

Appendix B to February 22, 2024 Bulletin: Redlined Guide Chapter Changes

A combined redlined file of all Guide chapter changes
made with the February 22, 2024 Bulletin



Redlined Guide Chapter Changes

Compilation of redlined Guide chapters

This PDF is a compilation of redlined changes to each revised Guide chapter, the Glossary and Directory that were announced with the February 22, 2024 Bulletin. It does not contain redlined changes of the full Guide. The redlined changes are only of the chapters that have been revised with this Bulletin.

Review in conjunction with the Bulletin and Guide Updates Spreadsheet

These redlined changes must be reviewed in conjunction with the February 22, 2024 Bulletin and Appendix A to February 22, 2024 Bulletin, Guide Updates Spreadsheet. The redlined changes may appear more extensive than the change is, as text may have moved or formatting may have changed. The footers are updated by chapter.

Official electronic version of the Guide available on AllRegs®

The current official electronic version of the Guide is published by AllRegs and accessible via either mf.freddiemac.com (for free) or the AllRegs web site of ICE Mortgage Technology, Inc. (with a paid subscription). Seller/Service providers are advised to view the Guide and Guide Bulletins on the AllRegs web site for the most current Guide requirements. Seller/Service providers are responsible for compliance with the Guide and Bulletins containing specific Guide changes with corresponding effective dates, as posted on the AllRegs web site.

Multifamily Seller/Servicer Guide

Chapter 2

General Freddie Mac Policies



- 2.1 Notification concerning Principals (04/15/21)
- 2.2 Limitation on the number and amount of Mortgage purchases and commitments (10/07/02)
- 2.3 Limitation on the number and amount of multifamily Mortgages (12/15/20)
- 2.4 Sale of Mortgages by Freddie Mac (12/05/03)
- 2.5 Modification of programs and products (12/05/03)
- 2.6 Race or racial composition of a neighborhood (12/05/03)
- 2.7 Freddie Mac audit (09/14/23)
 - a. Before the audit (09/14/23)
 - b. After the audit (09/14/23)
- 2.8 Receipt and treatment of confidential information (12/07/04)
- 2.9 Availability of Freddie Mac Multifamily Loan Documents and other legal forms (02/29/12)
 - a. Freddie Mac Multifamily Loan Documents (02/29/12)
 - b. All other legal forms (02/29/12)
- 2.10 Co-marketing with the Freddie Mac Multifamily and Optigo® name, logo and offerings (06/27/19)
 - a. Optigo® Lenders (06/27/19)
 - b. Seller/Servicers not approved to sell to Freddie Mac (06/27/19)
 - c. Other entities (06/27/19)
 - d. Delivery of materials or requests for approval (06/27/19)
 - e. Withdrawal of approval (06/27/19)
- 2.11 Minority-owned and women-owned business enterprises (06/27/19)
- 2.12 Using the Freddie Mac Multifamily Software Applications (02/18/21)
 - a. Authorization to use the Freddie Mac Multifamily Software Applications and Freddie Mac Approved Third Party Applications (02/18/21)
 - b. Seller/Servicer's use of the Freddie Mac Multifamily Software Applications and Freddie Mac Approved Third Party Applications (09/30/20)
 - c. Seller/Servicer's warranties (09/30/20)
 - d. No Freddie Mac liability (09/30/20)
 - e. Ownership of the Freddie Mac Multifamily Software Applications (02/29/12)
 - f. Termination of the right to use the Freddie Mac Multifamily Software Applications (09/30/20)
- 2.13 System administrator requirements (06/17/21)
 - a. Seller/Servicer assignment of a system administrator (06/17/21)
 - b. System administrator responsibilities (06/17/21)
 - c. System administrator certification of valid users (09/30/20)
 - d. Seller/Servicer officer verification and certification of system administrators (04/27/18)



- 2.14 ~~Electronic Signatures, Electronic Records, and data security (10/15/23)~~ [Electronic Signatures, Electronic Records, and data security \(10/19/23\)](#)
- a. Overview (05/05/17)
 - b. Definitions (06/30/16)
 - c. Scope of Electronic Transactions and Electronic Signatures (05/05/17)
 - d. Security standards (02/06/04)
 - e. ~~Compliance with security standards (10/15/23)~~ [Compliance with security standards \(10/19/23\)](#)
 - f. Seller/Servicer's agreement regarding Electronic Records and Electronic Signatures (06/25/20)
 - g. Indemnification (06/30/16)
 - h. Limit on Freddie Mac's liability (02/06/04)
 - i. Method of notification (06/30/16)
 - j. Electronic Signatures from Borrowers (05/05/17)
 - k. Electronic Signatures from third parties (06/30/16)
 - l. Electronic Signatures from Seller/Servicers (05/05/17)
 - m. Governing law (06/30/16)
 - n. Conflict (06/30/16)
- 2.15 Standard of care (02/07/08)
- 2.16 Payment instructions (04/30/19)
- 2.17 Delivery of documents and forms (06/25/20)
- 2.18 Freddie Mac Exclusionary List (02/15/21)
- a. Purpose of the Exclusionary List (06/28/13)
 - b. Access to the Exclusionary List (02/15/21)
 - c. Use of the Exclusionary List (02/15/21)
 - d. Process for placement on the Exclusionary List (06/29/18)
 - e. Controls regarding use and confidentiality of the Exclusionary List (09/28/18)
 - f. Waiver of Seller representations and warranties regarding Persons on the Exclusionary List (09/28/18)
 - g. Servicer representations and warranties regarding a Transfer of Ownership (09/28/18)
 - h. Waiver of Servicer representations and warranties regarding the Exclusionary List (09/28/18)
 - i. Reporting obligations of the Seller and Servicer (10/07/11)
 - j. Confidentiality and use of the Exclusionary List (06/29/18)
 - k. Indemnification (06/29/18)
 - l. Remedies (10/07/11)
- 2.19 Compliance and regulatory risk management (02/16/23)
- a. Chief Compliance Officer (02/16/23)
 - b. Prevention, detection and reporting of fraud and other Suspicious Activity (02/16/23)
- 2.20 ~~Business continuity and recovery (10/15/23)~~ [Business continuity and recovery \(10/19/23\)](#)
- a. ~~Business Continuity Plan (10/15/23)~~ [Business Continuity Plan \(10/19/23\)](#)
 - b. ~~Business Disruption notification requirements (10/15/23)~~ [Business Disruption notification requirements \(10/19/23\)](#)
- 2.21 Email communications with Seller/Servicers (07/01/14)



- 2.22 Anti-money laundering compliance (02/15/21)
- 2.23 Office of Foreign Assets Control (OFAC) compliance (12/14/23)
- 2.24 Federal Housing Finance Agency (FHFA) Suspended Counterparty Program (SCP) (12/14/23)
- 2.25 ~~Equity Conflicts of Interest (06/15/23)~~ [Equity Conflicts of Interest \(02/22/24\)](#)
- 2.26 Information security (10/19/23)
 - a. ~~Information security minimum requirements (10/15/23)~~ [Information security minimum requirements \(10/19/23\)](#)
 - b. Access control (10/19/23)
 - c. ~~Compliance with Freddie Mac Security Incident requirements (10/15/23)~~ [Compliance with Freddie Mac Security Incident requirements \(10/19/23\)](#)
- 2.27 Vendor risk management program (10/19/23)



2.1 Notification concerning Principals

(04/15/21)

In addition to the requirements set forth below, Chapter 7 sets forth Freddie Mac's requirements regarding fraud detection, prevention and reporting.

If a Seller/Servicer obtains knowledge of commission by a Principal of any act or offense indicating a lack of business competence, integrity or honesty, the Seller/Servicer must immediately

- Cease involving the Principal in any of the Seller/Servicer's Freddie Mac business, and
- Notify in writing the Senior Vice President, Freddie Mac Multifamily at the following address:

Attn: Senior Vice President, Freddie Mac Multifamily
Freddie Mac
8100 Jones Branch Drive
M/S B4M
McLean, VA 22102-3110

Such knowledge includes knowledge of a criminal conviction or civil judgment against any Principal for commission of fraud or a criminal offense in connection with negotiating, obtaining, attempting to obtain, or performing a public or private agreement or transaction; or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, perjury, making false statements, misrepresentation, receiving stolen property, conspiracy, making false claims, or obstruction of justice.

2.2 Limitation on the number and amount of Mortgage purchases and commitments (10/07/02)

Freddie Mac reserves the right to limit the number and/or aggregate dollar amount of Mortgage commitments it will accept from any Seller. Maximums are subject to change by Freddie Mac at any time without notice or publication.

2.3 Limitation on the number and amount of multifamily Mortgages (12/15/20)

Freddie Mac reserves the right to limit the number and/or aggregate dollar amount of multifamily Mortgages it will purchase within any geographic area, or with the same Borrower, Borrower Principal, or with related persons or Affiliates of the Borrower or Borrower Principal (including partnerships or corporations with common, interlocking, or interconnected ownership or organizational structures).

2.4 Sale of Mortgages by Freddie Mac (12/05/03)

Freddie Mac may from time to time sell, in whole or in part, Mortgages it has purchased pursuant to the Purchase and Servicing Documents. Freddie Mac will attempt to make the sales in a manner that causes as little disruption as possible to the Servicer.

2.5 Modification of programs and products (12/05/03)

Freddie Mac reserves the right to supplement, modify or terminate any purchase program or product at any time without prior notice.



2.6 Race or racial composition of a neighborhood (12/05/03)

Freddie Mac does not consider race and the racial composition of a neighborhood to be reliable appraisal factors. Freddie Mac will not purchase any Mortgage supported by an Appraisal report that makes reference to race or the racial composition of the neighborhood.

2.7 Freddie Mac audit (09/14/23)

Freddie Mac may, at any time, conduct an audit of a Seller/Servicer that is selling or Servicing Mortgages for Freddie Mac for the purpose of verifying the Seller/Servicer's compliance with the terms and conditions of the Purchase and Servicing Documents. Freddie Mac will select the Mortgages to be audited.

a. Before the audit (09/14/23)

Freddie Mac will inform Seller/Servicers who are scheduled to be audited that they must provide certain documentation to the Freddie Mac Multifamily Audit Lead through the Document Management System (DMS) or such other system or method as Freddie Mac may approve. The Servicer must provide the requested documentation within the applicable time frame(s) stated in the engagement letter that Freddie Mac sends to the Seller/Servicer before Freddie Mac's audit begins.

b. After the audit (09/14/23)

After the audit, Freddie Mac will prepare a written draft audit report that summarizes the audit and includes audit findings, if any, and provide such draft audit report to the Seller/Servicer.

Upon receipt of the draft audit report, the Seller/Servicer must immediately prepare a written response. The Seller/Servicer must send the response to the Freddie Mac Multifamily Audit Lead through email, DMS or such other system as Freddie Mac may approve within five Business Days after the Seller/Servicer's receipt of the draft audit report. The response must include a detailed remediation plan to resolve each finding identified in the audit. Freddie Mac will review the Seller/Servicer's written response and include it in the final audit report.

If the Seller/Servicer fails to provide a timely response, or the response does not adequately address each finding identified in the audit, or the Seller/Servicer fails to resolve an audit finding satisfactorily within 180 days of final audit report issuance and provide evidence of satisfactory remediation to the audit team within that time frame, Freddie Mac may:

- Increase its audit frequency, and/or
- Exercise any of its rights (as described in Chapter 4) to impose Probation or Suspension or Termination

Minor findings must be remediated, with evidence of remediation provided to Freddie Mac, within 180 days of issuance of the final audit report. The time frame for remediation of major and critical findings will be dictated by Freddie Mac and communicated to the Seller/Servicer.



2.8 Receipt and treatment of confidential information (12/07/04)

Freddie Mac may provide the Seller/Servicer with information and documentation that Freddie Mac has identified as "confidential information" or "confidential." Such confidential information includes information and documentation concerning the development, negotiation, operation or terms of various products, programs, technology, business terms, trade secrets, certain commercial and financial information, and "material inside information" within the meaning of the federal securities laws. Confidential information may also include confidential information belonging to third parties.

1. The Seller/Servicer must treat all confidential information and all information or materials prepared from confidential information, defined as "derivative information," as strictly confidential and proprietary. The Seller/Servicer must not release or disclose or permit the release or disclosure of all or any part of the confidential information or the derivative information for any purpose at any time except to the extent:
 - Allowed by this section
 - Expressly required or consented to by Freddie Mac in writing, or
 - Ordered by a court or administrative agency

In the event the Seller/Servicer anticipates that it may be required, for any reason, to release or disclose confidential information or derivative information, the Seller/Servicer must immediately notify the applicable *Freddie Mac Multifamily Attorney* to allow Freddie Mac to take any actions it deems necessary to prevent or limit the release or disclosure of the confidential information or derivative information.

2. Unless the Seller/Servicer has obtained prior written consent from Freddie Mac, the Seller/Servicer must not copy or permit copies to be made of all or any part of the confidential information or the derivative information except to the extent necessary for Servicing the Mortgages or fulfilling any other obligations to Freddie Mac. The Seller/Servicer must mark "Confidential" in a prominent location on all confidential information, derivative information and on all copies.
3. The Seller/Servicer may provide confidential information or derivative information to those officers, directors, principals, partners or employees of the Seller/Servicer and its regulators, auditors, counsel and accountants to the extent necessary to Service the Mortgages. The Seller/Servicer must notify any individuals receiving confidential information or derivative information that the individual has the same obligations as the Seller/Servicer to keep the confidential information or derivative information confidential.
4. Confidential information and derivative information do not include any information that is:
 - Generally available to the public
 - Provided to the Seller/Servicer by a third party that is not itself under a confidentiality obligation with respect to the information, or
 - Independently developed by the Seller/Servicer without use of any portion of the confidential information



2.9 Availability of Freddie Mac Multifamily Loan Documents and other legal forms (02/29/12)

a. Freddie Mac Multifamily Loan Documents (02/29/12)

Freddie Mac Multifamily Loan Documents are available to Seller/Servicers in the Multifamily Loan Documents section of mf.freddie.mac.com/lenders/legal/.

b. All other legal forms (02/29/12)

Freddie Mac legal forms that are not available at mf.freddie.mac.com/lenders/legal/ are available from the applicable Freddie Mac *Multifamily Attorney*.

2.10 Co-marketing with the Freddie Mac Multifamily and Optigo® name, logo and offerings (06/27/19)

a. Optigo® Lenders (06/27/19)

1. Approval to use the Freddie Mac Multifamily and Optigo® logos

A Seller/Servicer approved as an Optigo Lender may use the Freddie Mac Multifamily and Optigo logos or graphics in advertising, marketing or other promotional materials, provided that the Optigo Lender has provided Freddie Mac with a copy of the materials and Freddie Mac has approved those materials prior to their use.

2. Approval to use the Freddie Mac Multifamily and Optigo names

Without review by Freddie Mac Multifamily, a Seller/Servicer approved as an Optigo Lender may use the name “Freddie Mac Multifamily” or “Optigo” in advertising, marketing or other promotional materials to indicate that it is approved to sell loans to Freddie Mac Multifamily, as long as those materials do not indicate that it is approved to sell a particular type of loan for which it does not have approval. Loan types include Conventional, Targeted Affordable Housing, Seniors Housing, and SBL Mortgages.

If the materials are being used for any purpose other than to indicate approval to sell Freddie Mac Multifamily loans, then prior to using these materials, the Optigo Lender must provide Freddie Mac with a copy of the materials for Freddie Mac’s review and approval.

3. Approval to use Optigo offering terms and other offering information

An Optigo Lender may use Optigo offering terms and offering information in whole or in part in its branded marketing materials if the following conditions are met:

- The Optigo Lender has not modified any Freddie Mac Multifamily or Optigo trademarks or registered marks.
- The Optigo Lender has not changed any program terms.



- The Optigo Lender has provided Freddie Mac with a copy of the materials prior to their use.
 - Freddie Mac has approved the provided materials.
4. Approval to link to online Freddie Mac resources

An Optigo Lender may post direct web links from its branded webpage to Optigo program terms located on FreddieMac.com.

5. Freddie Mac's obligation to notify Optigo Lenders regarding changes

If an Optigo Lender uses Freddie Mac offering terms or information in its marketing materials or posts direct web links from its webpage, it is the obligation of the Optigo Lender to keep the program terms and web links updated. Freddie Mac may modify, update or discontinue its product terms and other information or change its product terms located on its website from time to time. Freddie Mac is under no obligation to notify Optigo Lenders of any such changes beyond Freddie Mac's standard communications to all Freddie Mac Seller/Service providers regarding such changes.

b. Seller/Service providers not approved to sell to Freddie Mac (06/27/19)

A Seller/Service provider that is not an Optigo Lender may not use the Freddie Mac Optigo or Multifamily name, logo or offering information in any advertising, marketing or other promotional materials without the prior written consent of Freddie Mac.

c. Other entities (06/27/19)

An Optigo Lender that enters into a relationship with other entities for the purpose of originating multifamily Mortgages for sale to Freddie Mac must obtain, on behalf of those entities, the prior written consent of Freddie Mac before the other entities may use the Freddie Mac Multifamily or Optigo names, graphics or logos in advertising, marketing or other promotional materials. Such entities may not use these items without Freddie Mac's prior written consent.

d. Delivery of materials or requests for approval (06/27/19)

Optigo Lenders must submit requests to use the Freddie Mac Multifamily or Optigo graphics to the Freddie Mac Corporate Branding Group via the "Logo Use Permission" section of FreddieMac.com, http://www.freddie.com/terms/logo_use.html.

Optigo Lenders must send co-marketing requests, including requests to use the Freddie Mac name, to Multifamily Marketing at the multifamily_marketing@freddiemac.com.

Requests for consent must include a copy of the proposed material.

e. Withdrawal of approval (06/27/19)

Freddie Mac may withdraw an approval to use the Freddie Mac Optigo Lender designation, the Freddie Multifamily or Optigo logo, the Freddie Mac Multifamily or Optigo name, graphic, web link or product terms at any time upon 10 Business Days' prior notice. After receipt of such notice, the Optigo Lender must discontinue use of the designation, logo, name, graphic,

Guide Bulletin Update ~~12/14/23~~ 02/22/24 Chapter 2 – Page 8



product terms and/or web links, as applicable.

However, if the withdrawal of the consent is required by Freddie Mac's regulators or any other governmental entity, Freddie Mac may withdraw the consent with such prior notice as is commercially reasonable or practicable under the circumstances. Upon receipt of notice that Freddie Mac is withdrawing its consent at the requirement of a regulator or other government entity, the Optigo Lender must promptly and diligently use good faith efforts to discontinue use of the product terms and/or web links, as applicable.

2.11 Minority-owned and women-owned business enterprises (06/27/19)

It is Freddie Mac's policy to provide the maximum practicable opportunity to minority-owned and women-owned business enterprises to compete fairly as suppliers, contractors and subcontractors in Freddie Mac's business activities, taking into account both price and quality. As an aspect of this policy, Freddie Mac encourages Optigo Lenders to ensure that minority-owned and women-owned business enterprises are given the opportunity to compete fairly in supplying services to our Optigo Lender network.

2.12 Using the Freddie Mac Multifamily Software Applications (02/18/21)

a. Authorization to use the Freddie Mac Multifamily Software Applications and Freddie Mac Approved Third Party Applications (02/18/21)

Freddie Mac authorizes each Seller/Servicer to use the Freddie Mac Multifamily Software Applications, at no cost to the Seller/Servicer, in connection with the sale of Mortgages to and/or the servicing of Mortgages for Freddie Mac, solely for the delivery of information and documentation to Freddie Mac. The Freddie Mac Multifamily Software Applications include the following:

- Consent Request Tracker (CRT)
- Document Management System (DMS)
- Freddie Mac Access Manager (FAM)
- General Loan Information (GLI)
- Insurance Compliance Tool (ICT)
- Multifamily Eligibility System (MES)
- Multifamily Securities Investor Access tool (MSIA)
- Multifamily Seller/Servicer Guide via AllRegs® Online (Guide)
- myOptigoSM
- Origination and Underwriting System (OUS)
- Property Reporting System (PRS)
- Small Balance Loan Production Pipeline Manager (PPM)

Freddie Mac further authorizes each Seller/Servicer to use Freddie Mac Approved Third Party Applications for the delivery of information and documentation to Freddie Mac. Such Freddie Mac Approved Third Party Applications may require the Seller/Servicer to enter into a contract for services with the applicable third party. Seller/Servicer remains solely responsible and liable for, and Freddie Mac undertakes no responsibility and/or liability in connection with, any error, omission, malfunction and/or negligence caused by Seller/Servicer's use of Freddie Mac Approved Third Party Applications.

Freddie Mac Approved Third Party Applications include the Optigo Happy Inspection Application, powered by HappyCo.



