair the Borrower (or Condominium Mortgagee in the event of foreclosure) from exercising control over the Condominium and/or the Condominium Association
- Whether there are any state or local laws or regulations that prevent the developer of the Condominium, or anyone obtaining an interest in the developer of the Condominium, from obtaining control of the board of directors of the Condominium Association
- Whether the offering and disclosure requirements of the condominium statute apply to a bulk sale of Condominium Units
- Whether there is any statutory risk of the Borrower becoming a "developer in lieu" with legal liability for claims by existing Condominium Unit owners

**f. Condominium/cooperative conversion restriction and/or indemnification (10/14/16)**

If there is a prohibition against the conversion of the Property to a condominium or cooperative structure or any indemnification by an owner of the Property relating to the conversion of the Property to a condominium or cooperative structure, then the agreement/restriction must meet the following conditions:

- a. Other than the restriction prohibiting the conversion of the Property into a condominium or cooperative development, there may be no other restrictions on the use or development of the Property in the agreement/restriction.
- b. The term of the agreement/restriction and any obligations contained in it must be no longer than 10 years.
- c. The lender's liability under the agreement/restriction must be limited solely to the period (if any) during which the lender has ownership of the Property. The lender (including the mortgagee and its affiliates) must not have any liability for a condominium or cooperative conversion that occurs (a) during the period that Borrower owns the Property, or (b) after the lender sells the Property.
- d. The lender's liability under the agreement/restriction must be limited solely to its interest in the Property.
- e. The lender (including the mortgagee and its affiliates) must not have any liability under the agreement/restriction for permitting or consenting to a condominium or cooperative



conversion action (whether by Borrower or any other party).

- f. The remedies for breach of the agreement/restriction may not include a right of reversion or repurchase by developer or any other party. If the remedies for breach are broadly defined (*i.e.*, any remedy available at law or in equity), or could be read to include a right of repurchase or reversion, the agreement/restriction must expressly provide that no such right is granted to the developer or any other party.
- g. The agreement/restriction may not impose any notice obligations on the lender (including the mortgagee and its affiliates).
- h. The agreement/restriction may not contain any terms, provisions or conditions that would be unacceptable to a prudent institutional commercial lender (*e.g.*, any waiver of construction defects, warranty claims, or other rights or remedies available at law or in equity binding on Borrower, the lender and/or future owners of the Property).

If the underlying agreement/restriction fails to fully satisfy any of the above requirements and the agreement/restriction will not be modified prior to the Origination Date of the Mortgage to comply with all of the requirements in this Section then, the Seller or its counsel must provide a legal analysis detailing which requirement(s) will not be satisfied and the Seller's recommendation (or Seller's counsel's recommendation on behalf of the Seller) as to why Freddie Mac should accept the agreement/restriction without it being fully compliant with this Section.

The legal analysis memorandum must be prepared in accordance with the requirements for the preliminary legal issues memorandum (PLIM) described in Section 6.4.

## 8.19 Tax abatements (06/24/25)

### a. Tax abatement definition and overview (02/29/16)

Properties that have been developed or redeveloped under a State or local economic development program often qualify for a reduction in their property taxes. As used in this Guide, the term "tax abatement" covers either of the following:

- A reduction of or exemption from taxes granted by a governmental body (typically local government)
- A payment made to compensate a local government for some or all of the tax revenue that it loses because of the nature of the ownership or use of a property (PILOT or payment in lieu of taxes)

### b. Tax abatement eligibility (04/14/22)

#### 1. Program eligibility

The Seller/Servicer must verify that the governing State or local authority has granted a tax abatement to the Property or the Borrower, as applicable, under an eligible program. The Seller/Servicer must:



- Obtain and review the documents required for program eligibility listed in the [Tax Abatement/Exemption/PILOT Questionnaire](#), and
- Include in the applicable underwriting package the Tax Abatement/Exemption/PILOT Questionnaire and the applicable documentation required in the Tax Abatement/Exemption/PILOT Questionnaire

## 2. Statutory approval

The applicable statute for the tax abatement must be in force at the time that the Seller/Servicer submits the full underwriting package to Freddie Mac. If the statute is in force, but the Property has not yet been formally approved for the tax abatement, Freddie Mac may approve the Mortgage subject to certain additional conditions as set forth below.

