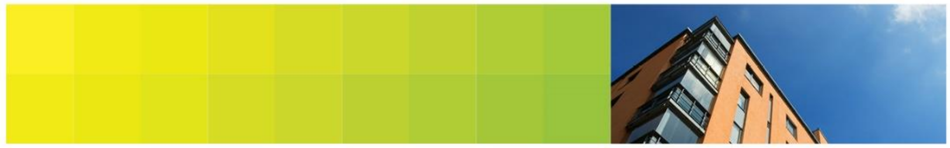

Frequently Asked Questions

GENERAL FORBEARANCE OVERVIEW

What forbearance terms are being offered through the Freddie Mac COVID-19 Forbearance Program?

Forbearance terms are being offered through a standard agreement that is non-negotiable. Freddie Mac is offering forbearance up to 90 days (three consecutive monthly payments) for any loan accepted into the forbearance program. If the borrower accepts this arrangement and signs the agreement, Freddie Mac will not assess default interest or late charges with respect to the forborne payments and will allow the borrower to repay those amounts in no more than 12 equal monthly installments.

What does the borrower need to provide to apply for forbearance?

Borrowers must submit a hardship letter explaining their circumstances and attach a tenant delinquency report demonstrating the effect of the national COVID-19 emergency on the property's operation and performance. These measures are compliant with the CARES Act signed into law on March 27, 2020.

Does Freddie Mac require a cash sweep if the borrower enters forbearance?

Freddie Mac does not require a sweep of excess property-level cash flow on a monthly basis. However, during the forbearance period, borrower must not use collected rents for any purpose other than the necessary operation and maintenance of the property or making payments of amounts due to lender. An effect of such restriction is to prevent distributions of excess property cash flow to equity owners of the borrower during the 90-day forbearance period.

Who is eligible for forbearance and is there a time limit to request this arrangement?

To be eligible, a borrower must have been current on its loan debt service obligations as of February 1, 2020.

The latest date to enter into a forbearance agreement will be the earlier of the termination of the National Emergency declared by the President of the United States or December 31, 2020.

How does the borrower repay the forborne amount?

The borrower must repay, in addition to its scheduled monthly payments, the total forborne loan amount in equal monthly payments over a 12-month period immediately following the 90-day forbearance period. No additional interest or prepayment premiums are required to be paid by the borrower with respect to the forborne loan amounts.

If, at the end of the 90-day forbearance period, the borrower cannot or does not resume making either its scheduled monthly payments or forborne loan amounts, then Freddie Mac as Master Servicer or a third-party master servicer, as applicable, may transfer the loan to special servicing.

Are there any restrictions on supplemental loans applying for forbearance?

No, subject to the borrower's satisfaction of the eligibility criteria identified above. There is no requirement for the senior loan to be in forbearance for a borrower to qualify for a supplemental loan forbearance. It is possible that a borrower will have sufficient cash flow to pay the senior loan but not the supplemental loan.

Is this the first time Freddie Mac has offered a forbearance program?

The COVID-19 Forbearance Program is modeled on Freddie Mac's industry-leading, disaster-relief forbearance plan that was introduced in the wake of Hurricane Harvey in 2017. Since then, Freddie Mac has implemented the forbearance plan in response to other natural disasters, including additional hurricanes and the California wildfires.

SECURITIZATION

Are forborne loans getting securitized? What are the cash flow implications?

Yes, we will put loans in forbearance in initial securitization issuances but intend to limit the exposure at new issue. Additional loans that go into forbearance after issuance could push the numbers higher. Loans that will close with a Debt Service Reserve (DSR), detailed in the "Credit and Underwriting" section below, will not be eligible for forbearance until such time as the DSR has been reduced to an insufficient debt service payment level. Accordingly, as loans advance in the securitization pipeline, there will likely be less loans with forbearance at the time of securitization. All material information about forborne loans will be disclosed in the securitization offering documents.

What are the cash flow implications of forborne loans in a deal?

There will be no cash flow implications to the securitization trusts during the forbearance period. The master servicer makes principal and interest advances during the forbearance period so that investors continue to receive payments associated with the loan. The master servicer will not charge the trust for advancing services. Freddie Mac will pay the charges on advances.