Freddie Mac agrees to accept information and documentation through the Freddie Mac Multifamily Software Applications and Freddie Mac Approved Third Party Applications.

b. Seller/Service’s use of the Freddie Mac Multifamily Software Applications and Freddie Mac Approved Third Party Applications (09/30/20)

The Seller/Service’s use of the Freddie Mac Multifamily Software Applications and Freddie Mac Approved Third Party Applications must comply at all times with the requirements of the Guide and any user manuals and instructions provided by Freddie Mac.

c. Seller/Service’s warranties (09/30/20)

The Seller/Service acknowledges that all of the representations and warranties that it is deemed to make under Chapter 5 of the Guide are applicable to all loan documentation, data and other information provided to Freddie Mac by the Seller/Service through the Freddie Mac Multifamily Software Applications and/or Freddie Mac Approved Third Party Applications, and that Freddie Mac will have all rights and remedies available to it under the Guide with respect to:

- A breach by the Seller/Service of any such warranty, or
- Any misrepresentation by the Seller/Service

d. No Freddie Mac liability (09/30/20)

In no event will Freddie Mac be liable to the Seller/Service or any other party for indirect, special, incidental, exemplary or consequential damages (including damages for loss of data or programming, loss of revenue or profits, or loss of business) arising out of, or related to, use of or inability to use the Freddie Mac Multifamily Software Applications and/or the Freddie Mac Approved Third Party Applications. Freddie Mac will have no liability to the Seller/Service for third-party claims made against the Seller/Service arising out of, or relating to, the Seller/Service’s use of or inability to use the Freddie Mac Multifamily Software Applications and/or the Freddie Mac Approved Third Party Applications.

e. Ownership of the Freddie Mac Multifamily Software Applications (02/29/12)

The Seller/Service acknowledges that the Seller/Service has no ownership or other interest in the Freddie Mac Multifamily Software Applications, except to the extent of the rights expressly granted in the Guide.

f. Termination of the right to use the Freddie Mac Multifamily Software Applications (09/30/20)

Freddie Mac reserves the right to terminate a Seller/Service’s use of any of the Freddie Mac Multifamily Software Applications and/or the Freddie Mac Approved Third Party Applications at any time in its sole discretion upon notice to the Seller/Service.



2.13 System administrator requirements

(06/17/21)

a. Seller/Servicer assignment of a system administrator (06/17/21)

Prior to the Seller/Servicer's implementation of any of the Freddie Mac Multifamily Software Applications and/or the Freddie Mac Approved Third Party Applications, the Seller/Servicer must designate one or more individuals on its staff to serve as the system administrator(s) to manage access to the following:

- The Freddie Mac Multifamily Software Applications and the Freddie Mac Approved Third Party Applications, as listed in Section 2.12(a)
- Multifamily secure content on FreddieMac.com, including the Freddie Mac Exclusionary List

The Seller/Servicer must add, update or remove access for system administrators by submitting Form 1146, System Administrator Add/Update/Remove Request Form, following the directions found on the form.

b. System administrator responsibilities (06/17/21)

The system administrator is required to identify:

- Each Seller/Servicer employee (or vendor) who needs access to a particular Freddie Mac Multifamily Software Application, Freddie Mac Approved Third Party Application and/or Multifamily secure content on FreddieMac.com
- For Freddie Mac Multifamily Software Applications and Freddie Mac Approved Third Party Applications, the appropriate authority level of the employee's or vendor's access based on the employee's or vendor's roles and responsibilities

The method of identification will vary. The system administrator must:

- Enter the user's contact information in FAM, to provide access to myOptigoSM for Investor Reporting, and the Multifamily secure content
- Enter the user's contact information in both FAM and in OUS, to provide access to OUS
- Complete the DMS New User Setup, Reactivation and Deactivation form and submit it to MF_Service_Desk@freddiemac.com, to provide access to or reactivate user access to DMS
- Enter the user's contact information in FAM, complete the Insurance Compliance Tool (ICT) User Access Request, and submit it to MF_Service_Desk@freddiemac.com, to provide access to the ICT
- Enter user information into PRS to manage access to that software application
- Enter user information into MES to manage access to that software application
- Confirm or revoke requests for user access to CRT as appropriate



- Work with the third-party service provider to manage user access for the applicable Freddie Mac Approved Third Party Application

When an employee or vendor for a Seller/Service provider leaves the Seller/Service provider's employ or transitions to a role that no longer requires access to any Freddie Mac Multifamily Software Application or Freddie Mac Approved Third Party Application, the system administrator must, no later than 30 days after the departure or transition, take each of the following actions:

- Revoke the user's access in FAM
- Revoke the user's access to OUS in OUS
- Submit the DMS New User Setup, Reactivation and Deactivation Form to MF_Service_Desk@freddiemac.com to request removal of the employee or vendor from DMS
- Submit the Insurance Compliance Tool (ICT) User Access Request to MF_Service_Desk@freddiemac.com to request removal of the employee's or vendor's access from the ICT
- Revoke the user's access information in PRS
- Revoke the user's access information in MES
- Revoke the user's access information in CRT
- Revoke the user's access information in each applicable Freddie Mac Approved Third Party Application, including Optigo Happy Inspection Application, powered by HappyCo

c. System administrator certification of valid users (09/30/20)

At least every six months, Freddie Mac will provide a user listing to the Seller/Service provider's system administrator(s), who must review the listing and certify to Freddie Mac that each user granted access to a Multifamily Software Application is a current employee of the Seller/Service provider or a vendor for the Seller/Service provider, that the user has the appropriate application access and authority level based on the user's roles and responsibilities, and that the user contact information, including the user's e-mail address, is correct. The system administrator must complete Form 1148, System User Verification and Certification, to make such certifications.

Form 1148 must be returned to Freddie Mac according to the instructions shown on the form within 15 Business Days of receipt of the request from Freddie Mac.

Any Seller/Service provider with a contract for services from a Freddie Mac Approved Third Party Application provider must obtain a user listing from such provider at least every six months. The Seller/Service provider's system administrator(s) must confirm that each user granted access to a Freddie Mac Approved Third Party Application is a current employee of the Seller/Service provider or a vendor for the Seller/Service provider, that the user has the appropriate application access and authority level based on the user's roles and responsibilities, and that the user contact information, including the user's e-mail address, is correct. Seller/Service provider's system administrator(s) must retain evidence of this review and provide such evidence to Freddie Mac within 15 Business Days of receipt of a request from Freddie Mac. Additionally, Seller/Service provider grants Freddie Mac



the right to periodically request a user listing for Seller/Service's users from the system administrators of Freddie Mac Approved Third Party Applications.

d. Seller/Service officer verification and certification of system administrators (04/27/18)

At least every six months, an authorized officer of the Seller/Service must review and verify the record for each of its system administrators and certify the following to Freddie Mac:

- Each of the current system administrators is a current employee of or vendor for the Seller/Service with appropriate application access and authority level based on the system administrator's roles and responsibilities, and
- All system administrator contact information, including the system administrator's e-mail address, is correct. The officer must complete Form 1149, System Administrator Verification and Certification, to make these certifications.

Form 1149 must be returned to Freddie Mac according to the instructions shown on the form within 15 Business Days of receipt of the request from Freddie Mac.

2.14 Electronic Signatures, Electronic Records, and data security (~~10/15/23~~10/19/23)

a. Overview (05/05/17)

Freddie Mac may require or permit Seller/Service's to conduct certain transactions with Freddie Mac electronically. Freddie Mac will identify the particular transactions that will be required or permitted to be Electronic Transactions in the Guide, in any other Purchase and Servicing Documents or by written instructions provided to each Seller/Service. Electronic Transactions will be subject to this section and all other applicable sections of the Guide and the Purchase and Servicing Documents.

b. Definitions (06/30/16)

As used in this section, these terms are defined as follows:

• **Computer Systems**

All computers, servers, fax machines, other Electronic devices, hardware, web sites, Internet, private networks, telephone lines or wireless communications, together with software applications, security measures, proprietary coding, interfaces and/or connectivity used to create, present, sign, transfer, transmit, send, submit, deliver, receive, retrieve, maintain, and/or store Records, Electronic Records or Electronic Signatures in order to engage in and/or conduct Electronic Transactions

• **Computer Contagion**

Any computer viruses, time bombs, trojan horses, worms, trapdoors or other harmful or malicious computer information, commands, codes or programs

• **Electronic**



Relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities, as defined in the UETA and/or E-SIGN

- **Electronic Record**

A Record created, generated, sent, communicated, received, or stored by Electronic means, as defined in the UETA and/or E-SIGN. An Electronic Record includes, but is not limited to the following:

- A facsimile (“fax”) machine copy of a Record
- A scanned copy of a Record
- A paper Record converted into an Electronic Record
- An e-mail
- Electronic information communicated or transmitted using Electronic means permitted or required by Freddie Mac

- **E-SIGN**

The federal Electronic Signatures in Global and National Commerce Act of 2000 (15 U.S. Code, Chapter 96)

- **Electronic Signature**

An Electronic sound, symbol or process attached to, or logically associated with, a contract or other Record and executed or adopted by a person with the intent to sign the Record, as defined in the UETA and/or E-SIGN

- **Electronic Transaction**

An action or set of actions occurring between two or more persons relating to the conduct of business, commercial, or governmental affairs, using Electronic means, as defined in the UETA and/or E-SIGN

- **Host**

Any third party selected by the Seller/Service or Freddie Mac to act as a web site host

- **ISP**

Internet service provider or other method of being connected to the Internet

- **Record**

Information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form as defined in the UETA and/or E-SIGN. A Record may be a paper or an Electronic document



- **UETA**

The Uniform Electronic Transactions Act of 1999, promulgated by the U.S. Uniform Law Commission for consideration and enactment by the States. Reference to the UETA herein means the UETA as promulgated by the U.S. Uniform Law Commission or the UETA as enacted by an applicable State

c. Scope of Electronic Transactions and Electronic Signatures (05/05/17)

Electronic Transactions and Electronic Signatures that are not expressly required or permitted by Freddie Mac pursuant to the Guide, the Commitment, the early rate-lock application or another agreement are prohibited.

d. Security standards (02/06/04)

Freddie Mac may, in its sole discretion and from time to time, without limiting the Seller/Service's liability set forth in this section, establish minimum security standards that the Seller/Service must comply with in order to:

1. Protect and safeguard the Seller/Service's Electronic Signature from loss, theft or unauthorized disclosure or use; and
2. Prevent the infiltration and infection of the Seller/Service's or Freddie Mac's Computer Systems by a Computer Contagion.

e. Compliance with security standards (~~10/15/23~~10/19/23)

1. Minimum security standards

- The Seller/Service must comply with Freddie Mac's minimum security standards within the time period established by Freddie Mac
- Freddie Mac has the right to confirm the Seller/Service's compliance with Freddie Mac's minimum security standards
- The Seller/Service's compliance with the minimum security standards does not relieve the Seller/Service from any of its obligations set forth in this section
- The Seller/Service is solely responsible for adopting and maintaining security measures that are consistent with the risk associated with conducting Electronic Transactions with Freddie Mac, including any security measures that exceed any minimum security standards established by Freddie Mac

2. Notification of Security Incident

If the Seller/Service knows or reasonably believes that there has been any loss, theft, unauthorized or improper disclosure or use of the Seller/Service's Electronic Signature, the Seller/Service must immediately, and in no event later than 24 hours after the Security Incident is discovered (as defined in Section 2.26(c)), notify Freddie Mac in accordance with Section 2.26(c).

3. Failure to adopt or maintain standards

Guide Bulletin Update ~~12/14/23~~02/22/24 Chapter 2 – Page 15



The Seller/Service's failure to adopt and maintain appropriate security measures or to comply with any minimum security standards established by Freddie Mac may result in, among other things, termination of the Seller/Service's access to Computer Systems of Freddie Mac or any Freddie Mac Host.

4. Seller/Service responsibility

The Seller/Service will be fully responsible for protecting and safeguarding its Computer Systems from any and all:

- a. Computer Contagions that may cause or facilitate the destruction, corruption, malfunction or appropriation of, or damage or change to, any of the Seller/Service's, Freddie Mac's and/or any Freddie Mac Host's Computer Systems; and
- b. Computer Contagions that enable unauthorized access to the Seller/Service's, Freddie Mac's and/or any Freddie Mac Host's Computer Systems.

f. Seller/Service's agreement regarding Electronic Records and Electronic Signatures (06/25/20)

1. The Seller/Service consents to the use of Electronic Records and/or Electronic Signatures whenever expressly required or permitted by Freddie Mac.
2. The Seller/Service agrees to adopt any Electronic Signature required or provided by Freddie Mac.
3. The Seller/Service agrees to adopt and maintain security measures sufficient to protect and safeguard its Electronic Signature from loss, theft and unauthorized or improper disclosure or use.
4. The Seller/Service agrees that if its Electronic Signature is attached to or logically associated with any Record transmitted or submitted to Freddie Mac, such attachment or association of its Electronic Signature will be conclusive verification that the Seller/Service executed and intended to be bound by the terms of the Record. In addition, such Electronic Signature will be deemed as valid as its ink counterpart on paper, and will not require the Seller/Service to conduct due diligence on DMS or on any signing technology embedded in a form downloaded from a Freddie Mac website, nor will it constitute any Seller/Service representation or warranty regarding the same.
5. Before Freddie Mac requires or permits the Seller/Service to send any Electronic Transaction to Freddie Mac, Freddie Mac may specify its requirements for the Seller/Service's Computer System and ISP, in which event the Seller/Service must ensure that it complies with those requirements.
6. The Seller/Service agrees that it is able to readily print, store and retrieve any Electronic Record transmitted by Freddie Mac to it; and the Seller/Service is able to transmit or submit Electronic Records to Freddie Mac.
7. The Seller/Service agrees that it is fully responsible for protecting and safeguarding its Computer System from all Computer Contagions that may damage Freddie Mac's or any Freddie Mac Host's Computer System.

**g. Indemnification (06/30/16)**

The Seller/Servicer agrees to indemnify, defend and hold Freddie Mac and any Freddie Mac Host harmless from and against any and all losses, costs, claims, actions, damages (including, but not limited to, indirect, incidental, special or consequential damages, whether foreseeable or not), liabilities, judgments, legal fees, counterclaims or defenses to which Freddie Mac and/or any Freddie Mac Host may become subject or that arise out of or that occur in connection with:

1. Any Computer Contagion; or
2. The loss, theft, unauthorized or improper disclosure or use of the Seller/Servicer's Electronic Signature; or
3. The Seller/Servicer's failure to comply with Freddie Mac's requirements in connection with conducting an Electronic Transaction with Freddie Mac; or
4. The Seller/Servicer's repudiation of the Seller/Servicer's Electronic Signature affixed to, attached to, or otherwise logically associated with a Record (or copy thereof) delivered to Freddie Mac; or
5. A breach of Seller/Servicer's representations and warranties under Section 2.14(j)(2), with respect to any Record delivered by Seller/Servicer to Freddie Mac bearing an Electronic Signature from a Borrower, Borrower Principal, guarantor, or their respective legal representatives/signatories.

h. Limit on Freddie Mac's liability (02/06/04)

Freddie Mac will not be liable for any of the following:

1. Any delay or failure in performing its obligation under an Electronic Transaction when the delay or failure is caused by an event beyond Freddie Mac's control:
 - That could not reasonably be expected to have been taken into account at the time of the Electronic Transaction, or
 - The consequences of which could not be avoided or overcome
2. The failure of its or the Seller/Servicer's ISP to timely, properly or accurately transmit any Electronic Record
3. Any indirect, incidental, special or consequential damages arising out of or relating to any Electronic Transaction

Except as set forth in items 1 through 3 above, the provisions of this Section 2.14(h) will not limit Freddie Mac's responsibility for any direct losses sustained by a Seller/Servicer as a result of a Computer Contagion explicitly and directly transmitted by Freddie Mac.

**i. Method of notification (06/30/16)**

Each Seller/Servicer must designate the person(s) who will be the System Administrator(s) and must provide written notification to Freddie Mac Director, *Multifamily Customer Management* (or its current functional equivalent) regarding the name and complete contact information for each such person. A Seller/Servicer must provide written notification to Freddie Mac Director, *Multifamily Customer Management* (or its current functional equivalent) no later than five Business Days after the occurrence of any change of System Administrators or their contact information.

Freddie Mac will provide each Seller/Servicer with at least 30 days' notice of a change regarding Electronic Signatures or Electronic Records unless Freddie Mac determines that a shorter notice period is necessary or advisable to protect Freddie Mac's interest. Freddie Mac will provide such notice in a Guide Bulletin or by written notice to the System Administrators.

j. Electronic Signatures from Borrowers (05/05/17)

1. Subject to Section 2.14(j)(2), Freddie Mac will accept Electronic Signatures of Borrowers, Borrower Principals, guarantors, or their respective legal representatives/signatories (as applicable), on all numbered Guide forms, except to the extent otherwise indicated on such form or requested by Freddie Mac.
2. If a Seller/Servicer elects to deliver to Freddie Mac a Record identified in Section 2.14(j)(1) signed with an Electronic Signature, the Seller/Servicer represents and warrants as follows with respect to each such Record:
 - The Seller/Servicer has conducted prior due diligence on all software and processes involved in producing the Borrower's Electronic Signature on such Record, and has confirmed that such software and processes create valid, enforceable and effective Electronic Signatures in compliance with E-SIGN and UETA. The due diligence and confirmation process includes having all necessary electronic systems and processes reviewed by internal or external technology and security experts and legal experts.
 - The delivered Record is a valid, enforceable and effective Electronic Record, in compliance with E-SIGN and/or UETA, as applicable.

k. Electronic Signatures from third parties (06/30/16)

Freddie Mac will accept Electronic Signatures on all third-party reports submitted in connection with the underwriting of a Mortgage.

l. Electronic Signatures from Seller/Servicers (05/05/17)

Freddie Mac will accept Electronic Signatures of Seller/Servicers on the following documents:

- Commitments, early rate lock applications, Index Lock Agreements and all related Amendments, Adjustments/Modifications and Corrections
- Servicing approval requests



- All numbered Guide forms, except to the extent otherwise indicated on such form or requested by Freddie Mac

m. Governing law (06/30/16)

The law governing Electronic Transactions will be E-SIGN and/or the UETA, as enacted by an applicable State. Under no circumstances will any Electronic Transaction be governed by the Uniform Computer Information Transactions Act (UCITA), unless Freddie Mac expressly agrees in a written or Electronic amendment to the Purchase and Servicing Documents.

n. Conflict (06/30/16)

If the requirements set forth in this section conflict with requirements in other sections of the Guide, or with other Purchase and Servicing Documents, or any other written agreement between the Seller/Servicer and Freddie Mac, then the requirements in such other Guide sections, or other Purchase and Servicing Documents, or other written agreements (as applicable), will control and prevail over these requirements, but only to the extent necessary to resolve the conflict. If the Seller/Servicer believes there is any such conflict, the Seller/Servicer must contact Freddie Mac to discuss any such conflict in an effort to resolve it.

2.15 Standard of care (02/07/08)

The Seller/Servicer must perform its obligations set forth in the Guide and the Purchase and Servicing Documents with the same degree of care and diligence as it would perform in originating or servicing a loan for its own portfolio.

2.16 Payment instructions (04/30/19)

Before instructing Freddie Mac to make any payment via wire transfer, Automated Clearing House (ACH) (if applicable), check or any other electronic payment system, a Seller/Servicer must submit to Freddie Mac *Multifamily Cash Management* authorization documentation in accordance with the requirements of Section 32.12(a). Payments cannot be made if such authorization documentation is not on file with Freddie Mac and in compliance with the requirements of Section 32.12(a). For payments to be made via wire transfer, a Seller/Servicer also must comply with the requirements of Section 32.12(b).

2.17 Delivery of documents and forms (06/25/20)

This Guide contains instructions for the delivery of various documents and forms to Freddie Mac, including the delivery of the underwriting packages, final delivery packages and a number of different Servicing forms. In lieu of using the delivery instructions set forth in this Guide, any Seller/Servicer that is a user of DMS must deliver all documents and forms in accordance with the instructions provided in the training provided to the Seller/Servicer for its use of DMS.

The Seller/Servicer's delivery of any document or form to Freddie Mac using DMS will be deemed to be an Electronic Transaction under the Guide, and, as set forth in Section 2.14(f), if such Electronic Record contains Seller/Servicer's duly authorized employee's Electronic Signature or signature, or a copy or representation of such Electronic Signature or signature, the document or form will be as effective, enforceable and valid as a paper version of such document or form containing a duly authorized handwritten signature.