## 3. Continuation of tax abatement

The Seller/Servicer must determine whether the tax abatement will continue as stated during the term of the Mortgage. The Seller/Servicer must review the documentation for the tax abatement in order to understand

- The nature of the tax abatement, that is, the length of the abatement and phase-out, if any
- The requirements of the governing authority
- What happens to the tax abatement if the Property is transferred by sale or through foreclosure
- Whether the tax abatement is freely transferable upon sale, foreclosure or similar disposition of the Property, or dependent on the non-profit status of the Borrower and/or Borrower Principal or other non-profit entity in the ownership structure, or other criteria

### c. Underwriting Properties with tax abatements or potential tax abatements (06/24/25)

1. At the time that the Seller/Servicer submits the full underwriting package to Freddie Mac, the Seller/Servicer must verify whether the Borrower and the Property have been approved for the tax abatement.
2. If both the Property and the Borrower have been approved for the tax abatement, then Freddie Mac will underwrite the Mortgage by calculating the monthly deposit to the Reserve for taxes using the abated tax amount.

If there is a concern that the tax abatement will not be maintained as underwritten or may be forfeited, Freddie Mac will either underwrite the Mortgage using full taxes or reduce the Mortgage by an amount that it determines to be commensurate with the risk.

3. If the Mortgage is for the acquisition of a Property that has previously received a tax abatement but as of the Origination Date the Borrower will not have been approved to



assume the tax abatement, Freddie Mac may consider underwriting the Mortgage using the abated tax amount. However, Freddie Mac reserves the right to underwrite the Mortgage using the amount of the full unabated taxes.

4. If the Property does not have a tax abatement in place but the Borrower has applied or will apply for the tax abatement, then Freddie Mac may, in its discretion, underwrite the Mortgage using the abated tax amount. Freddie Mac will look at whether the potential tax abatement meets the following requirements:
  - The Borrower has an entity in its organizational structure that has at least one other property that has qualified for a tax abatement
  - The Borrower Principal has a record of qualifying for tax abatements
  - The Tax Abatement/Exemption/PILOT Questionnaire confirms that the Borrower is likely to obtain the tax abatement following origination

To mitigate the risk that the tax abatement will not be approved, the Borrower may be required to deposit into an escrow an amount sufficient to prepay the Mortgage as set forth below.

5. If Freddie Mac has underwritten a Mortgage with a tax abatement but the tax abatement has not been received as of the Origination Date, the monthly deposit into the Reserve for taxes will be calculated using the amount of the full taxes.
6. If Freddie Mac has underwritten a Mortgage with abated taxes but the Borrower does not obtain the tax abatement within 12 months after the Origination Date, Freddie Mac may also require that the Borrower partially prepay the Mortgage. The amount of the prepayment will be calculated on the Origination Date as the difference between the amount of the Mortgage supported with the tax abatement and the amount of the Mortgage that would be supported with full taxes. In addition, the Borrower will be required to pay any applicable prepayment premium on the amount of the Mortgage required to be prepaid.

**d. Documentation required for underwriting package and tax abatement approval (04/14/22)**

1. For all tax abatements, the Seller/Servicer must include in the applicable underwriting package the evidence of tax abatement documentation listed in Section 55.2.

The form of tax abatement documentation may vary from one taxing authority or governing body to another. The following types of documentation are listed in order of preference:

- Letter or certificate from the taxing authority or the governing body granting or confirming the abatement
- Copy of the Borrower's current tax statement showing the amount of taxes assessed



If the tax abatement is subject to periodic renewal and/or reporting, the Seller/Service must obtain and include in the underwriting package the evidence that such renewal and/or reporting is current.

2. Additional requirements for tax abatements that must be approved by Freddie Mac

In addition to the documentation described above, the Seller/Service must:

- Deliver the [Tax Abatement/Exemption/PILOT Questionnaire](#)
- Include the applicable documentation required in the Tax Abatement/Exemption/PILOT Questionnaire (as required in Section 8.19(b)(1)), and
- Respond to any issues raised by the *Multifamily Attorney*

**e. Collateral valuation for tax abatement (09/25/15)**

Freddie Mac has a preferred valuation methodology for an Appraisal of a Property with a tax abatement. See Section 60.23 for instructions for an Appraisal for a Property with a tax abatement.