The master servicer's advances could potentially result in a lot of money being required from the master servicers. Can they handle this sizable expenditure?

Freddie Mac as a Master Servicer and the master servicers that Freddie Mac utilizes in the securitizations it sponsors – KeyBank, Midland and Wells Fargo – are all well-capitalized institutions.

FORBEARANCE REPORTING

What are the reporting procedures for securitized loans taking forbearance?

The loans will be identified as forbearance for 90 days – not delinquent or modified – on remittance reports.

Loans that have a fully executed forbearance agreement and while in the forbearance period will have a modification code of 10 and payment status code of 0.

All loans for which a forbearance is noted in the CREFC® Loan Periodic Update (LPU) file will appear on the watchlist under Code 6A with comments detailing the status of the forbearance request and will remain on the watchlist for the length of the repayment period.

Is a forborne loan considered delinquent?

No, forbearance does not equate to delinquency. A forborne loan will go onto the internal watchlist and the CREFC Watchlist under Code 6a. After the loan enters into the repayment period, it will remain on the watchlist and will be shown as current as long as the borrower makes payments.

Will the COVID-19 Forbearance Program really make a difference in renters' lives?

Through partnership with our network of Optigo® lenders and investors, we anticipate that the program can provide relief for up to 4.2 million U.S. renters across more than 27,000 properties. During the forbearance period, borrowers must not evict tenants solely for nonpayment of rent.

CREDIT AND UNDERWRITING

Freddie Mac is making credit parameter adjustments across all its Multifamily loan products. A Debt Service Reserve (DSR) is now required at loan origination in most cases. This is a temporary measure to mitigate the economic uncertainties associated with the virus. The DSR will be released upon the borrower's satisfaction of several conditions, including lifting of the COVID-19 crisis emergency declarations, delivery of complete underwriting due diligence and demonstration that the property's rent collections are at required levels. The release conditions are set forth in detail in the loan documents.

Conventional Loans

Current credit policy requires a six to nine-month DSR on most newly originated loans. Note that there may be exceptions to such policy depending on mitigating factors such as leverage, stability of cash flows and cash equity.

- For a loan sized to a minimum of 1.40x amortizing DCR or greater, irrespective of the actual interest-only period of the loan, policy suggests the DSR amount will be six months amortizing debt service.
- For a loan sized to an amortizing DCR below 1.40x, irrespective of the actual interest-only period of the loan, policy suggests the DSR amount will be sized to nine months of amortizing debt service.

Targeted Affordable Housing Loans

Cash preservation follows DSR guidelines set for Conventional Loans; other loan products will be structured as appropriate based on the specialized property/loan characteristics.

Seniors Housing Loans

A minimum 12-month DSR is required.

Small Balance Loans

For most loans, a 12-month DSR is required.

Student Housing Loans

For most loans, a 12 to 18-month DSR is required, through the start of the 2021/2022 school year.

Supplemental Loans

A 12-month DSR for the entire debt stack (i.e., senior loan and all supplemental loans) will be required.

Has anything changed with respect to Freddie Mac's inspection approach given the current stay-in-place orders, social distancing and travel restrictions?

Freddie Mac is requiring full property inspections in compliance with the *Freddie Mac Multifamily Seller/Servicer Guide*. Any inspection scope exceptions require prior approval and should be processed through regional credit and underwriting teams just as they would be for on-site physical inspections. Modifications to avoid occupied units have been more common during this period.

Are appraisers changing the way they approach their appraisals during these times?

Freddie Mac requires transparency in the appraisal report, including what the appraiser could observe or not observe. If the appraiser was unable to inspect what would normally have been inspected, Freddie Mac would expect the appraiser to identify the steps they took to meet the Uniform Standards of Professional Appraisal Practice and Freddie Mac's inspection requirements to provide a credible as-is estimate of market value, or which requirements could not be met and how the appraiser addressed these issues. The appraiser should inspect what they can and then include an "Extraordinary Assumption" about their conclusions for the portions of the property they were unable to inspect or note any issues for which they have additional concerns.

Given the potential uncertainty about current financial and transactional markets, we expect the appraiser to provide sufficient discussion, data and analysis to help Freddie Mac understand the risks in multifamily valuation in today's environment.