2.18 Freddie Mac Exclusionary List

(02/15/21)

a. Purpose of the Exclusionary List (06/28/13)

Freddie Mac maintains the Freddie Mac Exclusionary List (“Exclusionary List”) to protect the integrity of its Mortgage purchase and Servicing functions. The names of persons or entities with the roles stated in Section 2.18(c) whose conduct presents risks to Freddie Mac, as determined by Freddie Mac in its sole discretion, may be placed on the Exclusionary List, in which case such persons or entities are prohibited from doing business with Freddie Mac, either directly or indirectly.

b. Access to the Exclusionary List (02/15/21)

The Exclusionary List is updated at least monthly by Freddie Mac and is electronically available to authorized Seller/Servicers as a document as part of the Multifamily secure content. The Seller/Servicer must ensure that it uses only the most current version of the Exclusionary List. The Seller/Servicer may obtain access to the Multifamily secure content and the Exclusionary List by contacting its system administrator. Seller/Servicers can access the Exclusionary List under "Quick Links" on the Originate and Underwrite and Asset Management web pages.

c. Use of the Exclusionary List (02/15/21)

The Seller/Servicer must use the Exclusionary List only for the purposes set forth in this Section 2.18(c). Except as provided in Section 2.18(f), if a party on the Exclusionary List has played one of the roles set forth in this Section with respect to the origination of a Mortgage, a Transfer of Ownership, or the underlying real estate transaction, the Mortgage is not eligible for sale to Freddie Mac or for Freddie Mac’s approval of a Transfer of Ownership, as applicable. The Seller/Servicer must have written practices and procedures in place that instruct employees how to conduct searches of the Exclusionary List and how to verify and address potential positive and positive matches.

A Seller/Servicer may contact Freddie Mac via elist_confirmation@FreddieMac.com regarding:

- Assistance with verifying potential matches
- Questions about access to and content of the Exclusionary List

The Seller/Servicer must maintain evidence in the Mortgage File that the Seller/Servicer has used the Exclusionary List to screen the applicable individuals and entities in accordance with this section, including the date that the Exclusionary List was screened.

1. Screen employees and contractors of the Seller/Servicer.

The Seller/Servicer must ensure that no individual or entity whose name is on the Exclusionary List is employed by or contracted to the Seller/Servicer for the purpose of working on sales or servicing transactions involving Freddie Mac loans. The Seller/Servicer must screen each individual or entity that:



- Has a substantive role in any credit decision that is part of the origination or Servicing of a Freddie Mac Mortgage
- Is responsible for the receipt or remittance of funds in connection with the sale of a Mortgage to Freddie Mac
- Reports, remits or processes Mortgage payments
- Performs property inspections for Freddie Mac Properties
- Manages Custodial Accounts for Freddie Mac loans
- Performs custodial fund accounting for Freddie Mac Mortgages including the Seller/Servicer's own officers, directors, employees, any third parties to whom sales or Servicing functions regarding Freddie Mac Mortgages are outsourced.

2. Screen parties involved in the origination of the Mortgage.

- A. Prior to the submission of the preliminary underwriting package and the full underwriting package for a Mortgage using the early rate-lock delivery option, or the submission of the full underwriting package for a Mortgage using the standard delivery option, the Seller must screen each of the following and maintain evidence of the screening (e.g., screenshots of the searches) in the Mortgage File:
- Borrower
 - Borrower Principal
 - Property seller, if applicable (including the entity and any principal of that entity)
- B. Prior to final delivery of the Mortgage to Freddie Mac, the Seller must screen each of the following:
- Appraiser (the entity and any individual who signs the Appraisal)
 - Title insurer (the entity which will issue the title policy)
 - Closing agent (the entity and any individual responsible for escrowing any funds in connection with the origination of the Mortgage)
 - Surveyor (the entity and the surveyor who signs the survey)
 - Property condition consultant (the entity and engineer who signs the property condition report)
 - Environmental consultant (the entity and any environmental consultant who signs the environmental report)
 - Seller/Servicer's counsel (the firm and any attorney who prepares the preliminary legal issues memorandum, prepares any Loan Documents,



manages the closing or provides any certification to Freddie Mac)

- Borrower's counsel (the firm and any attorney who signs a legal opinion or provides any certification to the Seller and/or to Freddie Mac)
 - Guarantor's counsel (the firm and any attorney who signs a legal opinion or provides any certification to the Seller and/or to Freddie Mac)
- C. In addition to the above, for a Targeted Affordable Housing Mortgage originated under a Forward Commitment, prior to final delivery of the Mortgage, the Seller must screen the Architectural Consultant (the entity, the on-site inspector and any consultant who signs the construction reports described in Section 63.1).

3. Screen parties involved in a Transfer of Ownership.

The Servicer must use the Exclusionary List to determine whether a person or entity whose name is on the Exclusionary List has played one of the roles set forth in this Section in the Transfer of Ownership or in the underlying real estate transaction.

- A. Prior to the submission of the request for Freddie Mac approval of a Transfer of Ownership, the Servicer must screen each of the following and provide evidence of the screening in the materials submitted to Freddie Mac in connection with the request:
- New Borrower, if applicable
 - Any new Borrower Principal
- B. Prior to the closing date of the Transfer of Ownership, the Servicer must screen each of the following and provide evidence of the screening (e.g., screenshots of the searches) in the materials submitted to Freddie Mac, if applicable for the particular transaction:
- Appraiser (the entity and any individual who signs the Appraisal)
 - Title insurer (the entity which will issue the title policy)
 - Closing agent (the entity and any individual responsible for escrowing any funds in connection with the Transfer of Ownership)
 - Surveyor (the entity and the surveyor who signs the survey)
 - Property engineer (the entity and engineer who signs the property condition report)
 - Environmental consultant (the entity and any environmental consultant who signs the environmental report)
 - Seller/Servicer's counsel (the firm and any attorney who prepares the preliminary legal issues memorandum, prepares any Loan Documents,



manages the closing or provides any certification to Freddie Mac)

- New Borrower's counsel
- New guarantor's counsel

4. Screen proposed new property management companies.

The Servicer must ensure that no proposed new property management company has its name on the Exclusionary List.

d. Process for placement on the Exclusionary List (06/29/18)

Freddie Mac will generally provide an individual or entity written notice of proposed placement on the Exclusionary List, along with an opportunity to submit a written response. However, Freddie Mac may determine, in its sole discretion, that circumstances require placement of the name of a person or entity on the Exclusionary List immediately, without prior written notice. Examples of grounds for placement on the Exclusionary List include:

- Fraud or possible fraud
- Misrepresentations, misstatements or omissions of facts
- Theft or misappropriation of funds
- Willful or reckless violation of statutory or regulatory requirements
- Business practices that Freddie Mac determines present risks to Freddie Mac
- Lack of business controls to ensure the integrity of the Mortgages sold to or serviced for Freddie Mac
- Evidence which demonstrates a lack of integrity or business competence
- Other grounds that in Freddie Mac's judgment may adversely affect Freddie Mac

Freddie Mac, in its sole discretion, will render a final decision regarding placement on the Exclusionary List after reviewing the response, if any, submitted by the proposed individual or entity.

e. Controls regarding use and confidentiality of the Exclusionary List (09/28/18)

The Seller/Servicer must maintain sufficient controls to meet its warranty obligations regarding the Freddie Mac Exclusionary List set forth in Section 5.9(c).

f. Waiver of Seller representations and warranties regarding Persons on the Exclusionary List (09/28/18)

Before the Origination Date of a Mortgage, a Seller may contact Freddie Mac to request a waiver of representation and warranty obligations under Section 5.2(g) with respect to the Mortgage. The Seller must make such request to the Freddie Mac Fraud Mailbox at

Guide Bulletin Update ~~12/14/23~~02/22/24 Chapter 2 – Page 23



mortgage_fraud_reporting@freddiemac.com, or alternatively may make such request by fax or regular mail to the *Investigation Unit*.

As part of the request, the Seller must inform Freddie Mac of the nature and extent of the role played by the person or entity whose name is on the Exclusionary List in connection with the Mortgage and must provide other relevant information, upon request. If Freddie Mac reviews the request and subsequently elects to grant the waiver, Freddie Mac will provide the Seller with written notice of such election, in which case the Seller's warranty concerning the involvement of the specified excluded person or entity will not be applicable to the sale of the Mortgage. All other requirements of the Purchase Documents relating to the sale of the Mortgage will remain in full force and effect. Freddie Mac's election to review and its decision to purchase such a Mortgage are within its sole discretion.

g. Servicer representations and warranties regarding a Transfer of Ownership (09/28/18)

In addition to the warranty set forth in Section 5.9(c), prior to any Transfer of Ownership, the Servicer must represent and warrant that it has complied with the requirements of Section 2.18(c)(3).

h. Waiver of Servicer representations and warranties regarding the Exclusionary List (09/28/18)

The Servicer must contact Freddie Mac to request a written waiver prior to performing a function or entering into a transaction that would violate the Servicer's representation and warranty set forth in Section 5.9(c) or in Section 2.18(g) above.

The Servicer must make such request to the Freddie Mac Fraud Mailbox at mortgage_fraud_reporting@freddiemac.com, or alternatively may make such request by fax or regular mail to the *Investigation Unit*.

As part of the request, the Servicer must inform Freddie Mac of the nature and extent of the role played by the person or entity whose name is on the Exclusionary List in the proposed transaction, and must provide other relevant information upon request. If Freddie Mac elects to grant the waiver, Freddie Mac will provide the Servicer with written notice of such election, in which case the warranty concerning the involvement of the specified excluded person or entity will not be applicable to such transaction. All other requirements of the Purchase Documents relating to the Servicing of the Mortgage will remain in full force and effect. Freddie Mac's decision regarding the waiver of such warranties is within its sole discretion.

i. Reporting obligations of the Seller and Servicer (10/07/11)

The Seller/Servicer must immediately report the discovery of any possible breach of its warranties regarding the Exclusionary List. The Seller/Servicer must make such report to the Freddie Mac Fraud Mailbox at mortgage_fraud_reporting@freddiemac.com, or alternatively may make such report by fax or regular mail to the *Investigation Unit*.

j. Confidentiality and use of the Exclusionary List (06/29/18)

The identities of the persons and entities whose names are on the Exclusionary List are not publicly available, and the Exclusionary List is considered "Confidential Information" of Freddie Mac for purposes of Section 2.8. The Seller/Servicer must keep the Exclusionary List confidential in accordance with the terms and conditions of Section 2.8. The



Seller/Servicer may use the Exclusionary List only as required in Section 2.18(c), and may not use or disclose the Exclusionary List for any other purpose without Freddie Mac's written permission.

k. Indemnification (06/29/18)

The Seller/Servicer must indemnify Freddie Mac for any loss, damage, or expense resulting from the Seller/Servicer's unauthorized use or failure to maintain the confidentiality of the Exclusionary List or information contained on the Exclusionary List.

l. Remedies (10/07/11)

Freddie Mac's remedies for a breach of the warranties, obligations or requirements of the Seller/Servicer regarding the Exclusionary List include all remedies available to Freddie Mac under the Purchase Documents, including suspension or termination of the Seller or Servicer, and repurchase of the Mortgage.

2.19 Compliance and regulatory risk management (02/16/23)

a. Chief Compliance Officer (02/16/23)

Each Seller/Servicer must designate one person as its Chief Compliance Officer (CCO). The CCO is responsible for monitoring, overseeing and managing compliance and regulatory risk for their organization.

The CCO is not required to be an officer of the Seller/Servicer. Additionally and optionally, Seller/Servicers may designate a Deputy CCO as a backup to the CCO. Designation of new CCOs or optional Deputy CCOs, or any changes to these roles, must be reported to Freddie Mac via Form 1107M (Multifamily Seller/Servicer Change Notification) within 30 calendar days.

The CCO will receive compliance communications and requests for information from Freddie Mac regarding:

- Fraud and other Suspicious Activity (see Section 2.19(b) below)
- Business continuity and recovery (see Section 2.20)
- Vendor risk management (see Section 2.26)
- Data security (see Section 2.26)
- Other compliance and regulatory matters

The CCO should contact Freddie Mac *Multifamily Counterparty Risk & Compliance* regarding any issues, comments or questions on any of these matters.

b. Prevention, detection and reporting of fraud and other Suspicious Activity (02/16/23)

Each Seller/Servicer must have specific prevention, detection and reporting practices and procedures in place to address fraud and other Suspicious Activity in all areas in connection with originating and selling a Mortgage to Freddie Mac and Servicing the Mortgage. Each Seller/Servicer must take the following minimum steps:

Guide Bulletin Update ~~12/14/23~~02/22/24 Chapter 2 – Page 25



- Comply with Section 2.18 regarding screening through Freddie Mac’s Exclusionary List
- Comply with all other provisions of the Guide relating to the prevention, detection and reporting of fraud and other Suspicious Activity (See Chapter 7 for additional information relating to Seller/Service’s other responsibilities with respect to the prevention, detection and reporting of fraud and other Suspicious Activity)

It is also important for Seller/Service’s to know the parties with whom they do business. Each Seller/Service’s must approve, evaluate and monitor appraisers and any third party to whom functions relating to a Mortgage or REO are outsourced or assigned including consulting the Multifamily Restricted Vendor List (See Section 60.4(c), 61.17(e) and 62.8(e)).

2.20 Business continuity and recovery (~~10/15/23~~[10/19/23](#))

a. Business Continuity Plan (~~10/15/23~~[10/19/23](#))

The Seller/Service’s and Material Vendors must implement and maintain a business continuity and disaster recovery plan (“Business Continuity Plan”) that provides for the assured and continuous delivery of core operations in the event of a disaster or an incident involving a loss of, or material impact to, any facilities and personnel deemed critical to core operations (“Business Disruption”). The Business Continuity Plan must include:

- Documentation that the Business Continuity Plan can sustain the Seller/Service’s core operations through an event involving total loss of any facilities and personnel deemed critical to core operations
- Defined recovery time objectives and a strategy for meeting those objectives
- Documentation that the Business Continuity Plan has in place backup sites with the ability to recover all core operations if a Business Disruption prevents operations at any Seller/Service’s facility
- Geographically dispersed work areas and resources available in the event of a regional disruption
- Environmental controls to monitor, mitigate and protect the organization with regard to a loss of connectivity, access to, or integrity of, information and damage caused by natural disasters or manmade incidents such as fire, earthquake, flood, hurricane, tornado or weather-related adverse conditions
- Documented procedures for crisis management, plan invocation and activation of recovery sites
- Identification of all mission-critical systems, external dependencies, network diversity, vital records, personnel and the provisions in place to ensure their continued availability
- Standards and controls that are appropriate for customers participating in the critical financial services markets



At least annually, the Servicer must test its Business Continuity Plan and retain evidence of the test results. The Seller/Servicer must also provide a copy of the Business Continuity Plan and test results to Freddie Mac upon request.

b. Business Disruption notification requirements (~~10/15/23~~10/19/23)

In the event of a Business Disruption, the Seller/Servicer must follow the requirements in the table below.

If, at any time during the investigation of the Business Disruption, there is reason to believe that there has been any unauthorized access to, or acquisition of, data or computing resources that may compromise the security, confidentiality, availability, integrity or privacy of Freddie Mac information (examples include a phishing email or malware attack, etc.) (“Security Incident”), the Seller/Servicer must follow the requirements in Section 2.26(c).

Business Disruption notification requirements	
The Seller/Servicer must...	
1.	Immediately, and in no event later than 24 hours after the Business Disruption is discovered notify Freddie Mac of the Business Disruption via email at multifamily_eligibility@freddiemac.com and:
1a	Provide the name, phone number and email address of the contact leading the Business Disruption investigation
1b.	Promptly investigate, correct and/or mitigate the Business Disruption at the Seller/Servicer’s expense, including by identifying Freddie Mac information affected by the Business Disruption and preventing the continuation and recurrence of the Business Disruption
1c.	Provide Freddie Mac with such information as Freddie Mac may reasonably request to evaluate the effect of the Business Disruption on Freddie Mac and Freddie Mac’s operations
1d.	Provide Freddie Mac via email at multifamily_eligibility@freddiemac.com with all details of the Business Disruption known at that time and related internal and external investigations, including all tactics, techniques and procedures for addressing and resolving the Business Disruption
2.	Once known, email Freddie Mac at multifamily_eligibility@freddiemac.com with details characterizing any anticipated potential damage estimates (including reputational), what actions are being taken to protect individuals and business assets in the future, and any resulting after-action reports generated
3.	Provide to Freddie Mac updates with details on progress made since the last update until the Business Disruption is fully resolved and closed



2.21 Email communications with

Seller/Servicers (07/01/14)

Freddie Mac reserves the right to send emails, including those regarding our systems, products, services, and events, to Seller/Servicer personnel at the email addresses which they use to register for Freddie Mac events, training and access to the Freddie Mac Multifamily Software Applications or other Freddie Mac systems. Seller/Servicers may adjust their email preferences at any time by visiting the Multifamily News Subscription Center on FreddieMac.com.

2.22 Anti-money laundering compliance (02/15/21)

Freddie Mac requires Seller/Servicers subject to the anti-money laundering provisions of the Bank Secrecy Act to establish and maintain a compliance program that ensures compliance with all applicable provisions of the Bank Secrecy Act and implementing federal regulations. Such Seller/Servicers must, as permitted by law, notify the MF Asset Management Operations Fraud Investigation Unit, in accordance with Section 7.2, within seven Business Days of confirmation of any instances of the Seller/Servicer's own non-compliance or compliance failure related to the anti-money laundering requirements of the Bank Secrecy Act, the Money Laundering Control Act, or Title III of the USA Patriot Act, and applicable implementing federal regulations.

2.23 Office of Foreign Assets Control (OFAC) compliance (12/14/23)

Freddie Mac requires every Seller/Servicer to establish and maintain an effective compliance program that ensures compliance with the United States Department of Treasury Office of Foreign Assets Control (OFAC) regulations. Freddie Mac will not purchase any Mortgage nor allow or approve any Transfer of Ownership under Chapters 41 or 41SBL, or approve any other Servicing-related transaction, in which any Borrower, Borrower Principal, Guarantor, Non-U.S. Equity Holder or property management company is the target of any sanctions law administered or enforced by OFAC, including those identified on the most current OFAC Specially Designated Nationals and Blocked Persons ("SDN") List or OFAC Consolidated Sanctions List. Seller/Servicer's compliance program must include written practices and procedures for conducting searches of the SDN List and the OFAC Consolidated Sanctions List including how to verify and address potential positive and positive matches on those lists.

It is the Seller/Servicer's responsibility to determine compliance with these OFAC requirements, and to verify that the names of any Borrowers, Borrower Principals, Guarantors, Non-U.S. Equity Holders or property management companies do not appear on the most current SDN List or Consolidated Sanctions List prior to (1) delivering a full underwriting package to Freddie Mac, (2) delivering a Servicer's certificate regarding OFAC/FHFA SCP compliance to Freddie Mac for Transfers of Ownership (as described in Section 41.1(d) and 41SBL.1(d)), Default Analysis (as described in Section 44.5(a)) or property management change (as described in 43.19(c)(5)), or (3) undertaking any other Servicing-related transaction, as applicable. The Seller/Servicer must: (a) maintain evidence of the screening (e.g., screenshots of the searches) in the Mortgage File in connection with the origination of a Mortgage, and (b) provide evidence of the screening in the materials submitted in connection with any Servicing-related transaction, as applicable.

With respect to proposed Transfers of Ownership and Servicing-related transactions, Servicers should follow the procedures set forth in Section 43.28 if they determine there is a suspected or confirmed OFAC match.



2.24 Federal Housing Finance Agency (FHFA) Suspended Counterparty Program (SCP) (12/14/23)

The Federal Housing Finance Agency (FHFA) maintains a Suspended Counterparty Program List (“FHFA SCP List”) and requires Freddie Mac to refrain from and/or cease conducting business with individuals and entities listed on FHFA SCP List (“Named Parties”), subject to any conditions or exclusions set forth in each Named Party’s final suspension order.

Freddie Mac requires Seller/Servicers to establish and maintain written procedures to ensure they do not employ or contract with Named Parties for any purpose directly related to the origination, underwriting, or Servicing of a Freddie Mac Mortgage, subject to any conditions or exclusions set forth in each Named Party’s final suspension order.

Seller/Servicers are responsible for reviewing the FHFA SCP List and related final suspension orders, which can be found on the FHFA’s web site at <http://www.fhfa.gov/SupervisionRegulation/LegalDocuments/Pages/SuspendedCounterpartyProgram.aspx>.

Freddie Mac will not purchase any Mortgage nor allow or approve any Transfer of Ownership under Chapters 41 or 41SBL, or approve any other Servicing-related transaction, in which any Borrower, Borrower Principal or property management company is a Named Party on the FHFA SCP List, subject to any conditions and/or exclusions set forth in each Named Party’s final suspension order.