**f. Refinance test and DCR calculation for Properties with tax abatements (06/24/25)**

1. Refinance test for all Mortgages underwritten with a tax abatement

Freddie Mac performs a refinance test as follows:

- The refinance period will be equal to the 10 years following the maturity date of the Mortgage
- The Mortgage must meet the DCR and LTV requirements of the standard refinance test

2. DCR calculation for all Mortgages underwritten with tax abatements

Freddie Mac analyzes a Property with a tax abatement under one of the following two scenarios:

- If any of the following conditions exist, Freddie Mac considers the tax abatement to be “infinite” and abated taxes can be utilized to derive the NOI and perform the refinance test:
  - a. The abatement expires more than 10 years after loan maturity
  - b. The phase-in period, if any, begins at least 10 years after the Mortgage maturity date
  - c. The abatement runs at least 20 years after the Origination Date



- d. The abatement is renewable annually and the applicable authority does not have discretion in determining whether the Borrower or Property qualifies for renewal
- For all other Mortgages, the underwritten NOI must include the tax expense based on actual in-place taxes, whether fully or partially abated. Freddie Mac performs a cash flow analysis to show the effect on NOI of any decrease in the tax abatement for the term of the Mortgage. If the tax abatement expires within 10 years after the maturity date of the Mortgage, Freddie Mac performs a cash flow analysis for the 10-year period following loan maturity.

**g. Recourse for loss of tax abatement (02/29/16)**

Freddie Mac may require the Borrower to be personally liable for any loss or damage to Freddie Mac because the tax abatement is not maintained during the term of the Mortgage.

## **8.20 Student Housing Properties (04/18/24)**

**a. Documentation required for underwriting package (04/18/24)**

When preparing the underwriting package for a Mortgage secured by a Student Housing Property, the Seller must submit to Freddie Mac:

- A completed and executed [Form 1120, Student Housing Questionnaire](#)
- An Appraisal meeting the requirements of Section 60.22

**b. Pre-leasing debt service Reserve (06/13/24)**

If Freddie Mac issues a Letter of Commitment for a Mortgage securing a Student Housing Property between January 1 and the start of the next school year, the Borrower must establish a pre-leasing debt service Reserve. The Reserve will be structured equal to three months of amortizing debt service if the loan is amortizing for the full term, or interest-only debt service if the loan is Partial Interest Only (PIO) or Interest Only (IO) for the full term.

The pre-leasing debt service Reserve will be released when the Property achieves stabilized net rental income and occupancy during the next school year. Collection of the Reserve may be waived under the following circumstances:

- The Property has achieved pre-leasing for the next school year equal to or greater than the underwritten occupancy
- The Mortgage is a refinance of a Property with at least two full years of stable operating history and pre-leasing for the next school year is equal to or greater than the pre-leasing level for the same month in the prior school year
- At Freddie Mac's discretion (consideration given to conservatively underwritten Loan-to-Value and Debt Coverage Ratio levels)



Freddie Mac may also require a separate, ongoing Reserve based on Freddie Mac's determination of the Student Housing Property's ability to cover debt service during periods when school is not in session and occupancy is lower.

**c. Property inspections and lease audits (04/18/24)**

For Student Housing Properties, the property inspection and lease audit requirements in Section 8.15 apply. In addition, for Student Housing Properties where leases are by the bed or bedroom the following applies:

- The required number of units that must be selected is calculated based on the percentage of total units at the Property
- For the inspection of a unit to be considered sufficient to count towards the required number of units that must be inspected, a majority of beds or bedrooms must have been accessible and inspected
- The required number of lease audits is calculated based on the percentage of total leases at the Property. At least 50 percent of leases audited must be for beds or bedrooms inspected.

**8.21 Solar Agreements (04/18/24)**

**a. Eligibility for Purchase of Property subject to a Solar Agreement (12/14/23)**

Freddie Mac will consider purchasing a Mortgage secured by a Property that is subject to a Solar Agreement if the Solar Agreement meets the requirements set forth below.

As used in this Guide, the term "Solar Agreement" collectively refers to any instrument or agreement, or combination of instruments and agreements (e.g., power purchase agreement, interconnection agreement, license, lease, easement, covenant, security agreement, construction agreement, maintenance agreement) related to the design, ownership, financing, installation, operation and/or maintenance of a system ("Solar Electric System") for conversion of solar energy to electrical energy on the Property.

As used in this Guide, the term "Solar Equipment" collectively refers to the equipment comprising the Solar Electric System.

