

Green Improvements, Completion Monitoring and Modifications

Green Advantage® Best Practices

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Introduction

This document provides guidance to servicers who are monitoring completion of Green Improvements or who are receiving modification requests for Green Improvements for Green Up® and Green Up Plus® loans that are part of the Freddie Mac Multifamily Green Advantage® suite of offerings. Servicers must consult the Green Improvements Rider and the applicable Repair Reserve Rider to the Loan Agreement along with *Multifamily Seller/Service Guide* (Guide) [Chapter 39](#) for specific details required to fulfill the loan obligations.

Monitoring and Timely Completion of Green Improvements

Under the Green Up and Green Up Plus loans, borrowers commit to complete qualifying energy and water conservation measures identified in a Green Assessment® or a Green Assessment Plus® report (collectively, the Green Reports). The energy and water improvements that the borrower commits to complete are identified as Green Improvements in the Green Improvements Rider to the Loan Agreement. These Green Improvements are to be handled as repairs for monitoring and reporting purposes.

For most loans, borrowers will have two years to complete the Green Improvements. For Value-Add, Moderate Rehab or Preservation Rehab loans, Green Improvements are to be completed based on the completion time frame requirements of those offerings. Servicers must monitor the repairs to ensure completion by the required date and that, among other things, the work is done in a professional and workmanlike manner.

Completion of Green Improvements

Notification of completion must be provided with the Green Improvements Verification Certification (GIVC), which is an exhibit to the Loan Agreement. Servicers must collect and submit the certification through the Property Reporting System (PRS) within 30 days after completion of the Green Improvements in their entirety. If Freddie Mac no longer owns the loan, submission must be through the Document Management System (DMS), labeling the document using the “Green Improvements Verification Certification” document type. The certification must include:

- The date of completion of the Green Improvements
- Confirmation that the completed Green Improvements were installed per the specifications of the Green Report – examples include:
 - Aerators installed at 0.5 gallons per minute (GPM) in all bathrooms
 - Replace the 284, 2.0 GPM showerheads with 1.5 GPM in all bathrooms
 - Toilets installed at 1.28 gallons per flush in 85% of bathrooms
 - LED lighting installed at all exterior and interior locations
 - Replaced all washing machines with equivalently sized Energy Star® qualified models
- Confirmation that the current energy and water usage (Benchmarking Data) has been uploaded into Portfolio Manager®
 - See the [Green Advantage Benchmarking Data Collection Guide](#) for additional details

Documentation supporting the completion of the Green Improvements must be maintained by the servicer in the mortgage file as defined in the Guide and must include, to the extent available, estimates and contracts for repairs, receipts, invoices, pictures of the completed repairs, utility bills, utility usage reports, savings calculations and certifications from engineers when required. Freddie Mac reserves the right to request any other supporting documentation.

Incomplete, Partial and Green Improvement Extension Requests

Earlier versions of the Loan Agreement provided a date by which Green Improvements must begin. Freddie Mac has since eliminated this requirement. Thus, the Green Improvement start dates can be eliminated or start date extensions can be approved upon borrower request.

Servicers must monitor any Green Improvements that are incomplete, partial or in need of an extension in the same manner as outlined for all repairs in [Section 39.4\(b\)](#) of the Guide, with the below additional considerations.

- Freddie Mac generally considers the time frame allotted for completion of Green Improvements to be sufficient for completion.
- Requests to extend the completion date must include reasonable support for the extension, e.g., circumstances out of borrower control, inability to access unit, etc., and servicers are to use their best business judgment in reviewing.
- Freddie Mac discourages extending the completion date beyond an additional six months and will only grant such extensions due to extraordinary circumstances. In no instance will Freddie Mac extend the completion date beyond an additional 12 months. In the event the completion date is extended, the period when Benchmarking Data must be entered must also be extended for a comparable period.

Extensions are processed through the standard consent request process. If Freddie Mac no longer owns the loan, servicers must still notify Freddie Mac of approved extension requests and must include the reason for the extension and an explanation for approving extensions beyond six months when applicable. Extension approvals and all supporting documentation must be uploaded to DMS and notice must be delivered to the [Multifamily Green Advantage Reporting mailbox](#).

Disbursement from Repair Reserve

The estimated cost of the Green Improvements is typically escrowed at 125% and is included as part of a Repair Reserve. This Green Improvements Deposit must only be used for Green Improvements. Disbursements of funds for Green Improvements follow the same requirements as outlined for Repair Reserves in [Section 39.4\(c\)](#) of the Guide.

Servicers can determine the minimum disbursement request amount borrowers can request. If excess Green Improvement Deposit funds remain upon completion of the Green Improvements, the servicer will return the funds to the borrower only when all other repairs are complete. This disbursement must be made in coordination with the final disbursement of Repair Reserve funds as applicable.

Green Improvements Modification Requests

Modification requests can be categorized into three main categories:

1. Request for alternate Green Improvements
2. Request for a new Green Improvement
3. Request for a partial Green Improvement

Guidance for All Modification Requests

Modifications are processed through the standard consent request process. Servicers must evaluate if the modification request will meet the required percentage savings for energy or water, and for loans closed prior to the 2018 program requirements update, the required cost per unit committed to by the borrower at the time of commitment or loan closing. If a modification is warranted, the servicer must ensure the consultant updates [Form 1106](#) of the Green Report and revises the date of the form to distinguish it from the original report. The updated Form 1106 must be uploaded into DMS. The cost of updating the Green Report will be passed through to the borrower.

Alternate Green Improvements

Any requests for an alternate Green Improvement must be selected from the recommendations provided in Form 1106 of the Green Report. It is recommended that alternate Green Improvement requests be made within the same improvement category (i.e., energy measure for alternate energy measure or water measure for alternate water measure) unless savings targets can be met through the alternate Green Improvement.

New and Partial Green Improvements

New and partial Green Improvements requests require a new Green Consultant analysis to evaluate the request and provide new or updated projected costs and savings figures in Form 1106. The proposed Green Improvements must have the updated figures to ensure the savings targets are still met.