It is the Seller/Servicer’s responsibility to verify that the Borrower, each Borrower Principal and property management company is not a Named Party on the FHFA SCP List prior to (1) delivering a full underwriting package to Freddie Mac, (2) delivering a Servicer’s certificate regarding OFAC/FHFA SCP compliance to Freddie Mac for a Transfer of Ownership (as described in Section 41.1(d) and 41SBL.1(d)), Default Analysis (as described in Section 44.5(a)), or property management change (as described in 43.19(c)(5)), or (3) undertaking any other Servicing-related transaction, as applicable. The Seller/Servicer must: (a) maintain evidence of the screening (e.g., screenshots of the searches) in the Mortgage File in connection with the origination of a Mortgage, and (b) provide evidence of the screening in the materials submitted in connection with any Servicing-related transaction, as applicable, including the date the search was conducted.

2.25 Equity Conflicts of Interest (~~06/15/23~~[02/22/24](#))

(a) An Equity Conflict of Interest occurs when:

- (i) A non-executive employee of the Seller/Servicer is engaged in the origination, underwriting or Servicing of a Mortgage in which such employee or a family member of the employee has an equity interest in the applicable Borrower (“Employee-Level Owner”).

Such Employee-Level Owner may hold up to 5 percent of total direct and indirect equity interest in the Borrower so long as:

- The Employee-Level Owner does not currently have, or have the ability to assume, control of the Borrower



- The property inspection and lease audit is not delegated by Freddie Mac to the Seller/Servicer
- If there are multiple Employee-Level Owners with equity interests in the same Borrower, the 5 percent threshold is applied to total combined interests per Seller/Servicer
- (ii) The Seller/Servicer, an affiliate of the Seller/Servicer, an executive employee of the Seller/Servicer, or a family member of an executive employee of the Seller/Servicer (“Seller/Servicer-Level Owner”) has an equity interest in the applicable Borrower.

Such Seller/Servicer-Level Owner may hold less than 25 percent of total direct and indirect interest in the Borrower so long as:

- The Seller/Servicer-Level Owner does not currently have, or have the ability to assume, control of the Borrower
- The property inspection and lease audit is not delegated by Freddie Mac to the Seller/Servicer

For purposes of Equity Conflicts of Interest, a family member is defined as a spouse, parent, child (including stepchild), grandchild (including step-grandchild), sibling or domestic partner.

- (b) Equity interests held through equity investments made in third-party investment vehicles (such as REITs not managed by the Seller/Servicer, mutual funds, exchange-traded funds, index funds and SEC-registered funds) that directly or indirectly own and/or control the Property are not considered Equity Conflicts of Interest.
- (c) Seller/Servicer-Level Owners of tax credit equity investments in Low-Income Housing Tax Credit (LIHTC) transactions, as a LIHTC Investor (directly or through a syndication) or as a LIHTC Syndicator, are acceptable Equity Conflicts of Interest, but must be disclosed to Freddie Mac as provided in the Guide.
- (d) Equity Conflicts of Interest must be disclosed to Freddie Mac as provided in Sections 9.2, 9SBL.2, 36.18, 41.4, 41SBL.4(c), 55.2 and 55SBL.2. In addition, the Seller/Servicer must contact its Freddie Mac representative in the following instances:
 - (i) The ownership thresholds exceed the levels outlined above
 - (ii) The Employee-Level Owner or the Seller/Servicer-Level Owner of the equity interest currently has or will have the ability to assume control of the Borrower
 - (iii) The Employee-Level Owner or the Seller/Servicer-Level Owner of the equity interest is a Guarantor of the applicable Mortgage regardless of ownership level
 - (iv) The Seller/Servicer or its affiliate has an equity interest in the form of mezzanine debt, a Preferred Equity Contribution or Subordinate Financing



- (v) The Seller/Servicer or its affiliate is selling a Property in which it has an equity interest and the applicable Mortgage provides acquisition financing for the Property
 - (vi) The individual attorney representing the Seller/Servicer in the applicable Mortgage has an equity interest in the Property or Borrower
- (e) A ~~transfer of servicing~~[Transfer of Servicing](#) will be required on or prior to Freddie Mac's purchase of the Mortgage if a Seller/Servicer-Level Owner holds 25 percent or more of the total direct and indirect interest in the applicable Borrower. Transfer of ~~servicing~~[Servicing](#) is not required for LIHTC transactions with the Equity Conflicts of Interest described in Section 2.25(c).
- (f) [Seller/Servicer, or an affiliate of Seller/Servicer, having an equity interest in the form of a Preferred Equity investment for a non-SBL Mortgage is an acceptable Equity Conflict of Interest subject to satisfaction of the following:](#)
- (i) [The Equity Conflict of Interest is disclosed to Freddie Mac as provided in the Guide](#)
 - (ii) [A Transfer of Servicing must occur on or prior to Freddie Mac's purchase of the Mortgage](#)
 - (iii) [The property inspection and lease audit may not be delegated by Freddie Mac to the Seller/Servicer](#)
 - (iv) [Notwithstanding the provisions of Section 60.4, neither the appraiser nor the appraisal firm may be affiliated with or related to the Seller/Servicer](#)
 - (v) [No other Equity Conflict of Interest is occurring](#)

2.26 Information security (10/19/23)

This section contains the minimum information security program requirements Seller/Servicers and Material Vendors must implement to reduce the impact and likelihood of unauthorized persons (or authorized persons with malicious or unlawful intentions) from gaining access to Freddie Mac's proprietary information, data and consumer personal non-public information in:

- Freddie Mac's systems
- Seller/Servicers' files, records, storage facilities and systems
- Files, records, storage facilities and systems of any third party or third-party provider that the Seller/Servicer engages to provide it with technology and other services

If a Seller/Servicer's regulator has established information security requirements that exceed Freddie Mac's minimum requirements, then the more rigorous requirements shall apply.

The National Institute of Standards and Technology (NIST) and the Federal Financial Institutions Examination Council (FFIEC) provide detailed guidance on their public [web sites](#) on the



components of a successful information security program. Seller/Service providers are strongly encouraged to review this guidance.

Seller/Service providers should be familiar with the following terms as they relate to information security requirements:

- **Authentication:** The process in which a system verifies the identity of an individual usually based on some form of credential(s) (e.g., password/ID, token, etc.)
- **Encryption:** The process of encoding or obfuscating messages or information in such a way that only authorized parties can read it
- **Vulnerability Management:** Identification and testing of known software vulnerabilities of a system and the prioritization of remediation according to likelihood of occurrence and impact of exploitation

The Seller/Service provider must provide its information security program requirements (e.g., policies and procedures), including those related to authentication, encryption and vulnerability management, and the other requirements of this Section 2.26, to Freddie Mac upon request.

a. Information security minimum requirements (~~10/15/23~~10/19/23)

(i) Information security program

Seller/Service providers and Material Vendors must define a group or identify an individual responsible for the development of information security requirements, including the adoption, implementation, maintenance and administration of written minimum security standards, policies and procedures that responsibly address critical issues including:

- User responsibilities (e.g., acceptable use)
- Ownership of information
- Baseline security practices
- Physical, administrative and technical security protection mechanisms
- Other requirements, including those described in this section

Seller/Service providers must additionally certify that Freddie Mac data is protected in accordance with their established information security policies and procedures. This certification is completed as part of the Form 16M, Annual Certification, process.

At least annually, Seller/Service providers must review and assess the adequacy of their information security policies and procedures used in connection with the selling and Servicing of Freddie Mac Mortgages to ensure compliance with the Guide and their other Purchase and Servicing Documents, and consistency with industry best practices (including as set forth by FFIEC and NIST). Seller/Service providers must make their information security program policies and procedures available to Freddie Mac upon request.

(ii) Human resources security

- **Pre-employment screening:** Each Seller/Service provider must conduct, or retain a qualified third party to conduct, thorough background verification checks (screening) for all



candidates for employment or contractor status who will have access to Freddie Mac information

- Confidentiality and acceptable use: Before granting access to Freddie Mac information or systems, a Seller/Servicer must have in place written requirements that apply to its employees and, where relevant, contractors and third-party users, that require such employees, contractors, and third-party users to appropriately use and maintain the confidentiality of Freddie Mac information and systems
- Information security awareness, education and training: Each Seller/Servicer must provide information security awareness training to all employees of its organization, and, where relevant, contractors and other third-party users of the Seller/Servicer's information technology. The awareness training must be current in substance, reflecting up-to-date vulnerabilities, threats and techniques and provide information on roles and responsibilities for all users in protecting information at the Seller/Servicer, along with practical ways to incorporate information security into daily routines, as well as awareness of various types of phishing campaigns and techniques.

(iii) Physical and environmental security controls

The Seller/Servicer must create and maintain:

- A physical security control program of the organization's buildings and facilities containing information systems designed to detect, monitor and prevent unauthorized persons gaining access and to respond to physical security incidents using real-time physical intrusion alarms and surveillance equipment
- A business continuity and disaster recovery plan as detailed in Section 2.20

(i) Communications and operations management

The Seller/Servicer must implement technical security measures designed to monitor for, mitigate against and prevent malicious software, block unwanted spam and traffic, and protect against unauthorized use of wireless connections. Measures must include those provided in the remainder of this section or meet industry best practices (e.g., those set forth by FFIEC or NIST), whichever is more stringent.

(ii) Removable media policy

The Seller/Servicer must:

- Have a data loss prevention/transmission protection mechanism or establish in related written policy requirements to protect the confidentiality and integrity of information exchange using technology applications or information systems, including requirements for secure data transmission across company information systems, networks and external (public and third-party) networks
- Use adequate and up-to-date data loss prevention (DLP) software to scan for sensitive information stored on disk and outgoing transmissions over public communication paths as well as to restrict the transfer of data to USB and other



removable media devices at the desktop level. Ensure that a corresponding management process is in place to ensure the software is adequate and up-to-date.

(iii) Anti-virus program/updates

The Seller/Service provider must install anti-virus software to protect servers and end-user systems, and must keep all such software up-to-date with the latest anti-virus software and definitions.

(iv) Boundary protection

The Seller/Service provider must:

- Implement information technology controls to block all traffic inbound from, and outbound to public networks that have not been expressly permitted by policy (i.e., “deny by default”)
- Manage and restrict ports, protocols and services to only those that are required and approved for business operations
- Formally recertify and authorize firewall rules upon each significant change in infrastructure and otherwise at least annually

(v) Mobile computing

The Seller/Service provider must have written mobile device/computing management requirements reflecting current and best practices, specifying parameters, including:

- Approved and prohibited applications
- Mechanisms to de-identify (e.g., mask or truncate) sensitive and/or confidential data
- Identity and access to management requirements
- Software updates

(vi) Wireless networks

The Seller/Service provider must control, secure and monitor wireless access points. In addition, a Seller/Service provider that offers wireless networks for network users must:

- Implement and keep up to date a strong Wireless Local Area Network (WLAN) Authentication method that meets or exceeds the current industry standard (e.g., those set forth by NIST or FFIEC) Encryption strength and technology
- Prohibit use of outdated wireless technologies such as Wired Equivalent Privacy (WEP) algorithm



- Regularly perform reviews of approved wireless networks to validate and verify authorized users and access points
- Password protect and control administrative access to the router

(vii) Vulnerability Management

The Seller/Service Provider must conduct vulnerability testing on a regular basis and have a process in place to analyze and remediate identified vulnerabilities. To accomplish this, the Seller/Service Provider must:

- Employ a qualified and independent third party to conduct penetration testing on system or system components at least annually
- Have written vulnerability assessment requirements that are periodically reviewed and up-to-date
- Prioritize and remediate identified vulnerabilities
- Maintain a record of all identified vulnerabilities and their status and a plan for remediation

(viii) Configuration and patch management

The Seller/Service Provider must:

- Implement and maintain written patch management requirements that are periodically reviewed to stay current with standard industry practices (e.g., those set forth by NIST or FFIEC)
- Develop and execute a process for developing and maintaining secure configuration baselines (also known as hardening guides, baseline secure configurations) of infrastructure components
- Deploy intrusion detection and/or prevention systems (IDS and IPS) patch management with generated events fed into centralized systems for analysis
- Define, implement and maintain preventive controls designed to block malicious messages and attachments from entering the environment
- Designate qualified personnel responsible for performing timely software updates and patches and maintain a process for testing and installing software updates as they become available

(ix) Auditing, logging and monitoring

The Seller/Service Provider must:

- Develop, implement and maintain written guidelines and requirements for the logging and monitoring of activities and action within information systems. This must include



the integration with the company's enterprise log management function where applicable.

- Develop, implement and maintain written log retention and handling requirements so that logs retain relevant, useable and timely information sufficient to identify significant user access and/or system activities

The Seller/Service Provider should ensure an independent security assessment of the control environment is performed not less than annually and upon the occurrence of any data security incident or privacy incident.

(x) Software and application development life cycle (SDLC)

If the Seller/Service Provider develops applications or software that either store, access, process or transmit Freddie Mac information, the Seller/Service Provider must develop, implement and maintain written SDLC requirements that include, at minimum:

- Management and separation of production and development environments that reflects contemporary best practices
- Secure coding requirements
- Open-source requirements
- Code development and security scanning pre- and post-deployment

(xi) Treatment of sensitive data and Data Encryption

(i) Treatment of sensitive data

The Seller/Service Provider must limit the storage of potentially sensitive personal data, including, without limitation, any information covered by state or federal data privacy laws, to an as needed basis. The Seller/Service Provider must develop and execute a process for de-identifying sensitive personal data (e.g., masking or truncating the data) that is stored in a system. The data must be de-identified such that the remaining information does not identify an individual and there is no reasonable basis to believe that the information can be used to identify the individual.

(ii) Data Encryption

The Seller/Service Provider must:

- Provide for the protection, integrity and confidentiality of data in transit and at rest
- Use Encryption during transmission and at rest for any potentially sensitive personal data
- Deploy Encryption standards that meet or exceed the then current industry standard (e.g., those set forth by NIST or FFIEC) Encryption strength and technology



- Prohibit use of outdated and unsupported technologies
- Use Encryption mechanisms on portable end-user devices to protect data if the hardware (e.g., laptop, mobile device) is lost or stolen

(xii) Incident management

The Seller/Service provider must:

- Develop and maintain an incident response plan with a process that applies incident response capabilities and defines the resources and management support needed
- Periodically test the effectiveness of the incident response capabilities

(xiii) Secure transmission of data to Freddie Mac's systems

The Seller/Service provider must not transmit to Freddie Mac's systems, through an Application Programming Interface (API) or otherwise, any materials that contain bugs, viruses, worms or other functions, routines, devices or instructions that may create any unauthorized access or damage the protection, integrity and confidentiality of data in transit.

b. Access control (10/19/23)

(i) Access management policy

As part of its information security program, a Seller/Service provider must:

- Establish an access management policy that includes a process for granting and removing system access, requirements for Authentication and rules of behavior
- Define remote access requirements including acceptable use, approvals and recertification processes
- Develop and apply an account lock-out threshold that determines the number of failed login attempts that will cause an account to be locked out until it is reset and/or a number of specified minutes has passed in conjunction with an account lock-out duration setting-
- Define access and Authentication requirements for system administrators, including:
 - Enforce access control methods that limit access to systems, physical or virtual resources and grant access to users on a need to know basis. Access to potentially sensitive personal data must be limited to only those that must use it to perform their work.
 - Define and enforce requirements for multi-factor Authentication where applicable (privileged sessions, remote connectivity, applications housing personal data, etc.)



- Manage Seller/Service user accounts for Freddie Mac systems in accordance with the Guide and its applicable Purchase and Servicing Documents. Seller/Service users must monitor for users who transfer roles or are terminated and no longer need access to their accounts as required in Section 2.13.

(ii) Granting, removing and reviewing access

Seller/Service users must maintain written procedures for its systems for:

- Approval of access requests
- Removal of access upon employee/contractor terminations and transfers
- Analysis of account user access, inactivity and subsequent removal of access that is no longer needed for employees/contractors
- Periodic review of all user access privileges and certify access according to the principle of least privilege
- Prohibit or prevent using the same service account identifiers and passwords in both production and non-production environments

Seller/Service users must designate one or more individuals on its staff to serve as the system administrator(s) to manage access to Freddie Mac systems in accordance with the requirements of Section 2.13.

(iii) Authentication requirements and guidelines

Seller/Service users must require employees to authenticate or prove their identity to the system through a private, protected method or process which includes user identification codes, passwords, personal identification numbers, a smart card and/or a token device. If passwords are used, the authentication policy must mandate minimum guidelines for password complexity, reuse timelines and password changes must be conducted at least once every 90 days except for system-to-system credentials, which must be conducted at least once every 365 days.

(iv) Asset management

Seller/Service users must maintain an inventory management system to track physical and software assets, such as end-user technology, servers, network devices, and corresponding asset ownership. The inventory management system must be reconciled to actual inventory on a periodic basis to verify all assets are included.

Documented procedures must be in place detailing guidelines and requirements for tracking the removal of assets from a facility.

(v) Cloud computing



Where applicable, Seller/Service providers must have formal written cloud computing requirements that are reviewed periodically and kept up-to date with current practices.

(vi) Vendor risk management

As required in Section 2.27, Seller/Service providers must implement a vendor risk management program and have formal written requirements in place for vendor risk management.

c. Compliance with Freddie Mac Security Incident requirements (~~10/15/23~~10/19/23)

If the Seller/Service provider knows or reasonably believes or if, from the circumstances and available information a reasonable information security professional could conclude that, there has been any unauthorized access to, or acquisition of, data or computing resources to Freddie Mac systems, Seller/Service provider systems or the systems of vendors that may compromise the security, confidentiality, availability, integrity or privacy of Freddie Mac information (examples include a phishing email or malware attack, etc.) (“Security Incident”), at a minimum, the Seller/Service provider must follow the requirements in the table below:

Security Incident notification requirements	
The Seller/Service provider must...	
1.	Immediately, and in no event later than 24 hours after the Security Incident is discovered, notify Freddie Mac of the Security Incident via email at Information_Security@freddiemac.com and cc MF_Data_Security_and_Privacy@freddiemac.com:
1a.	Provide the name, phone number and email address of the contact leading the Security Incident investigation
1b.	Promptly investigate, correct and/or mitigate the Security Incident at the Seller/Service provider’s expense, including by identifying Freddie Mac information affected by the Security Incident and preventing the continuation and recurrence of the Security Incident
1c.	Comply in a timely manner with applicable laws concerning notification requirements, giving Freddie Mac the opportunity to first review and comment on any notification that in any way refers to or identifies Freddie Mac. Upon request, timely provide Freddie Mac and its designees all information and assistance needed to enable Freddie Mac to timely make any notification it deems necessary or advisable concerning the Security Incident.
1d.	Provide Freddie Mac with such information, including technical and forensic reports, as Freddie Mac may reasonably request to evaluate the effect of the Security Incident on Freddie Mac and Freddie Mac’s data and operations and impacted Borrowers, Borrower Principals and/or other individuals affected by a certain Security Incident. If the Service provider determines not to send notices to any Borrowers, Borrower Principals and/or other individuals affected by a certain Security Incident, the Service provider must provide written notice to Freddie Mac including a rationale and



Security Incident notification requirements	
The Seller/Servicer must...	
	<p>explanation for not sending notice to all affected parties as soon as practicable after the Security Incident. Notwithstanding the Servicer’s determination not to provide such notices, Freddie Mac may direct the Servicer to provide notices to the affected Borrowers, Borrower Principals and/or other individuals affected by the Security Incident, at the Servicer’s expense.</p>
1e.	<p>Provide Freddie Mac via email at Information_Security@freddiemac.com and cc MF_Data_Security_and_Privacy@freddiemac.com with all details of the Security Incident known at that time and related internal and external investigations, including:</p> <ul style="list-style-type: none"> • Technical indicators of compromise (email addresses, hash values, IP addresses, malware code, vector of compromise, etc.) • All tactics, techniques, and procedures of the incident • Other details surrounding the attack methodology and timing of the compromise • Point of contact information for the Seller/Servicer and any law enforcement agencies involved for further inquiries
2.	<p>Once known, email Freddie Mac at Information_Security@freddiemac.com and cc MF_Data_Security_and_Privacy@freddiemac.com with details:</p> <ul style="list-style-type: none"> • Indicating whether or not Freddie Mac data was accessed, taken or exposed • Characterizing the nature of information accessed, taken or exposed • Of the likelihood of misuse and, if applicable, how any data was misused • Of any anticipated potential damage estimates (including reputational) • Concerning what actions are being taken to remediate the Security Incident and its cause and to protect individuals and business assets in the future; and • Any resulting after-action reports generated
3.	<p>Provide to Freddie Mac updates with details of the Security Incident, including:</p> <ul style="list-style-type: none"> • Copies of any communications to Borrowers, state and federal agencies, regulators, credit reporting agencies or others • Interim status updates Freddie Mac may request, including details on progress made since the last update until Freddie Mac is satisfied the incident giving rise to the Security Incident is fully resolved and closed • Final incident closure report with details such as remediation actions or workarounds or correction that fixed the incident and restored service to its best quality, eradication and recovery steps taken and lessons learned from the incident

2.27 Vendor risk management (10/19/23)

Seller/Servicers must implement a vendor risk management program to formally evaluate, track and measure third-party risk; to assess its impact on aspects of the organization's business; and to develop compensating controls or other forms of mitigation to safeguard and protect Freddie Mac's information, data such as sensitive personal data from unauthorized persons, malicious software or other harmful computer information, commands, codes or programs.