**b. Analysis (04/18/24)**

Seller/Servicer's legal counsel must provide Freddie Mac with the [Solar Analysis](#). The Solar Analysis must include the following, in addition to any other information the Seller/Servicer or its counsel deems necessary for consideration by Freddie Mac:

- An analysis of the Solar Electric System on the Property, including each Solar Agreement to which a Property is subject and all applicable licenses and permits that are required for the legal use and operation of the Solar Electric System
- An analysis of any financial and/or operational obligations imposed upon Borrower



- The recommendation of Seller/Service or its counsel for mitigating any risk identified in the Solar Analysis or an explanation of why mitigation is not necessary or possible

**c. Title Insurance Policy requirements (12/14/23)**

Any Solar Agreement that would result in an encumbrance having priority over the lien of the Mortgaged Property must satisfy the applicable requirements in Chapter 29 and in the [Title Policy and Endorsement Requirements](#).

**d. Borrower Ownership of Solar Electric Systems (12/14/23)**

Freddie Mac may permit Borrower to own and install a Solar Electric System in its sole discretion, following a review of the information and recommendations specified in the Solar Analysis and provided that the Solar Agreement otherwise complies with the requirements of this chapter. The Seller/Service must pay particular attention to any financial and/or operational obligations imposed on Borrower in the Solar Agreement.

No financing of a Borrower owned Solar Electric System is permitted.

**e. Third-Party Ownership of Solar Electric Systems (12/14/23)**

Freddie Mac may permit third-party ownership (including third-party affiliates) and financing of a Solar Electric System, in Freddie Mac's sole discretion, following Freddie Mac's review of the information and recommendations specified in the Solar Analysis and provided that the Solar Agreement otherwise complies with the requirements of this Chapter. If requested by an approved third-party owner of the Solar Equipment, Freddie Mac authorizes the Lender (i) to specifically exclude the Solar Equipment from the Mortgage UCC financing statement, and (ii) to review and approve the filing of a narrowly-tailored UCC financing statement in favor of the approved third-party owner of the Solar Equipment solely with respect to the Solar Equipment (which specifically excludes any reference to the Property).

**f. Insurance requirements; Property condition report (12/14/23)**

1. If the Solar Electric System is in place as of the Origination Date, Seller/Service must verify that the Property satisfies the applicable insurance requirements in Chapter 31.
2. If the Solar Electric System is not in place as of the Origination Date, Seller/Service must verify that the Property, after installation of the Solar Electric System, (i) will satisfy the applicable requirements in Chapter 31, and (ii) will not be subject to a material incremental increase in insurance premiums.
3. If the Solar Equipment is owned by a third-party (whether or not related to Borrower), the third-party must be obligated by the Solar Agreement (i) to maintain commercial general liability insurance, including personal injury and property damage coverage against claims arising out of or connected with the use, operation or occupation of the Property for installation, ownership and operation of the Solar Equipment, and (ii) to list Borrower as an additional insured party under such insurance policy.
4. If the Solar Electric System is installed or will be installed on the Property, the property condition report should at least include information on (i) its location, condition, and plan for its operations and maintenance, (ii) the anticipated useful life of the roof and whether



that useful life is less than the term of the applicable Solar Agreement, and (iii) any roof warranty and whether the installation of the Solar Electric System voids or limits any roof warranty.

**g. Subordination, Nondisturbance and Attornment (SNDA) (04/18/24)**

Freddie Mac may require a subordination, nondisturbance and attornment agreement ([SNDA – Solar Agreements](#)) in the form available at [mf.freddiemac.com/lenders/legal](http://mf.freddiemac.com/lenders/legal) with respect to a Solar Agreement to mitigate the risk of any issue identified in the Solar Analysis, including ownership of Solar Equipment by an Affiliate of the Borrower, a right of first refusal, material claim or offset, or a material liability or obligation (e.g., recapture rights, material termination penalties/fees, significant unpaid tenant improvement allowances, or non-customary indemnifications), which, if imposed upon a lender in the event of foreclosure, would not be acceptable, as determined by Freddie Mac in its sole discretion.

Freddie Mac, in its sole discretion, may agree to a nondisturbance agreement with respect to a Solar Agreement that is with an Affiliate of the Borrower or any Borrower Principal (including any Guarantor), following a review of the information and recommendations specified in the Solar Analysis.

Freddie Mac will not enter into a subordination, nondisturbance and attornment agreement with respect to a Solar Agreement other than in the form available at [mf.freddiemac.com/lenders/legal](http://mf.freddiemac.com/lenders/legal).

