



Comparison of Fixed-Rate Note (Defeasance) to Floating-Rate Note

	Fixed-Rate Note (Defeasance)	Floating-Rate Note
Yield Maintenance Period <i>Sections 1 and 10</i>	<p>The yield maintenance period applies from the date of the Note until:</p> <ul style="list-style-type: none"> • The loan is securitized • May continue to apply if the loan is securitized more than 1 year after origination 	<p>Yield maintenance is not applicable.</p> <p>The window or par period is generally 3 months.</p>
Prepayment Premium <i>Section 10-11 – Fixed-Rate Loans</i> <i>Section 10 – Floating-Rate Loans</i>	<ul style="list-style-type: none"> • Until the loan is securitized, during the yield maintenance period, the prepayment premium is the yield maintenance formula only; there is no minimum 1% prepayment amount. • If the loan is never securitized or is securitized more than 1 year after origination, after the expiration of the yield maintenance period and until the window or par period, the prepayment premium is 1% of the principal being repaid. • If the loan is securitized within 1 year after origination, there is a 2-year lockout during which the borrower cannot prepay the loan, followed by a defeasance period during which the borrower cannot prepay, but may defease the loan. • Prepayment is at par during the window period, which is usually the last three months. 	<p>Four prepayment options available (see the Floating-Rate Loan term sheet).</p>
Prepayment During Defeasance Period <i>Section 11</i>	<ul style="list-style-type: none"> • The borrower has no right to prepay during the lockout and defeasance periods. However, insurance proceeds and condemnation awards can be applied at any time. • Once the borrower defeases the mortgage (i.e., switches the collateral securing the mortgage from real property to securities), there is no right to prepay. • If the borrower prepays after a court determines that the prohibition against prepayment is not enforceable or the lender applies collateral, the borrower must pay a 5% prepayment premium. • The yield maintenance or lockout/ defeasance period structure as described above is unique to Freddie Mac. 	<p>Not applicable.</p>
Defeasance <i>Section 12</i>	<p>If the borrower defeases the Mortgage:</p> <ul style="list-style-type: none"> • Note becomes secured by securities via a Pledge Agreement; and • Borrower is not liable except for liability under Sections 6.12 and 10.02 of the Multifamily Loan and Security Agreement for environmental hazards that occurred before the defeasance but were discovered after the defeasance. 	<p>Not applicable.</p>