Seller/Servicers must have formal written vendor risk management requirements that are reviewed periodically and kept up-to date with current practices. Seller/Servicers must provide information about the use of a vendor to Freddie Mac upon request.

Summary report: Litera Compare for Word 11.0.0.61 Document comparison done on 2/20/2024 8:48:15 AM	
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Intelligent Table Comparison: Active	
Original filename: 02 - General FM Policies GB-12-14-23.docx	
Modified filename: 02 - General FM Policies GB-02-22-24.docx	
Changes:	
Add	32
Delete	21
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	53

Multifamily Seller/Servicer Guide

Chapter 5

Seller/Servicer Representations and Warranties



5.1 Applicability (09/28/18)

5.2 ~~General Seller/Servicer representations and warranties (04/15/21)~~ General Seller/Servicer representations and warranties (02/22/24)

- a. ~~Rent schedule (09/28/18)~~ Rent schedule or rent roll (02/22/24)
- b. Property (09/28/18)
- c. Loan Documents (09/28/18)
- d. Insurance (09/28/18)
- e. No Payment Delinquency (09/28/18)
- f. Freddie Mac Loan Documents (04/15/21)
- g. Persons prohibited from doing business with Freddie Mac (09/28/18)
- h. No waiver (09/28/18)
- i. Summaries of documents (09/28/18)

5.3 Purchase-only Seller/Servicer representations and warranties (09/28/18)

- a. Sale documents (09/28/18)
- b. Disbursement of proceeds (09/28/18)
- c. Warehoused Mortgages (09/28/18)
- d. Origination fees (09/28/18)
- e. Participation Interest (09/28/18)
- f. Compliance with program or product requirements (09/28/18)

5.4 Representations and warranties with respect to third-party documents (09/28/18)

- a. Third-party documents (09/28/18)
- b. Representations and warranties regarding third-party reports (09/28/18)

5.5 Fraud or material misrepresentation; material issues (09/28/18)

- a. Fraud or misrepresentation by Seller (09/28/18)
- b. Fraud or misrepresentation by Borrower or others (09/28/18)
- c. Material adverse effect on Mortgage or Property (09/28/18)
- d. Disclosure of material issues (09/28/18)
- e. Investment quality (09/28/18)
- f. Information provided by Borrower (09/28/18)
- g. No default (09/28/18)

5.6 Data submission; Electronic Signatures (09/28/18)

- a. Data submission (09/28/18)
- b. Electronic Signatures (09/28/18)

5.7 Compliance with Laws (09/28/18)

- a. Laws, regulations, codes and orders (09/28/18)
- b. Compliance with licensing, business and other related laws (09/28/18)

5.8 Cooperatives (09/28/18)



5.9 On-going Warranties (09/28/18)

- a. Net worth (09/28/18)
- b. Insurance (09/28/18)
- c. Exclusionary List (09/28/18)
- d. Suspended Counterparty Program (09/28/18)
- e. Private Transfer Fee Covenants (09/28/18)

5.10 Servicing facilities and duties (09/28/18)

- a. Authorization to service (09/28/18)
- b. Facilities and staff (09/28/18)
- c. Accuracy and completeness of data submissions (09/28/18)

5.11 Enforcement of Loan Documents (09/28/18)

5.12 Pay-off Quotes (09/28/18)

5.13 Additional Product Warranties (09/28/18)

5.14 Survival of representations and warranties; remedies (09/28/18)

5.15 Reliance on the Seller/Service (09/28/18)

5.16 Reliance on Legal Counsel (09/28/18)

5.17 Multifamily Negotiated Transactions Program warranties (09/28/18)

- a. Accuracy of information (09/28/18)
- b. Environmental events or conditions (09/28/18)
- c. Financial status (09/28/18)
- d. Accuracy of disclosure (09/28/18)
- e. Loan Documents (09/28/18)
- f. Affordable housing (09/28/18)



5.1 Applicability (09/28/18)

The representations and warranties are made by Seller/Servicer in its role as Seller and/or Servicer, as applicable.

Unless otherwise specifically set forth in a specific representation and warranty, the Seller/Servicer representations and warranties contained in this Chapter 5 are deemed to have been made as of the following dates:

- The Freddie Mac Funding Date for any Mortgage purchased by Freddie Mac on or after January 1, 1994
- The Transfer of Servicing Date for any Mortgage for which the Servicer acquired the Servicing on or after November 15, 1994
- The effective date of any Transfer of Ownership or substitution of collateral approved by Freddie Mac, (including any such transfer for a Delegated TAH Mortgage purchased by Freddie Mac), excluding any representation or warranty designated as “Purchase Only”

Unless a representation is made “to the knowledge of Seller/Servicer” or “to Seller/Servicer’s knowledge,” the Seller/Servicer’s representations and warranties are unconditional and absolute.

The phrase “to the knowledge of Seller/Servicer” or “to Seller/Servicer’s knowledge” will mean anything of which the Seller/Servicer is or should have been aware (1) after conducting such inquiry and due diligence as would customarily be required by reasonable commercial practices and/or (2) if it had exercised the degree of due diligence required by Section 2.15.

5.2 General Seller/Servicer representations and warranties (04/15/21/02/22/24)

a. Rent schedule (09/28/18) or rent roll (02/22/24)

1. Any rent schedule or rent roll delivered to Freddie Mac does each of the following:
 - (A) Accurately states the number of units, beds, and/or pad sites, as applicable.
 - (B) Within a tolerance range of 7.5 percent, accurately discloses the gross potential rents and the actual leased unit rents for the Property.
2. To Seller/Servicer’s knowledge, the rent schedule or rent roll does not contain any material errors.

b. Property (09/28/18)

- The improvements lie within the boundaries of the Property
- The improvements are not damaged by fire, wind, water or other casualty (except as the Seller/Servicer has disclosed in writing to Freddie Mac)
- Except as the Seller/Servicer has disclosed in writing to Freddie Mac, no part of the Property has been taken as part of a condemnation or other similar proceeding, and to Seller/Servicer’s knowledge there is not any proceeding pending for the partial or total condemnation of the Property



- The Property is not encumbered by a Private Transfer Fee Covenant that was created on or after February 8, 2011

c. Loan Documents (09/28/18)

1. The Loan Documents are validly authorized and executed.
2. The transaction structure, the Loan Documents and the documents required to be delivered to Freddie Mac comply with the Purchase and Servicing Documents.
3. The terms and conditions of the Mortgage, as reflected in the Loan Documents, have not been amended, modified or supplemented by any other agreement or understanding between the Borrower or any Borrower Principal and the Seller/Servicer except as approved and/or required in writing by Freddie Mac.
4. Each document required to be delivered to Freddie Mac meets the following requirements, as applicable:
 - It is a complete and accurate copy of the document if the document is required by the Purchase and Servicing Documents to be delivered in electronic form
 - It is a complete and accurate original of the document if the document is required by the Purchase and Servicing Documents to be delivered in hardcopy form
5. The Seller/Servicer has retained a complete copy of each document required to be delivered to Freddie Mac in either electronic or hardcopy form.

NOTE: Freddie Mac does not require Seller/Servicers to retain an original of any document required to be delivered electronically to Freddie Mac. Each Seller/Servicer should consult its counsel and document retention policies with respect to retention of such original documents.

d. Insurance (09/28/18)

All insurance required by the Purchase and Servicing Documents and the Loan Documents is in full force and effect for the Property. In any instance where the Loan Documents and the Guide conflict, the Loan Documents will control.

e. No Payment Delinquency (09/28/18)

All payments due under the terms of the Mortgage have been made.

f. Freddie Mac Loan Documents (04/15/21)

1. The Seller/Servicer or its legal counsel (as applicable) has used a form and version of each Loan Document that appears in the Currently Acceptable Multifamily Loan Documents list or, for SBL Mortgages, in the Currently Acceptable Multifamily Loan Documents – SBL list both available at mf.freddie.com/lenders/legal, during the period between (A) the date of the Letter of Commitment was issued, the date the early rate-lock application was submitted to Freddie Mac or the date a Servicing request for a



Transfer of Ownership or substitution of collateral was submitted to Freddie Mac, and (B) the Origination Date or date of the Transfer of Ownership or substitution of collateral, as applicable, unless otherwise expressly permitted by the Purchase and Servicing Documents or as expressly approved in writing by Freddie Mac.

2. The text of each Loan Document used to document the Mortgage, Transfer of Ownership or substitution of collateral, as applicable, is identical to the form of that Loan Document made available at mf.freddiemac.com/lenders/legal, except for those changes expressly required or permitted by the Purchase and Servicing Documents or as expressly approved in writing by Freddie Mac.
3. The Seller has used the form of each additional Loan Document, or other document as applicable, attached to the Letter of Commitment or early rate lock application and has not made any changes to the text of the additional Loan Document, or other document as applicable, except those changes expressly required by or permitted in writing by Freddie Mac.
4. Neither the Seller/Servicer nor its legal counsel has made any modifications to any Loan Document other than those changes expressly required or permitted by the Purchase and Servicing Documents or as expressly approved in writing by Freddie Mac, including the choice of appropriate options within the Loan Document.
5. The Seller/Servicer or its legal counsel, as applicable, has made each change to the Loan Documents that is required by the Purchase and Servicing Documents or by Freddie Mac in writing, including the choice of appropriate options within the Loan Document.
6. If any Loan Document has been executed pursuant to a power of attorney (as approved by Freddie Mac, if required), the Seller/Servicer has attached one of the following, as applicable:
 - An original of the power of attorney to a document that will not be recorded
 - An original or a certified copy of the power of attorney to the certified copy of a recorded document

g. Persons prohibited from doing business with Freddie Mac (09/28/18)

For purposes of the representations and warranties set forth below, in connection with a Transfer of Ownership, “Borrower” and “Borrower Principal” include the proposed new Borrower and any proposed new Borrower Principal, as applicable, and “Property management company” includes the proposed new Property management company.

- Office of Foreign Assets Control Specially Designated Nationals

Prior to delivering to Freddie Mac the full underwriting package or the Servicing review package for a Transfer of Ownership request, as applicable, the Seller/Servicer has complied with the requirements of Section 2.23, regarding the OFAC Designated Nationals and Blocked Persons List or the OFAC Consolidated Sanctions List.



- Exclusionary List

For each Mortgage or Servicing Transfer of Ownership request, as applicable, the Seller/Servicer has complied with Section 2.18 regarding the Freddie Mac Exclusionary List.

- FHFA SCP List

Prior to delivering to Freddie Mac the full underwriting package or the Servicing review package for a Transfer of Ownership, as applicable, the Seller/Servicer has complied with the requirements of Section 2.24 regarding the FHFA SCP List.

h. No waiver (09/28/18)

The Seller/Servicer has not waived or released the Borrower from any obligation under the Note or any other Loan Document or waived or released any guarantor from any obligation under any Guaranty.

i. Summaries of documents (09/28/18)

Each summary of a legal document provided to Freddie Mac by the Seller/Servicer or its legal counsel fairly and accurately summarizes all material aspects of the document and otherwise meets the standards set forth in Section 6.7.

5.3 Purchase-only Seller/Servicer representations and warranties (09/28/18)

a. Sale documents (09/28/18)

1. The Seller/Servicer is the legal and beneficial owner of the Note and assignee of all applicable Loan Documents, free and clear of any liens, defenses, security interests, rights of offset, or other charges.
2. The Seller/Servicer has duly executed and delivered the Letter of Commitment or early rate-lock application, the Assignment of Security Instrument, the endorsement of the Note to Freddie Mac, the assignments of the Financing Statements, the assignment of the Loan Agreement and all other Loan Documents, the assignment of any Guaranty and all other documents purporting to assign the Mortgage or related documents to Freddie Mac ("Sale Documents") and such documents are effective to transfer to Freddie Mac all of the Seller/Servicer's right, title and interest in the Mortgage.
3. The Assignment of the Security Instrument and the assignment(s) of the Financing Statement(s) have been properly filed or recorded in each office necessary to establish Freddie Mac as the holder of (i) the Mortgage, and (ii) a perfected security interest in the personal property and fixtures described in the Financing Statements.
4. Each individual who executed the Sale Documents on behalf of the Seller/Servicer has the legal power, right, and actual authority to bind the Seller/Servicer to the terms and conditions of the Sale Documents.
5. For each Seniors Housing Mortgage, the Seller/Servicer has duly executed and delivered the assignment of the Collateral Assignment of Management Agreement, the assignment of any servicing contracts and the assignment(s) of Licenses, Certificates and Permits



and such documents are sufficient to transfer to Freddie Mac all the Seller/Servicer's right, title and interest and to vest in Freddie Mac the right to exercise all rights and remedies under each document.

6. For each Mortgage purchased by Freddie Mac, the Seller/Servicer warrants that Freddie Mac may, at any time and without limitation, require the Seller/Servicer, at the Seller/Servicer's expense, to make such endorsements to and assignments (including recordation) of any of the Loan Documents to perfect and evidence the interests of Freddie Mac and/or its successors and assigns.

b. Disbursement of proceeds (09/28/18)

The settlement sheet/disbursement statement is correct in all material respects, and all loan proceeds have been disbursed to or for the benefit of the Borrower.

c. Warehoused Mortgages (09/28/18)

1. With respect to any Mortgage that is pledged to a warehouse lender, the pledged Mortgage is free and clear of any security interests, claims and encumbrances of any third party, including the warehouse lender.
2. The wire transfer or Mortgage Participation Certificate (PC) delivery instructions delivered to Freddie Mac are in accordance with the Seller/Servicer's agreement with the warehouse lender.

d. Origination fees (09/28/18)

1. The Seller/Servicer has charged a fee for the origination of the Mortgage in an amount that satisfies the requirements for a Minimum Origination Fee set forth in Section 17.1(f) or 18SBL.1(f), as applicable.

This representation and warranty does not apply to any Mortgage purchased by Freddie Mac under the Multifamily Negotiated Transactions Program or for which Freddie Mac has provided credit enhancement under the Multifamily Negotiated Transactions Program.

2. The proceeds of the Mortgage have not been used to finance loan origination fees or comparable fees to the Seller/Servicer in excess of the amount permitted by the Purchase and Servicing Documents for the applicable purchase program or product.

e. Participation Interest (09/28/18)

If Freddie Mac is purchasing a participation interest in a Mortgage, the Seller/Servicer represents and warrants that the Mortgage is not subject to any other participation interest.

The Seller/Servicer will not sell, assign, convey, hypothecate, pledge or in any other way transfer, conditionally or otherwise, its interest in any Mortgage in which Freddie Mac has purchased a participation interest, except as expressly permitted in the Purchase and Servicing Documents.



f. Compliance with program or product

requirements (09/28/18)

The Mortgage meets all requirements of the applicable Freddie Mac purchase program or product as set forth in the Guide (as amended by the Purchase and Servicing Documents, as applicable), except as otherwise approved in writing by Freddie Mac.

5.4 Representations and warranties with respect to third-party documents (09/28/18)

a. Third-party documents (09/28/18)

The representations and warranties in Section 5.4(b) apply to the following documents prepared by third parties and delivered to Freddie Mac:

1. Credit report
2. Appraisal and/or updated Appraisal
3. Property condition report (or the Form 1104, SBL Physical Risk Report, or the Form 1108, Physical Risk Report, if applicable)
4. Environmental report, updated environmental report, or a neighborhood hazardous waste activity report
5. Title report, title commitment and title policy
6. Survey
7. Flood zone determination
8. Wood-damaging insect report (e.g., reports on damage by termites, powderpost beetles, carpenter ants, etc.)
9. Zoning report (or zoning certification for an SBL Mortgage)
10. Seismic Risk Assessment (SRA), if applicable
11. Green Report, if applicable
12. Any other third-party reports required by the Seller/Servicer or the Purchase and Servicing Documents

b. Representations and warranties regarding third-party reports (09/28/18)

1. The Seller/Servicer has examined the third-party report.
2. The Seller/Servicer has determined that the preparer of the third-party report is appropriately qualified as required by the Guide, and has the insurance, if any, required by the Guide.
3. To Seller/Servicer's knowledge, the third-party report was prepared in the manner required by the Guide.



4. To Seller/Servicer's knowledge, the third-party report is complete and accurate.
5. Seller/Servicer has not failed to advise Freddie Mac in writing of any information, conclusion or recommendation contained in any third-party report that could have a material adverse effect on the value of the Mortgage or the Property.

5.5 Fraud or material misrepresentation; material issues (09/28/18)

Each of the following representations and warranties is made to Seller/Servicer's knowledge.

a. Fraud or misrepresentation by Seller (09/28/18)

None of the Seller/Servicer, its employees, or its Principals have done either of the following:

- Made any representation that any of them knew, should have known, or now knows is untrue or misleading
- Omitted to state any fact whose omission renders the information provided to Freddie Mac untrue or misleading

b. Fraud or misrepresentation by Borrower or others (09/28/18)

There has not been any act or omission by the Borrower or any other individual or entity that renders the information provided to Freddie Mac untrue or misleading. There is not any act or omission of which the Seller/Servicer in the exercise of reasonable diligence should have been aware.

c. Material adverse effect on Mortgage or Property (09/28/18)

None of the Seller/Servicer, its employees or any of its Principals have committed any negligent act or omission that does either of the following:

- Has a material adverse effect on the value of the Mortgage or the Property
- Materially changes the nature of the Mortgage from what the Seller/Servicer represented to Freddie Mac

d. Disclosure of material issues (09/28/18)

The Seller/Servicer has advised Freddie Mac in writing of any issue with any of the following matters:

1. The structure of the transaction
2. Documents or interests to which title to the Property is subject
3. The structure of the Borrower (if the Borrower is an entity)
4. The laws of the jurisdiction in which the Property is located



5. The laws of the jurisdiction under whose laws the Borrower is organized (if the Borrower is an entity)
6. Modifications of Loan Documents or use of other documents (including a power of attorney or modifications related to an amended and restated loan structure) that, unless addressed in the transaction structure or legal documents as recommended by the Seller/Servicer, may cause any of the following:
 - Material limitation of document enforceability
 - Material impediment to foreclosure
 - Title to the Property being subject to encumbrances or interests that would materially impede the sale of the Property or would materially reduce the sale price following foreclosure
 - Material increase in the risks that would result from the Borrower or a guarantor becoming the subject of a bankruptcy or insolvency proceeding

e. Investment quality (09/28/18)

The Seller/Servicer has disclosed to Freddie Mac in writing any matter known to the Seller/Servicer that would render the Mortgage not of investment quality (as defined in Section 10.7).

f. Information provided by Borrower (09/28/18)

The information provided by the Borrower is not false, incomplete or misleading.

g. No default (09/28/18)

No default has occurred and is continuing under the Note or any other Loan Document.

5.6 Data submission; Electronic Signatures (09/28/18)

a. Data submission (09/28/18)

If the Seller/Servicer transfers data and/or information via the Freddie Mac Software Applications or any other electronic format approved by Freddie Mac, the Seller/Servicer represents and warrants that, to the best of its knowledge, the following statements are true and correct:

- The transmission is complete and accurate
- The Seller/Servicer has used the most current version of the applicable software

b. Electronic Signatures (09/28/18)

With respect to any Records or Electronic Records submitted or transmitted to Freddie Mac, any party who transmitted or submitted Records or Electronic Records to Freddie Mac using the Seller/Servicer's Electronic Signature has been authorized to do so.