**h. Reserved (12/14/23)**

**i. Solar Agreement loan document requirements (04/18/24)**

Freddie Mac, in its sole discretion, may require additional documents, instruments, or loan document modifications to mitigate the risk of any issue identified in the Solar Analysis, including:

- An estoppel certificate
- An SNDA or subordination agreement pursuant to Section 8.21(g)
- A collateral assignment of an applicable Solar Agreement or rights, contracts, licenses, or permits associated with the Solar Agreement or Solar Electric System
- Credit enhancements to offset any recapture obligations of Borrower
- Modifications to one or more Loan Documents including the [Solar Agreement Rider to Loan Agreement](#)

**j. Connection to the electrical grid; public utilities (12/14/23)**

1. Any Solar Electric System on the Property must have permission to operate (“PTO”) from the public utility for the jurisdiction in which the Property is located, the form and confirmation of which may vary among jurisdictions.
2. If the Solar Electric System is in place as of the origination of the Mortgage, Seller/Servicer must verify that: (i) the Solar Electric System has received PTO, (ii) the Property remains connected to the electric grid, and (iii) neither the Solar Electric System



nor the Property is subject to regulation under the public utility code or any other similar statutes regulating public utilities for the jurisdiction in which the Property is located.

3. If the Solar Electric System is not in place and in operation as of the Origination Date, Seller/Serviceicer must verify that the Property, after installation of the Solar Electric System: (i) will remain connected to the electrical grid, (ii) will not be subject to regulation under the public utility code or any other similar statutes regulating public utilities for the jurisdiction in which the Property is located, and (iii) has received PTO.

**k. Incentives; net-metering service (12/14/23)**

Freddie Mac, in its sole discretion, may require a review of the information specified in the Solar Analysis regarding specific benefits and incentives that the Solar Electric System may be currently claiming or to which it may be entitled. Such review may include a request for additional documents and instruments identified in the Solar Analysis, including:

- Net electric metering agreements
- Specialized financing agreements used to finance the Solar Electric System (e.g., grants, tax equity financing, renewable energy credit sales, etc.)
- Agreements for the transfer of U.S. federal income tax credits to a third party under IRC Section 6418
- Evidence of any recapture obligations of Borrower

**8.22 Infrastructure Agreements (04/22/25)**

**a. General (12/14/23)**

As used in this Guide, the term “Infrastructure Agreement” collectively refers to any instrument or agreement, or combination of instruments and agreements (e.g., license, lease, easement, covenant, security agreement, construction agreement, maintenance agreement) related to the design, ownership, financing, installation, operation and/or maintenance of infrastructure (“Infrastructure”) impacting the Property and involving the provision of telecommunication services (including internet, high speed data, cable television, cellular/wireless tower, high speed data, personal communication systems, or similar services) or renewable energy (including solar photovoltaic or wind turbine systems).

**b. Infrastructure Agreements with non-Affiliates (04/22/25)**

An Infrastructure Agreement that is not with an Affiliate of the Borrower or any Borrower Principal (including any Guarantor), and that meets the requirements set forth in Chapter 29 and in the [Title Policy and Endorsement Requirements](#) and Section 43.32, does not have to be subordinated to the lien of the Mortgage. Freddie Mac may agree to enter into the standard Freddie SNDA with a provider to protect the provider’s interest in the Property, upon written request by the Borrower.

**c. Infrastructure Agreements with Affiliates (04/22/25)**

1. An Infrastructure Agreement with an Affiliate of the Borrower or any Borrower Principal (including any Guarantor) and encumbering the Property must be specifically subordinate



to the lien of the Mortgage unless the applicable agreement contains a provision for termination by the owner of the Property without cause on 30 days' notice and without payment of a fee or penalty. The subordination agreement must be recorded if the applicable Infrastructure Agreement is recorded. In addition, Freddie Mac will not agree to a nondisturbance agreement with respect to an Infrastructure Agreement (other than a Solar Agreement in accordance with Section 8.21) that is with an Affiliate of the Borrower or any Borrower Principal (including any Guarantor).

2. Freddie Mac will not subordinate the lien of the Mortgage to an Infrastructure Agreement with an Affiliate of the Borrower or any Borrower Principal (including any Guarantor).

**d. Severance of lessor's interest from the Property (04/22/25)**

Freddie Mac will not permit or otherwise approve an Infrastructure Agreement (including a Solar Agreement) that purports to assign Borrower's interest as "lessor" (or Borrower's reversionary interest) under a lease to a third party.