5.7 Compliance with Laws (09/28/18)

a. Laws, regulations, codes and orders (09/28/18)

The Seller/Servicer has complied with the following laws, regulations and orders, as each may be further amended from time to time:

1. Title VIII of the Civil Rights Act of 1968, as amended, 42 USC §§3601 et seq. (1996), (the "Fair Housing Act") and implementing regulations promulgated by the Department of Housing and Urban Development or any successor agency, 24 CFR Part 100 et seq. (1996).
2. Title VII of the Consumer Credit Protection Act, as amended, 15 USC §§1691 - 1691f (1996), (the "Equal Credit Opportunity Act") and implementing regulations promulgated by the Board of Governors of the Federal Reserve Board or any successor agency, 12 CFR Part 1002 (2011) ("Regulation B"), including notices of adverse action (which the Seller/Servicer must send on behalf of Freddie Mac) and all other requirements in connection with mortgages offered for sale to Freddie Mac.
3. Section 527 of the National Housing Act, as amended, 12 USC §1735f-5 (1996).
4. The Fair Credit Reporting Act (FCRA), 15 USC§1681 et seq. (1996), as amended in 2003, and implementing regulations issued under that Act, including notices of adverse action (which the Seller/Servicer must send on behalf of Freddie Mac) and all other requirements in connection with mortgages offered for sale to Freddie Mac.
5. The foreign assets control regulations, 31 C.F.R. Chapter V, as amended, and any authorizing legislation or executive order relating thereto, as administered by the Office of Foreign Assets Control (OFAC) within the United States Department of the Treasury (collectively "OFAC Regulations").
6. As applicable, the Bank Secrecy Act, 31 U.S.C. §5311 et seq., the Money Laundering Control Act, 18 U.S.C. §§1956 and 1957, and Title III of the USA PATRIOT Act, Public Law 107-56, and implementing regulations promulgated by the Financial Crimes Enforcement Network, 31 CFR Chapter X.
7. All other applicable federal, State and local laws, regulations, codes or orders that apply to the Seller/Servicer.

b. Compliance with licensing, business and other related laws (09/28/18)

The Seller/Servicer and, if applicable, the originator of the Mortgage have complied with all applicable laws relating to licensing, qualification to do business or approval to originate Mortgages.

5.8 Cooperatives (09/28/18)

If the Borrower is a cooperative housing corporation, the Seller/Servicer represents and warrants the following:



- The proprietary leases contain a stipulation that they are subordinate to any Mortgage granted by the cooperative
- There are no provisions in the cooperative's constituent documents restricting the rights of the blanket mortgage lender to enforce its security interest
- The sale of shares or membership certificates in the cooperative complies with applicable federal and State laws
- The cooperative is endowed with the power to act against a shareholder for nonpayment of maintenance charges

5.9 On-going Warranties (09/28/18)

a. Net worth (09/28/18)

The Seller/Service is currently in compliance and at all times will comply with the net worth requirements stated in Chapter 3.

b. Insurance (09/28/18)

The Seller/Service currently maintains and at all times will maintain fidelity insurance and mortgagee errors and omissions insurance in compliance with the requirements of Section 3.16.

c. Exclusionary List (09/28/18)

The Seller/Service currently maintains sufficient controls to comply with and will at all times comply with all requirements relating to the use and confidentiality of the Freddie Mac Exclusionary List set forth in Section 2.18 and Chapter 7.

d. Suspended Counterparty Program (09/28/18)

The Seller/Service currently maintains sufficient procedures and will at all times maintain sufficient procedures to ensure that it does not employ or contract with individuals or entities whose names appear on the FHFA SCP List for any purpose directly related to the origination, underwriting or Servicing of a Mortgage to be sold to or sold to and currently held by Freddie Mac in accordance with 2.24.

e. Private Transfer Fee Covenants (09/28/18)

The Seller/Service currently maintains sufficient controls to ensure and will at all times ensure that it does not inadvertently deliver a Mortgage on a Property encumbered by a Private Transfer Fee Covenant that was created on or after February 8, 2011.

5.10 Servicing facilities and duties (09/28/18)

a. Authorization to service (09/28/18)

The Seller/Service has complied with and will continue to comply with all applicable laws relating to licensing, qualification to do business and approval to service Mortgages. The Seller/Service further represents and warrants that compliance with the terms and



conditions of the Purchase and Servicing Documents will not conflict with, result in a breach of or default under, or be adversely affected by any of the following:

- Any term or condition of the Seller/Servicer's charter or bylaws
- Any agreement or instrument to which the Seller/Servicer is a party
- Any judgment, order or regulation to which the Seller/Servicer is subject

b. Facilities and staff (09/28/18)

The Seller/Servicer maintains and will continue to maintain adequate facilities and experienced staff and will take all actions necessary to ensure that the Mortgages and Real Estate Owned (REO) in which Freddie Mac has an interest are serviced in accordance with the Purchase and Servicing Documents, any applicable law, any applicable regulation or requirement and any instructions issued by Freddie Mac.

c. Accuracy and completeness of data submissions (09/28/18)

With respect to any report or remittance that the Guide requires the Seller/Servicer to prepare and submit to Freddie Mac, the Seller/Servicer warrants that the report or remittance will be prepared and submitted in accordance with the requirements of the Guide and will be complete and accurate.

5.11 Enforcement of Loan Documents (09/28/18)

The Seller/Servicer warrants that any action taken by it when enforcing the rights of the holder of the Mortgage or the Servicer under the Loan Documents will not violate the terms of any covenant in the Loan Documents. The Seller/Servicer also warrants that it will enforce these rights under the Loan Documents based on instructions or guidance provided by Freddie Mac.

5.12 Pay-off Quotes (09/28/18)

Each time the Servicer submits a pay-off quote, the Servicer represents and warrants that it has prepared and communicated to the Borrower or its agent accurate principal and interest amounts for the full prepayment or full payoff of a Mortgage. If Freddie Mac has delegated the responsibility for calculating prepayment premiums to the Servicer, the Servicer further represents and warrants that any prepayment premium which the Servicer has calculated is accurate.

5.13 Additional Product Warranties (09/28/18)

For each Mortgage sold to Freddie Mac under the Multifamily Conventional Cash Mortgage Purchase Program, the SBL Purchase Product or the Targeted Affordable Housing Cash Mortgage Purchase Program, in addition to the representations and warranties set forth in the Purchase and Servicing Documents, the Seller/Servicer is deemed to make the representations and warranties in the Seller/Servicer Representations and Warranties document or Seller/Servicer Representations and Warranties - SBL document, as applicable, that is available to Seller/Servicers at mf.freddiemac.com/lenders/legal/.



The Seller/Servicer Representations and Warranties and Seller/Servicer Representations and Warranties - SBL, as applicable, will be

- Subject to any Exception(s) that are listed in the Letter of Commitment or early rate lock application
- Made to Freddie Mac and its successors and assigns
- Made as of the Freddie Mac Funding Date, unless Freddie Mac has specified a different date

If the Seller/Servicer takes any Exception, the Seller/Servicer represents and warrants that it has obtained the written approval for the Exception from the applicable Freddie Mac *Multifamily Attorney* prior to originating the Mortgage.

5.14 Survival of representations and warranties; remedies (09/28/18)

The representations and warranties in the Purchase and Servicing Documents for any Mortgage purchased by Freddie Mac survive payment of the purchase price by Freddie Mac.

When any party has purchased a Mortgage from Freddie Mac that Freddie Mac previously purchased from a Seller/Servicer, if there is a breach of the Seller/Servicer's representations and warranties, Freddie Mac may exercise any rights or remedies at law or in equity on behalf of that party to the extent that party does not affirmatively do so. If there is a breach of the representations and warranties, Freddie Mac may also exercise its discretion to suspend or terminate a Seller/Servicer pursuant to the Guide, including Chapters 4, 47 and 48.

5.15 Reliance on the Seller/Servicer (09/28/18)

The representations and warranties, Freddie Mac's right to rely on them and the Seller/Servicer's liability for breach of any of them are not affected or limited by any review or investigation (including any pre-purchase review of the Property or documentation) or lack of review or investigation, made by or on behalf of Freddie Mac, whether prior to or after payment of the purchase price by Freddie Mac, except when Freddie Mac expressly waives in writing its rights of enforcement of such representations and warranties or waives Seller/Servicer's liability.

Unless Freddie Mac expressly approves in writing a change or modification to, or waiver of, any term or condition to the Purchase and Servicing Documents or the Guide, the mere delivery of documentation to Freddie Mac or inaction by Freddie Mac after receipt of documents will not be deemed to constitute approval for any change or modification to, or waiver of, any requirements of the Purchase and Servicing Documents or the Guide.

Seller/Servicer acknowledges that Freddie Mac and any transferees or assignees of Freddie Mac purchase Mortgages in reliance on the accuracy and truth of the Seller/Servicer's representations and warranties and on the Seller/Servicer's compliance with the agreements, requirements, terms and conditions set forth in the Purchase and Servicing Documents.

5.16 Reliance on Legal Counsel (09/28/18)

When the Guide requires the Seller/Servicer's legal counsel to analyze, summarize or provide documentation to Freddie Mac or to make certifications regarding its review of title, survey, legal descriptions or other documentation, then for the purposes of Seller/Servicer's representation and



warranties, the Seller/Servicer’s legal counsel will be deemed to be performing such work on behalf of the Seller/Servicer.

For origination, purchase and Servicing of SBL Mortgages or TELs, when the Guide requires or Freddie Mac requests Single Counsel to analyze, summarize or provide documentation to Freddie Mac or to make a certification regarding its review of title, survey, legal descriptions or other documentation, for the purposes of the Seller/Servicer’s representation and warranties, Single Counsel will be deemed to be performing such work on behalf of the Seller/Servicer and Freddie Mac. The Seller/Servicer and Freddie Mac will both rely on Single Counsel for any matters Single Counsel handles for the Seller/Servicer and Freddie Mac.

5.17 Multifamily Negotiated Transactions Program warranties (09/28/18)

In addition to all other representations and warranties set forth in the Purchase and Servicing Documents, with respect to each Mortgage sold to Freddie Mac under the terms of the Multifamily Negotiated Transactions Program, the Seller represents and warrants as follows:

a. Accuracy of information (09/28/18)

1. The purchase information and other information verified by the Seller/Servicer will be true and correct as of the date of verification and as of the related settlement date.
2. The ending principal balance shown on the Loan-Level Report that the Servicer transmits as of the close of the first monthly accounting reporting period following the settlement date is equal to the unpaid principal balance (UPB) of the related Mortgage as verified.
3. As of the settlement date, the market value of the Property is at least equal to the appraised value as of the date of the origination of the related Mortgage.

b. Environmental events or conditions (09/28/18)

As of the settlement date, to Seller’s knowledge, the Seller has no knowledge of, nor any reason to believe that, with respect to the Property any of the following is true:

- There is or has been any storage, disposal or discharge of hazardous materials or substances on or affecting the Property.
- Any events have occurred or conditions exist that constitute material violations of applicable local, State or federal environmental or public health laws.
- Any environmental or public health litigation or administrative action by any private party or public authority is pending or threatened with respect to the Property.

c. Financial status (09/28/18)

As of the date of the supplement to the PC offering circular, if applicable, to the best of Seller’s knowledge, the Seller has no reason to believe that either of the following is true:

- Any specific Mortgage may reasonably be expected to be prepaid for any reason.



- Any Borrower of any Mortgage has in the past or is presently experiencing financial difficulty that may reasonably be expected to result in a Delinquency under any Mortgage.

d. Accuracy of disclosure (09/28/18)

As of the date of the supplement to the PC offering circular, if applicable, to the best of Seller's knowledge, the Seller does not know of any facts that are material to an investor's decision whether to purchase the PCs representing interests in the Mortgages that will not be disclosed in the supplement to the PC offering circular.

e. Loan Documents (09/28/18)

For all Mortgages submitted on documents other than the Loan Documents, the terms of the Note and Security Instrument

1. Grant assignments of rents and other revenues and inspection rights substantially equivalent to those contained in the Loan Documents.
2. Grant default and foreclosure rights that are substantially equivalent to those contained in the Loan Documents.
3. Contain a special waiver of homestead, dower or similar marital rights and of redemption rights after foreclosure in those jurisdictions where such waivers are necessary to protect the lender's interest.
4. Contain no provision for a grace period following a partial prepayment.
5. Comply in full with all requirements of the Guide other than the requirements relating to Loan Documents.
6. Allow for Servicing in full compliance with the Guide.

f. Affordable housing (09/28/18)

On a case-by-case basis, Freddie Mac may require the Seller to make an additional representation and warranty as follows:

The Seller represents and warrants that the Seller has in effect an affordable housing lending program. Under that program, the Seller will use that portion of the proceeds of the sale of the Mortgages applicable to affordable housing units to fund the origination of new Mortgages or refinancing of existing Mortgages secured by properties containing affordable housing units. Affordable housing units are units in the Property that meet the special affordable housing goal set forth in 12 USC Section 4563 and implementing regulations.



Summary report:	
Litera Compare for Word 11.0.0.61 Document comparison done on 2/20/2024 9:25:35 AM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 05 - General SS Warranties GB-04-15-21.docx	
Modified filename: 05 - General SS Warranties GB-02-22-24.docx	
Changes:	
Add	11
Delete	6
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	17

Multifamily Seller/Service Guide

Chapter 9

Borrower/Borrower Principal Fundamentals



9.1 Introduction (09/08/04)

9.2 ~~Borrower requirements (04/13/23)~~ [Borrower requirements \(02/22/24\)](#)

- a. ~~General Borrower requirements (04/14/22)~~ [General Borrower requirements \(02/22/24\)](#)
- b. Single Purpose Entity (SPE) requirements; newly-formed vs. recycled entities (05/01/14)
- c. SPE Equity Owners (05/01/14)
- d. Reserved (10/14/16)
- e. Borrower requirements specific to a Single Member Limited Liability company (06/25/20)
- f. Borrower requirements specific to non-profit Borrowers and Borrower Principals (04/13/23)
- g. Borrower requirements specific to Crowdfunding (04/13/23)

9.3 ~~Persons or entities unacceptable as Borrowers, Borrower Principals, SPE Equity Owners, Master Tenants, Operators, guarantors and Non-U.S. Equity Holders (04/13/23)~~ [Persons or entities unacceptable as Borrowers, Borrower Principals, SPE Equity Owners, Master Tenants, Operators, Guarantors and Non-U.S. Equity Holders \(04/13/23\)](#)

- a. Unacceptable persons or entities (04/13/23)
- b. ~~Potentially unacceptable persons or entities (09/28/18)~~ [Potentially unacceptable persons or entities \(04/13/23\)](#)

9.4 Land trusts (03/03/14)

9.5 Cooperatives (09/28/18)

9.6 Trusts (06/15/23)

- a. Revocable and irrevocable trusts (06/15/23)
- b. Trust underwriting requirements (06/15/23)
- c. Trust legal requirements (06/30/15)

9.7 ~~Review of Borrower, SPE Equity Owner and guarantor organizational documents (06/30/15)~~ [Review of Borrower, SPE Equity Owner and Guarantor organizational documents \(06/30/15\)](#)

9.8 Adverse circumstances—Borrower (09/08/04)

9.9 Preferred equity (02/16/23)

- a. Equity contributions requiring Freddie Mac consent (04/14/22)
- b. Definitions (02/16/23)
- c. Characteristics constituting Preferred Equity (02/16/23)
- d. Unacceptable attributes of Preferred Equity (04/14/22)
- e. Preferred Equity guaranty (04/14/22)
- f. Required analysis; compliance (02/16/23)
- g. Underwriting Preferred Equity (02/16/23)

9.10 Investment fund (12/14/17)

- a. Investment fund requirements (12/14/17)
- b. Investment fund legal requirements (12/14/17)



9.11 ~~Foreign Guarantor (09/26/19)~~ [Foreign Guarantor \(02/22/24\)](#)

9.12 Tenancy-in-common (TIC) (04/15/21)

- a. Conditions applicable to TIC owners (06/30/15)
- b. Tenant in common agreement (09/25/15)
- c. Additional requirements pertaining to TIC Agreements (04/15/21)



9.1 Introduction (09/08/04)

This chapter details Freddie Mac's requirements for the Borrower. These Borrower 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.

9.2 Borrower requirements (04/13/2302/22/24)

a. General Borrower requirements (04/14/2202/22/24)

1. The following types of Borrower are generally acceptable:
 - Limited partnership
 - Corporation
 - Limited liability company
 - Limited liability limited partnership
 - Tenancy-in-Common (TIC), provided that the TIC meets the requirements of Section 9.12
2. The following types of Borrower may be acceptable in limited circumstances and may be subject to additional requirements:
 - General partnership
 - Limited liability partnership
 - Revocable or irrevocable trust, including a Delaware Statutory Trust
 - Real estate investment trust (REIT)
 - Illinois, Indiana, Florida or Virginia land trust, provided that the Borrower meets the requirements of Section 9.4, or
 - Unincorporated business trust such as a Massachusetts business trust.
3. The Borrower must be an entity formed in the United States. ~~Each Borrower Principal of a Borrower must be a United States citizen or United States entity. However, an entity formed in a foreign country or a foreign citizen may hold a direct or indirect interest in a United States chartered Borrower Principal.~~
4. If an Equity Conflict of Interest as defined in Section 2.25 exists, then the Seller must disclose the nature and extent of the Equity Conflict of Interest in writing to Freddie Mac when the Seller delivers to Freddie Mac the preliminary underwriting package for a Seller



utilizing the early ~~rate-lock~~[rate lock](#) delivery option, or the full underwriting package for a Seller utilizing the standard delivery option. The Seller must notify Freddie Mac in writing immediately if an Equity Conflict of Interest arises following delivery of the underwriting package to Freddie Mac.

b. Single Purpose Entity (SPE) requirements; newly-formed vs. recycled entities (05/01/14)

Each Borrower and each SPE Equity Owner (if applicable) must be a Single Purpose Entity (SPE). If the Borrower is a TIC, each tenant must be an SPE.

However, for each Mortgage with an initial principal balance of less than \$5 million, at the request of the Borrower (except for TICs), Freddie Mac will not require the Borrower to be an SPE.

Each SPE Borrower and each SPE Equity Owner (if applicable) must be newly formed; provided, however, that if a Mortgage has an initial principal balance of \$100,000,000 or less, Freddie Mac may accept a recycled SPE if all recycled SPE requirements set forth in the Letter of Commitment or early ~~rate-lock~~[rate lock](#) application are met.

The Property must be the Borrower's sole asset and the operation of the Property must be the Borrower's sole business. Additional SPE limitations for the Borrower and SPE Equity Owner are set forth in the Loan Documents available at mf.freddie.com/lenders/legal.

c. SPE Equity Owners (05/01/14)

For each Mortgage with an initial principal balance of \$25 million or greater, or each Mortgage that is part of a cross-collateralized and cross-defaulted pool of Mortgages that are, when aggregated, \$25 million or greater, each Borrower must have an SPE Equity Owner unless the Borrower is a single member limited liability company formed in Delaware or is a corporation.

d. Reserved (10/14/16)

e. Borrower requirements specific to a Single Member Limited Liability company (06/25/20)

Except as noted below, each Borrower and each SPE Equity Owner, if applicable, that is a limited liability company with a single member must be formed in Delaware and must have one or more "springing members" in the event the single member ceases to be a member of the Borrower or SPE Equity Owner, as applicable. Additional "springing member" requirements are set forth in the Loan Documents.

Whenever the Guide refers to a "single member" limited liability company, the term "single member" refers to a Borrower or SPE Equity Owner's organizational structure in which the Borrower or SPE Equity Owner has a sole equity member (i.e., the "single member"). A Borrower or SPE Equity Owner that has a sole equity member but has other members or managers that each have a zero percent interest in the Borrower or SPE Equity Owner is also a "single member" limited liability company and must be formed in Delaware.

A Borrower that is a limited liability company (LLC) with a single member will not be required to satisfy the above requirements if the Mortgage has an initial principal balance of \$20



million or less, unless 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 at least \$25 million in the aggregate.

f. Borrower requirements specific to non-profit Borrowers and Key Borrower Principals (04/13/23)

This Section 9.2(f) does not apply to partnerships in States in which a non-profit general partner is in place solely to satisfy the eligibility requirement for receiving a tax abatement or other benefits, where there is also a qualified Key Borrower Principal in addition to the non-profit general partner.

1. General Borrower and Key Borrower Principal requirements

In transactions where the ownership structure of the Borrower and/or Key Borrower Principal contains multiple non-profit entities performing differing functions, the Seller/Servicer must evaluate each entity on its capacity to perform its particular function, for example, acquisition, development, ownership, asset management, property management or social service provider. The non-profit Borrower and/or Key Borrower Principal being evaluated may not be equally strong with respect to all criteria. Therefore, only the criteria for the areas in which the non-profit entity has direct responsibility or authority need to be applied during the evaluation process.

The Seller/Servicer must apply a higher standard when the non-profit developer is involved in a large-scale development with complicated structures than in a small-scale development with simple structures.

The non-profit Borrower and/or Key Borrower Principal must have reasonable liquidity (nonrestricted cash balances or restricted cash balances related to the Property), working capital reserves appropriate for the proposed transaction and no material unmitigated contingent liabilities.

When the Seller/Servicer is assessing a non-profit Borrower or Key Borrower Principal for whom the Seller/Servicer originated a Mortgage or assumption within the most recent three years, the Seller/Servicer needs only to update its initial evaluation. Freddie Mac will determine if a non-profit Borrower or Key Borrower Principal meets its requirements.

2. Specific non-profit Borrower and Key Borrower Principal requirements

The following requirements apply when a non-profit entity is the Borrower or the Key Borrower Principal:

- The non-profit Borrower/Key Borrower Principal must have a minimum of three years' experience
 - In the same capacity that it will have for the proposed transaction, and
 - Acquiring, developing or owning a minimum of three properties.
- The Borrower/Key Borrower Principal must own and manage other properties in the market where the Property is located.



- The executive director and key staff of the Borrower/Key Borrower Principal must have adequate experience to successfully fulfill their respective roles and responsibilities.
- The non-profit Borrower/Key Borrower Principal must not have any unresolved internal control or compliance findings.
- The non-profit Borrower/Key Borrower Principal must have no unresolved issues of integrity or conflict of interest.

When the non-profit Key Borrower Principal demonstrates a significant weakness in one or more of the evaluation criteria, Freddie Mac may require the funding of one or more of the following Reserves to mitigate the risk:

- A debt service Reserve in the minimum amount of six months of debt service payments that is funded by the Origination Date, a portion of which may be deferred
- A lease-up Reserve that is funded by the Origination Date
- An operating Reserve that will remain in place until specified rental achievement
- A funded Replacement Reserve that is subject to re-evaluation at 10-year intervals or shorter periods at Freddie Mac's discretion

g. Borrower requirements specific to Crowdfunding (04/13/23)

1. No direct or indirect interest in Borrower that constitutes a Controlling interest may consist of investments raised via Crowdfunding.
2. No direct or indirect interest in Borrower which may assume Control of Borrower under any terms of either Borrower's organizational documents, or the organizational documents of any entity in Borrower's ownership structure, regardless of whether the change in Control is the subject of a preapproved transfer right, may consist of investments raised via Crowdfunding.
3. The preliminary legal issues memorandum (PLIM) described in Section 6.4 must include analysis of any Crowdfunding in the ownership structures of the Borrower or Key Borrower Principals.

9.3 Persons or entities unacceptable as Borrowers, Borrower Principals, SPE Equity Owners, Master Tenants, Operators, ~~guarantors~~ Guarantors and Non-U.S. Equity Holders (04/13/23)

a. Unacceptable persons or entities (04/13/23)

Freddie Mac will not purchase any Mortgage or allow any Transfer of Ownership under Chapter 41, or approve any other Servicing-related transaction if it determines that any of the following is true with regard to a Borrower, Borrower Principal, SPE Equity Owner, ~~guarantor~~ Guarantor or Non-U.S. Equity Holder or any person or entity that is proposed as a potential Borrower, Borrower Principal, SPE Equity Owner, ~~guarantor~~ Guarantor or Non-U.S.



Equity Holder:

1. Is a confirmed match to a name on any of the following lists:
 - OFAC Specially Designated Nationals and Blocked Persons List
 - OFAC Consolidated Sanctions List
 - FHFA Suspended Counterparty List (subject to any conditions or exclusions set forth in the final suspension order)
 - Freddie Mac Exclusionary List
2. Has a civil or criminal Conviction for the commission of terrorism, terrorism financing, or money laundering
3. Has a civil or criminal Conviction in connection with a financial crime such as embezzlement, fraud, misappropriation of funds
4. Is named as an accused or defendant in any pending or current criminal or civil proceeding relating to any of the crimes set forth in subsection 2 and 3 above
5. Is insolvent or the subject of a pending bankruptcy or similar proceeding
6. Is an adverse party to Freddie Mac in any pending or current litigation

b. Potentially unacceptable persons or entities (04/13/23)

Freddie Mac, in its sole discretion, may refuse to enter into a Letter of Commitment to purchase a Mortgage or allow any Transfer of Ownership under Chapter 41, or approve any other Servicing-related transaction if a Web Search indicates any of the following with regard to a Borrower, Borrower Principal, SPE Equity Owner, Guarantor or Non-U.S. Equity Holder or any person or entity that is proposed as a potential Borrower, Borrower Principal, SPE Equity Owner, Guarantor or Non-U.S. Equity Holder or any person or entity that Controls any Borrower, Borrower Principal, Guarantor or Non-U.S. Equity Holder:

1. Adverse information regarding Financial Crime
2. Negative credit events
3. Adverse actions that may pose a reputational risk for Freddie Mac including prior suits by tenants for improperly maintaining facilities with regard to insects or rodent pest control or other negative news events

9.4 Land trusts (03/03/14)

Under limited circumstances, Freddie Mac will consider purchasing Mortgages secured by multifamily properties owned by land trusts and located in Illinois, Indiana, Florida and Virginia. Mortgages secured by properties owned by land trusts and located in other States that do not provide for statutory land trusts are not eligible for purchase.



Land trust Mortgages must meet all Freddie Mac multifamily Mortgage eligibility requirements in addition to meeting the specific requirements of this section and Section 32.4.

A land trust that owns Property securing a Mortgage to be purchased by Freddie Mac must be a "sole asset" land trust; that is, the Property must be the only asset of the land trust.

9.5 Cooperatives (09/28/18)

Freddie Mac purchases Mortgages secured by multifamily Properties owned by Cooperatives (Co-ops). Co-op Mortgages must comply with the multifamily Mortgage eligibility requirements in addition to meeting the warranties detailed in Section 5.8.

9.6 Trusts (06/15/23)

a. Revocable and irrevocable trusts (06/15/23)

- A revocable or irrevocable trust may be an eligible Guarantor.
- If a revocable trust is a Guarantor, the settlor is a co-Guarantor with the trust.
- A revocable or irrevocable trust or a Massachusetts business trust may be a Borrower only in Freddie Mac's discretion following review of the information described below. A Massachusetts business trust will not be eligible to be a Borrower with respect to a Mortgage that will be securitized in a REMIC trust.
- A trust may not be an SPE Equity Owner.

b. Trust underwriting requirements (06/15/23)

In addition to its ordinary underwriting procedures, the Seller must take the following steps when reviewing an application for a Mortgage to a trust Borrower or for a Mortgage with a trust Guarantor. The Seller must examine the trust agreement to determine that

- The Seller has received a complete copy of the trust agreement including all amendments.
- If the trust is a revocable trust (also known as a living or inter vivos trust), the settlor (also known as the grantor) is the trustee or one of the co-trustees or there is an institutional trustee.
- If the trust is a revocable trust, the settlor is still alive and is a co-obligor or co-guarantor with the trust.

c. Trust legal requirements (06/30/15)

1. Legal analysis

The Seller/Service's legal counsel must examine the trust agreement to determine that the trust meets all of the following conditions in addition to meeting the general conditions set forth in Section 9.7, where applicable. This analysis is not required for a trust that is a



Borrower Principal but is not a ~~guarantor~~[Guarantor](#) unless specifically requested by Freddie Mac.

- a. If the trust is the Borrower, there are no statutory or contractual restrictions on the activities of the trust or the trustee that would impair the Borrower's ability to hold and manage the Property.
- b. If the trust is the Borrower, there is no unusual risk of impairment of Lender's rights (for example, the trust agreement should only permit distributions to be made from net income remaining after payment of amounts due under the Mortgage).
- c. The beneficiary does not need to grant written consent for the trust to borrow money or to guarantee the debt of another entity (as applicable); or, if the beneficiary must grant such consent, the beneficiary has granted the consent in writing for purposes of the Mortgage.
- d. If the trust is the ~~guarantor~~[Guarantor](#), the trustee is authorized to guarantee the debts of another entity.
- e. If the trust is the ~~guarantor~~[Guarantor](#), there are no statutory or contractual restrictions on the activities of the trust or the trustee that would impair the ~~guarantor's~~[Guarantor's](#) ability to guarantee the Mortgage.
- f. A lender can enforce its security interest in the trust property in the event of a default.
- g. The title insurer will provide full title protection to Freddie Mac, without exception for the trust structure.
- h. For a Massachusetts business trust, third parties may rely on a recorded certificate of the trustee certifying that he or she was authorized and directed by the beneficiary to execute and deliver deeds, mortgages, promissory notes, and all other documents required to be executed in connection with the Mortgage.
- i. If the trust is the Borrower, the form of identification of the Borrower in the deed conveying the Property to the trustee or trust is the same as that in each Loan Document and the title policy is the same as the form in which the Borrower holds title to the Property.

2. Additional requirements

If the trust fails to fully satisfy any of the above requirements and the trust 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 requirements(s) will not be satisfied and the counsel's recommendation as to whether and why Freddie Mac should accept the trust agreement without it being fully compliant with this Section 9.6. The legal analysis memorandum must be in compliance with the preliminary legal issues memorandum (PLIM) requirements described in Section 6.4. If the trust agreement fully satisfies all of the above requirements, the Seller/Servicer's legal counsel must confirm in a PLIM that all such requirements have been satisfied.



9.7 Review of Borrower, SPE Equity Owner and ~~guarantor~~Guarantor organizational documents (06/30/15)

The Seller/Service's legal counsel must review the organizational documents for any entity (including a trust, investment fund or REIT) that is a Borrower, SPE Equity Owner, or ~~guarantor~~Guarantor to ensure that the following conditions are met:

1. The entity is validly formed under the laws of the State in which it was organized.
2. The entity (except the ~~guarantor~~Guarantor, unless required by Freddie Mac) is qualified to do business in the State in which the Property is located.
3. The entity has the required organizational power to execute, deliver and perform its obligations under the Loan Documents or the Guaranty (as applicable).
4. The individual executing the Loan Documents or the Guaranty (as applicable) on behalf of the entity has been properly authorized by the entity to take such actions on its behalf.
5. The entity complies with any Freddie Mac conditions set forth in the Guide, the Letter of Commitment or the early ~~rate-lock~~rate lock application concerning the identity of Borrower Principals.
6. There is no risk of impairment of Freddie Mac's rights resulting from the structure or operation of the entity that would be unacceptable to a prudent institutional lender originating a mortgage loan secured by a comparable property in the same locale as the Property.
7. The entity does not expire during the term of the Mortgage.
8. The organizational documents of a Borrower that is required to be an SPE contain SPE covenants which require the Borrower to meet the requirements set forth in Section 6.13 of the Loan Agreement. The SPE covenants in the organizational documents are not required to be identical to those contained in the Loan Agreement but must be substantially similar.
9. The organizational documents of each SPE Equity Owner that is required to be an SPE contain SPE covenants that meet the requirements set forth in Section 6.13 of the Loan Agreement. The SPE covenants in the organizational documents are not required to be identical to those contained in the Loan Agreement but must be substantially similar.
10. If applicable, if the Borrower or SPE Equity Owner is a single member limited liability company, the provisions of Section 9.2(e) are met.
11. If required by Freddie Mac, the Borrower or SPE Equity Owner has one Independent Director/Manager as set forth in Section 9.2(d).

The Seller/Service's legal counsel will continue to be responsible for review of such documents, notwithstanding any submission of such documents to Freddie Mac. If the organizational documents do not meet the requirements set forth above, the Seller/Service's legal counsel must describe the differences and the counsel's recommendations in a PLIM. The legal analysis memorandum must be in compliance with the PLIM requirements described in Section 6.4. If the organizational documents fully satisfy all of the above requirements, the Seller/Service's legal counsel must confirm in a PLIM that all such requirements have been satisfied.



9.8 Adverse circumstances—Borrower (09/08/04)

There must be no circumstances or conditions of which the Seller is aware involving the credit standing of the Borrower that adversely affect the value or marketability of the Mortgage.

9.9 Preferred equity (02/16/23)

a. Equity contributions requiring Freddie Mac consent (04/14/22)

All Preferred Equity is subject to Freddie Mac's prior approval.

b. Definitions (02/16/23)

1. Common Equity

A form of investment in an entity provided by an equity investor, where the equity investor:

- Has an equal right to receive distributions, payments or returns (i.e., no such investor or class of investors receives any preferential payments or returns as compared to other equity investors) (sometimes referred to as “pari-passu” equity), or
- Is entitled to receive preferred distributions, payments or returns only out of net cash flow from the Property (i.e., cash flow, if any, available after payment of all operating expenses for the Property, lender's debt service, and any escrows and reserves required by the lender) before any other investor receives any distributions, payments or returns (sometimes referred to as “soft pay” preferred equity)

If Common Equity has any characteristics constituting Preferred Equity or any unacceptable attributes of Preferred Equity as noted in Sections 9 c. and d. below, it will be considered to be a Preferred Equity investment for the purpose of the Guide. Additionally, if any other investment by the Common Equity investor, or an affiliate of the Common Equity investor, is determined to be Preferred Equity, then the Common Equity investment will be considered to be a Preferred Equity investment for the purpose of the Guide.

2. Preferred Equity

Any investment in an entity provided by an equity investor where the equity investor is entitled to receive periodic distributions, payments or returns (e.g., monthly, quarterly, annually, or other set period), that have priority over distributions, payments or returns to any other equity owner, whether or not there is sufficient net cash flow from the Property (sometimes referred to as “hard pay” preferred equity) (“Preferred Equity Return”).

c. Characteristics constituting Preferred Equity (02/16/23)

Any of the following characteristics constitute Preferred Equity:

- The equity contribution and/or any accrued Preferred Equity Return must be paid on a set date, or the property is subject to a predetermined date of sale or other disposition (“Redemption Date”)



- Equity investor has rights or remedies if not paid the Preferred Equity Return or all or any part of its equity contribution; provided, however, the right to force a sale of the property is not in and of itself a characteristic constituting Preferred Equity
- Equity investor has rights or remedies other than a forced sale if the Property fails to achieve any particular debt coverage ratio (DCR), loan-to-value ratio or other economic performance measure, while the Property is performing under the Mortgage
- Common Equity investments in the Borrower’s organizational structure made by the Preferred Equity investor, or its affiliate(s)

d. Unacceptable attributes of Preferred Equity (04/14/22)

The following are unacceptable attributes of Preferred Equity:

1. Any of the obligations related to the Preferred Equity are secured by any form of collateral
2. A Redemption Date that is prior to the maturity date of the Mortgage
3. A cash sweep at the Property level
4. The assignment of any cash reserves at the Property level other than reserves established solely from the proceeds of the equity contribution
5. An intercreditor agreement, subordination agreement, recognition agreement, or any other agreement with the Property lender to limit or delay lender’s rights or remedies
6. An equity investment that also directly or indirectly capitalizes an entity affiliated with the Borrower which owns another property (“Affiliated Property”) unless (a) Freddie Mac also intends to purchase a mortgage secured by the Affiliated Property and (b) the Mortgage and the mortgage on the Affiliated Property will be cross-collateralized or cross-defaulted.
7. The right for the Preferred Equity investor or its assignee(s) to remove or replace the person or entity with direct or indirect control of the Borrower (“Preferred Equity Control Takeover”) based on the actions or inactions of any Person in any entity other than the Borrower or an entity in the Borrower’s ownership structure
8. The right for the Preferred Equity investor or its assignee(s) to exercise any rights or remedies based on the economic performance of a property other than the Property
9. The right for the Preferred Equity investor or its assignee(s) to make protective advances that increase the size of the Preferred Equity investment for any reason other than to pay debt service, taxes, or insurance
10. The right for the Preferred Equity investor or its assignee(s) to acquire the equity interests of (i) the person or entity with direct or indirect control of the Borrower, or (ii) any other equity owner, without purchasing those interests for fair market value



11. Documentation of additional terms and requirements of the Preferred Equity investment other than in the organizational documents (i.e., there may not be any side letters)
12. The Preferred Equity investment is subject to draws, phased or deferred funding. Any Preferred Equity investment must be fully contributed on or prior to the Origination Date.
13. The right to exercise a Preferred Equity Control Takeover based on the Property's failure to achieve specific, quantifiable occupancy, NOI, debt service or other economic performance measures while the Property is performing under the Mortgage
14. Permits any payment to an equity investor before payment of operating expenses of the Property and all sums due to the lender under the Loan Documents
15. Includes any other attribute that Freddie Mac determines circumvents Freddie Mac's intent with respect to an acceptable Preferred Equity investment

e. Preferred Equity guaranty (04/14/22)

Any guaranty provided in connection with Preferred Equity must:

1. Not include a guaranty of repayment of the Preferred Equity from any person or entity that is also providing a Guaranty in connection with the Mortgage ("Mortgage Guaranty")
2. Be expressly subordinate in all respects to the Loan Documents
3. Not include any guaranteed obligations other than:
 - Obligations that are substantially similar to the guaranteed obligations under the Mortgage Guaranty, and
 - The obligation to guaranty loss or damage caused by the trigger events set forth in the document "Preferred Equity Guaranty Acceptable Trigger Events" [located on mf.freddiemac.com](http://mf.freddiemac.com)

f. Required analysis; compliance (02/16/23)

1. Prior to issuance of the Quote, the Seller/Servicer must advise Freddie Mac of any Preferred Equity, and provide the following information to the extent known:
 - Name of the Preferred Equity investor
 - Summary of the financial terms of the Preferred Equity and any Common Equity investment to be made by the Preferred Equity investor or its affiliate
 - a. Amount
 - b. Initial rate of the Preferred Equity Return (and if the rate changes, any deferred rate of the Preferred Equity Return)
 - Anticipated schedule for the funding of the Preferred Equity



- Proposed Redemption Date
 - Any other material relating to the Preferred Equity
2. Seller/Service's counsel must deliver the Equity Analysis no later than the delivery of the full underwriting package.
 3. Seller/Service must require the Borrower to complete the Borrower's Preferred Equity Financial Terms Summary and deliver it to Freddie Mac no later than the delivery of the full underwriting package
 4. Seller/Service's counsel must confirm that the operating agreement, joint venture agreement or similar agreement governing the Preferred Equity investment contains a prohibition against modifying any of the terms of the Preferred Equity, including the terms relating to the Preferred Equity Return, the Redemption Date or the amount of the Preferred Equity (except to decrease the amount of the Preferred Equity or the Preferred Equity Return) during the term of the Mortgage without the lender's consent

g. Underwriting Preferred Equity (02/16/23)

1. The following underwriting requirements will apply to a Mortgage with Preferred Equity, and will be based upon Freddie Mac's final determination of NOI and value:
 - The amount of all Mortgages secured by the Property plus the Preferred Equity must not exceed 90 percent of value of the Property on the Origination Date. For purposes of this calculation, the Preferred Equity will include any Common Equity investment deemed to be a Preferred Equity investment pursuant to Section 9.9 (b) above.
 - For fixed-rate Mortgages, including supplemental loans, the NOI divided by the sum of each Mortgage's amortizing debt service payment and the amount of the Preferred Equity Return must be at least 1.05x.
 - For Floating-Rate Mortgages, including supplemental loans, the NOI divided by the sum of each Mortgage's amortizing debt service payment based on the comparable fixed rate and the amount of the Preferred Equity Return must be at least 1.05x.
2. If the Preferred Equity investment provides that the Preferred Equity Return changes during the term of the Mortgage, Freddie Mac will use the weighted average of the total Preferred Equity Returns to calculate the DCR
3. If Freddie Mac permits a Preferred Equity investment that would otherwise not be permitted pursuant to Section 9.9(d)(12) above, then for purposes of underwriting the proposed Mortgage with Preferred Equity, Freddie Mac will deem any Preferred Equity not fully contributed until after the Origination Date to be fully funded on the Origination Date



9.10 Investment fund (12/14/17)

a. Investment fund requirements (12/14/17)

In addition to its ordinary underwriting procedures, the Seller/Servicer must provide any information requested by Freddie Mac when it reviews an application for a Mortgage with an investment fund ~~guarantor~~[Guarantor](#).

b. Investment fund legal requirements (12/14/17)

If any ~~guarantor~~[Guarantor](#) is an investment fund, the Seller/Servicer's counsel must review the organizational documents for the investment fund to ensure that, in addition to meeting the general conditions set forth in Section 9.7, where applicable, the following conditions are met:

1. The investment fund's termination date does not occur prior to the maturity date of the Mortgage.
2. The investment fund's organizational documents contain a customary provision regarding the orderly dissolution of the fund upon the occurrence of the investment fund's termination date.

Additionally, if specifically requested by Freddie Mac, this analysis of whether the conditions set forth in (1) and (2) above have been met may be required for an investment fund that is a non-guarantor Borrower Principal.

The Seller/Servicer's legal counsel will continue to be responsible for review of such organizational documents, notwithstanding any submission of such documents to Freddie Mac.

The Seller/Servicer's legal counsel must confirm in a preliminary legal analysis memorandum (PLIM) described in Section 6.4 that the organizational documents for the investment fund fully satisfy the above requirements. If the investment fund's organizational documents do not meet the above requirements, the PLIM must include a description of the differences and recommendations as to why Freddie Mac should approve the investment fund as a ~~guarantor~~[Guarantor](#) or non-guarantor Borrower Principal, if required, without its organizational documents being fully compliant with this Section. Additionally, if the investment fund's termination date occurs prior to the maturity date of the Mortgage, the PLIM must include an explanation of any renewal options available to extend the fund and how such renewal options are exercised.

9.11 Foreign Guarantor (09/26/1902/22/24)

A Foreign Guarantor is one of the following:

- [Not a United States entity](#)
- ~~A~~[Not a](#) United States citizen ~~who does not reside in~~ [or lawful permanent resident of](#) the United States
- ~~Not a~~[A](#) United States citizen [or lawful permanent resident of the United States who does not reside in the United States](#)

Guide Bulletin Update 06/15/2302/22/24 Chapter 9 – Page 15



- ~~Not a United States entity~~

If Freddie Mac approves a Foreign Guarantor, Freddie Mac will require the Foreign Guarantor to appoint an agent in the United States acceptable to Freddie Mac for service of process on behalf of the Foreign Guarantor. The Borrower ownership structure must at all times comply with the requirements of Section 9.2.

If there is no additional financially compliant United States ~~guarantor~~ Guarantor, the Foreign Guarantor will be required to:

- Maintain a minimum liquidity in one or more U.S. bank account(s) of five percent of the original principal balance of the Mortgage, or such other amount as Freddie Mac may require. If there is more than one Foreign Guarantor, the minimum five percent liquidity requirement may be held in the aggregate by the Foreign Guarantors. The bank(s) holding the account(s) must be acceptable to Freddie Mac.
- For any Mortgage greater than \$40 million, provide an additional non-consolidation opinion acceptable to Freddie Mac, written in English, from the Foreign Guarantor's country of citizenship and/or residency.
- For any Mortgage greater than \$50 million, deliver an opinion of counsel, written in English, covering (i) the validity and enforceability of the form of appointment of the process agent under the laws of the Foreign Guarantor's country of citizenship and/or residency, even if there were to be a change, whether voluntary or involuntary, in the Foreign Guarantor's permanent residence status in the United States, and (ii) the procedure for the collection and enforcement of any U.S. judgment obtained against the Foreign Guarantor in the Foreign Guarantor's country of citizenship and/or residency. The opinion must be acceptable to Freddie Mac and must be given by a firm that is familiar with the applicable laws of the country and which is otherwise acceptable to Freddie Mac.

9.12 Tenancy-in-common (TIC) (04/15/21)

A TIC may be an eligible Borrower if it meets all of the following conditions.

a. Conditions applicable to TIC owners (06/30/15)

- There may not be more than 10 TIC owners.
- Each TIC owner must be a Single Purpose Entity (SPE) regardless of the size of the loan.

b. Tenant in common agreement (09/25/15)

The tenant in common agreement ("TIC Agreement") must include the following (all references to Freddie Mac may be to any mortgage lender in general; all references to the Mortgage may be to any loan in general; all references to Freddie Mac Loan Documents may be to loan documents in general):

1. General



- Name, address, telephone number and percentage of ownership interests of each TIC owner
- Requirement that no termination, modification or waiver of the TIC Agreement may be made without Freddie Mac's prior written consent
- Provision that names Freddie Mac as a third-party beneficiary of the TIC Agreement
- Provision that allows Freddie Mac to enforce the provisions of the TIC Agreement against any party to the TIC Agreement
- Specific provision for transfer of ownership interests, particularly in the event of death of an individual, or divorce of a couple owning a common interest

2. Management

- The name of the entity that is responsible for the management of the Property ("Manager")
- The authority of the Manager for both actions and expenditures

The Manager must have actual or effective authority for managing the day-to-day operation of the Property and leasing the Property and must control the operating budget, operating account(s), and other accounts with respect to the Property. The Manager must at all times be a "Qualifying Manager" as set forth below. The TIC owners and the Manager (unless the Manager is a third-party manager) must agree to stand still with respect to the enforcement of any of their rights and remedies under the management agreement and must not take any enforcement action with respect to the management agreement so long as the Mortgage is outstanding.

A "Qualifying Manager" is a property manager acceptable to Lender which meets all of the following requirements:

- Is a reputable management company having at least five years' experience in the management of multifamily properties and in the metropolitan area or other appropriate geographic area in which the Property is located
- Has, for at least five years prior to its engagement as property manager, managed at least five multifamily properties
- At the time of its engagement as property manager, has units of the same property type as the Property equal to the lesser of (A) 10,000 units and (B) five times the number of units the Property has
- Is not the subject of a bankruptcy or similar insolvency proceeding
- Decisions for which consent from the TIC owners is required
- If the TIC owners' consent is required, the percentage required and how that consent can be given (For example, does consent need to be in writing?)



- An irrevocable power-of-attorney from the TIC owners for the Manager to deal with Freddie Mac on matters relating to the operation and maintenance of the Property

3. Limitations on TIC owners

The TIC Agreement must provide that at all times while the Mortgage is outstanding, each TIC owner will agree to the following:

- Not to seek to partition the Property
- Not to allow its interest in the Property to become subject to any liens from any third parties and if a lien is filed by a third party to promptly discharge such lien
- To the extent applicable, to waive its rights to residency in the Property
- To promptly notify all other TIC owners and Freddie Mac of any change in address or telephone numbers
- To waive any and all lien rights it holds against any other TIC owners, including any capital calls, for a failure of such TIC owner to perform its obligations as a tenant in common, either under the TIC Agreement or at law
- To subordinate any and all rights and remedies, including rights of indemnity or otherwise, under the TIC Agreement or at law, to the lien of the Mortgage and all other terms and provisions of the Loan Documents
- To stand still with respect to the enforcement of any of their rights and remedies, under the TIC Agreement or at law, and take no enforcement action with respect to such rights and remedies

4. Requirements related to the Mortgage

The TIC Agreement must include all of the following;

- Provision that all payments under the Mortgage have priority over distributions to the TIC owners and that all distributions to TIC owners will in all ways be subordinate and subject to the terms and conditions of the Mortgage
- Requirement that each TIC owner will promptly respond to requests for information from other TIC owners and Freddie Mac
- Requirement that each TIC owner will promptly make themselves available for execution of documents required by Freddie Mac
- Agreement that any rights of first refusal with respect to or options to purchase the Property will be subordinate to the lien of the Mortgage
- Provision that the TIC Agreement is subject to all requirements and restrictions set forth in the Freddie Mac Loan Documents, noting particularly that any provisions for transfer of ownership interests are subject to, and may be limited by, the provisions of the Loan Documents



c. Additional requirements pertaining to TIC Agreements (04/15/21)

If the TIC Agreement fails to fully satisfy any of the requirements outlined in Sections 9.12(a) and (b) above, and the TIC 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 TIC Agreement without it being fully compliant with this Section 9.12. If the TIC Agreement fully satisfies all of the requirements above, the Seller/Servicer's legal counsel must confirm in a PLIM that all such requirements have been satisfied.

Summary report: Litera Compare for Word 11.0.0.61 Document comparison done on 2/20/2024 9:27:00 AM	
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Intelligent Table Comparison: Active	
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Modified filename: 09 - Borrower Fundamentals GB-02-22-24.docx	
Changes:	
Add	35
Delete	36
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	71

Multifamily Seller/Service Guide

Chapter 9SBL

SBL Borrower/Borrower Principal Fundamentals



9SBL.1 Introduction (06/30/16)

9SBL.2 ~~Borrower and Borrower Principal requirements (08/17/23)~~ [Borrower and Borrower Principal requirements \(02/22/24\)](#)

- a. General Borrower requirements (06/16/22)
- b. Borrower Single Asset Entity (SAE) and Restricted Multiple Asset Entity (Restricted MAE) requirements (06/16/22)
- c. ~~Borrower Principal (including Guarantor) requirements (08/17/23)~~ [Borrower Principal \(including Guarantor\) requirements \(02/22/24\)](#)
- d. Guarantor requirements (04/13/23)
- e. ~~Foreign Borrower Principal (including Foreign Guarantor) (04/30/19)~~ [Foreign Borrower Principal \(including Foreign Guarantor\) \(02/22/24\)](#)
- f. Reserved (09/26/19)
- g. Borrower requirements specific to Crowdfunding (02/28/20)

9SBL.3 ~~Persons or entities unacceptable as Borrowers, Borrower Principals and guarantors (04/13/23)~~ [Persons or entities unacceptable as Borrowers, Borrower Principals and Guarantors \(04/13/23\)](#)

- a. Unacceptable persons or entities (04/13/23)
- b. Potentially unacceptable persons or entities (04/13/23)

9SBL.4 Reserved (06/30/16)

9SBL.5 Reserved (06/30/16)

9SBL.6 Trusts (06/15/23)

- a. Trust underwriting requirements (06/15/23)
- b. Trust legal requirements (06/29/17)

9SBL.7 Review of Borrower and Borrower Principal organizational documents (10/12/17)

9SBL.8 Adverse circumstances—Borrower (06/30/16)

9SBL.9 Reserved (06/30/16)

9SBL.10 Reserved (03/03/17)

9SBL.11 Reserved (06/30/16)

9SBL.12 Tenancy-in-common (TIC) (06/30/16)

9SBL.13 Borrower/Borrower Principal public record searches (10/14/16)

9SBL.14 Very Small Markets - Borrower/Key Borrower Principal due diligence and geographic proximity (04/13/23)



9SBL.1 Introduction (06/30/16)

This chapter details Freddie Mac's Borrower and Borrower Principal requirements for an SBL Mortgage. These requirements may also apply to Special Servicing Requests when appropriate.

9SBL.2 Borrower and Borrower Principal requirements (~~08/17/23~~02/22/24)

a. General Borrower requirements (06/16/22)

1. The following types of Borrower are generally acceptable:
 - Limited partnership
 - Limited liability partnership
 - Limited liability company
 - Real estate investment trust (REIT)
 - Irrevocable trusts meeting the requirements of Section 9SBL.6
 - Tenancy-in-Common (TIC) meeting the requirements of Section 9SBL.12, provided the TIC has five or fewer members
2. The following types of Borrower are not permitted:
 - Individual
 - Land trusts or business trusts (including Delaware Statutory Trusts)
 - Pension or retirement funds or accounts
 - Not-for-profit corporations
3. The following types of Borrower may be approved by Freddie Mac in its discretion:
 - Revocable trust meeting the requirements of Section 9SBL.6
 - General partnership
 - For-profit corporation
 - Restricted Multiple Asset Entity meeting the requirements of Section 9SBL.2(b)(3)
4. Borrower must be organized in the United States.



5. If an Equity Conflict of Interest as defined in Section 2.25 exists, then the Seller must disclose the nature and extent of the conflict in writing to Freddie Mac when the Seller delivers the full underwriting package. The Seller must notify Freddie Mac in writing immediately if an Equity Conflict of Interest arises following delivery of the underwriting package to Freddie Mac.
6. Borrower must not be involved in any active bankruptcy, foreclosure, deed in lieu of foreclosure, or other liquidation proceeding.

b. Borrower Single Asset Entity (SAE) and Restricted Multiple Asset Entity (Restricted MAE) requirements (06/16/22)

1. Unless either of the following scenarios apply, Borrower must be a Single Asset Entity (SAE), the full requirements for which are set out in the Loan Documents:
 - (i) Borrower is a revocable trust approved by Freddie Mac
 - (ii) Borrower is a Restricted Multiple Asset Entity (Restricted MAE) approved by Freddie Mac that satisfies the conditions specified in Section 9SBL.2(b)(3)
2. If Borrower is an SAE, the Property must be Borrower's sole asset and the operation of the Property must be the Borrower's sole business. Generally, a Borrower that is organized as a Single Purpose Entity (SPE) also satisfies the SAE requirements.
3. If a Restricted MAE Borrower is approved by Freddie Mac, in addition to the requirements set out in the Loan Documents, all the following additional conditions apply:
 - (i) The Property and any additional real property disclosed in writing to Seller prior to Origination (Additional Permitted Property) must be Borrower's only assets.
 - (ii) The operation of the Property and the Additional Permitted Property must be the Borrower's sole business.
 - (iii) Borrower may not acquire assets beyond the Property and the Additional Permitted Property after Origination.
 - (iv) Borrower may sell, finance, or refinance all or a portion of the Additional Permitted Property during the term of the Loan.

c. Borrower Principal (including Guarantor) requirements (08/17/23 02/22/24)

1. A Borrower Principal (including all Guarantors), must satisfy all of the following requirements:
 - Be an individual, or if approved by Freddie Mac, an entity formed in the United States
 - If an individual, must:
 - ~~• If an individual, must either be a~~ Either be a United States citizen or lawful permanent resident of the United States, and be residing in the United States, ~~a permanent legal resident of the United States, or an~~



- An individual meeting the Foreign Borrower Principal requirements in Section 9SBL.2(e)
 - If an individual is identified as the Key Borrower Principal with the primary responsibility for the daily operations of the Property, they must reside within 100 miles of the Property
2. In addition to the requirements set forth above, at the time of the “as of date” of a compliant Form 1116, Seller Application, or submission of the full underwriting package, at least one Key Borrower Principal with Control of Borrower must:
- Have had Control of and owned an equity interest in (including through an entity) at least three multifamily properties each with five or more units (which may include the Property), together with Control (including through an entity) of at least one of these multifamily properties for the preceding two years, without interruption, or
 - Have had Control of and owned an equity interest in (including through an entity) a multifamily property containing five or more units (which may include the Property) for at least the five preceding years, without interruption, or
 - Have had Control of and owned an equity interest in at least 10 residential units (including through an entity) consisting of 2- to 4-unit properties for a minimum of the preceding two years.

d. Guarantor requirements (04/13/23)

In addition to the Borrower Principal requirements in Section 9SBL.2(c), a Guarantor must satisfy all of the following requirements:

- At least one Guarantor must have Control of the Borrower (including through an entity)
- Demonstrate a minimum net worth that is equal to the SBL Mortgage amount
- Demonstrate liquidity equal to nine months of amortizing debt service before origination of the SBL Mortgage
- Must not be involved in any active bankruptcy, foreclosure, deed in lieu of foreclosure, or other liquidation proceeding, either directly or through any entities owned in whole or in part by the ~~guarantor~~ Guarantor
- If an individual, must have FICO® scores of 680 or better with at least two of the national credit bureaus (Equifax, TransUnion or Experian) or an average FICO score of 680 or better with all three national credit bureaus
- If an entity, must provide evidence of at least twice the minimum net worth and liquidity requirements

e. Foreign Borrower Principal (including Foreign Guarantor) (04/30/1902/22/24)

Freddie Mac may approve a Borrower Principal that is any of the following:



- Not a United States entity

- Not a United States citizen or lawful permanent resident of the United States

- A United States citizen or lawful permanent resident of the United States who does not reside in the United States:

- ~~Not a United States citizen.~~

- ~~Not a United States entity.~~

Freddie Mac may also approve such a Borrower Principal as a ~~guarantor~~ Guarantor (Foreign Guarantor) provided each of the following requirements apply:

- Foreign Guarantor must manage and/or own United States real estate assets other than the Property, and have a demonstrated understanding of United States real estate practices,
- Foreign Guarantor must appoint an unaffiliated agent in the United States acceptable to Freddie Mac for service of process on behalf of the ~~guarantor~~ Guarantor (for example, an attorney or a company whose business is to accept service of process for its customers), and
- If there is no financially compliant United States ~~guarantor~~ Guarantor, the Foreign Guarantor(s) must:
 - Provide evidence of at least 2x the minimum net worth and liquidity requirements.
 - Maintain a minimum liquidity in one or more U.S. bank accounts equal to five percent of the original principal balance of the SBL Mortgage, or such other amount as Freddie Mac may require; the bank(s) holding the account must be acceptable to Freddie Mac. This requirement may be satisfied in the aggregate by the Foreign Guarantor(s) exclusive of any U.S. Guarantor liquidity.
 - If there is ~~more than one~~ or more Foreign Guarantor(s) and no financially compliant U.S. Guarantor, the minimum Foreign Guarantor net worth and liquidity requirements ~~and the minimum five percent liquidity requirement~~ may be satisfied in the aggregate by the Foreign Guarantors ~~exclusive of~~ and any non-compliant U.S. ~~guarantor~~ liquidity Guarantors.

f. **Reserved (09/26/19)**

g. **Borrower requirements specific to Crowdfunding (02/28/20)**

No direct or indirect interest in Borrower may consist of investments raised via Crowdfunding.

9SBL.3 Persons or entities unacceptable as Borrowers, Borrower Principals and ~~guarantors~~ Guarantors (04/13/23)

a. **Unacceptable persons or entities (04/13/23)**



Freddie Mac will not purchase any Mortgage or allow any Transfer of Ownership under Chapter 41SBL, or approve any other Servicing-related transaction if it determines that any of the following is true with regard to a Borrower, Borrower Principal, or ~~guarantor~~Guarantor or any person or entity that is proposed as a potential Borrower, Borrower Principal or ~~guarantor~~Guarantor:

1. Is a confirmed match to a name on any of the following lists:
 - OFAC Specially Designated Nationals and Blocked Persons List
 - OFAC Consolidated Sanctions List
 - FHFA Suspended Counterparty List (subject to any conditions or exclusions set forth in the final suspension order)
 - Freddie Mac Exclusionary List
2. Has a civil or criminal Conviction for the commission of terrorism, terrorism financing, or money laundering
3. Has a civil or criminal Conviction in connection with a financial crime such as embezzlement, fraud, misappropriation of funds
4. Is named as an accused or defendant in any pending or current criminal or civil proceeding relating to any of the crimes set forth in subsection 2 and 3 above
5. Is insolvent or the subject of a pending bankruptcy or similar proceeding
6. Is an adverse party to Freddie Mac in any pending or current litigation

b. Potentially unacceptable persons or entities (04/13/23)

Freddie Mac, in its sole discretion, may refuse to enter into a Letter of Commitment to purchase a Mortgage or allow any Transfer of Ownership under Chapter 41SBL, or approve any other Servicing-related transaction if a Web Search indicates any of the following with regard to a Borrower, Borrower Principal, or Guarantor or any person or entity that is proposed as a potential Borrower, Borrower Principal, or Guarantor or any person or entity that Controls any Borrower, Borrower Principal, or Guarantor:

1. Adverse information regarding Financial Crime
2. Negative credit events
3. Adverse actions that may pose a reputational risk for Freddie Mac including prior suits by tenants for improperly maintaining facilities with regard to insects or rodent pest control or other negative news events

9SBL.4 Reserved (06/30/16)

9SBL.5 Reserved (06/30/16)



9SBL.6 Trusts (06/15/23)

a. Trust underwriting requirements (06/15/23)

In addition to its ordinary underwriting procedures, the Seller must take the following steps when reviewing an application for an SBL Mortgage to a trust Borrower or for an SBL Mortgage with a trust Guarantor. The Seller must examine the trust agreement to determine that it has received a complete copy of the trust agreement, including all amendments, and if the trust is a revocable trust (also known as a living or inter vivos trust), that each of the following requirements are satisfied:

- The settlor (also known as the grantor) is still alive.
- The settlor is the trustee or one of the co-trustees or there is an institutional trustee.
- If the trust is a Borrower, the settlor is a co-Borrower with the trust or a Guarantor.
- If the trust is a Guarantor, the settlor is a co-Guarantor with the trust.

b. Trust legal requirements (06/29/17)

1. Legal analysis

For all trust Borrowers and trust ~~guaranters~~ Guarantors, Single Counsel must examine the trust agreement to determine that the trust meets all of the following conditions in addition to meeting the general conditions set forth in Section 9SBL.7, where applicable.

- a. The beneficiary does not need to grant written consent for the trust to borrow money or to guarantee the debt of another entity (as applicable); or, if the beneficiary must grant such consent, the beneficiary has granted the consent in writing for purposes of the SBL Mortgage.
- b. If the trust is a Borrower, each of the following conditions must be satisfied:
 - There are no statutory or contractual restrictions on the activities of the trust or the trustee that would impair the Borrower's ability to hold and manage the Property.
 - There is no unusual risk of impairment of Lender's rights (for example, the trust agreement should only permit distributions to be made from net income remaining after payment of amounts due under the SBL Mortgage).
 - A lender can enforce its security interest in the trust property in the event of a default.
 - The title insurer will provide full title protection to Freddie Mac, without exception for the trust structure.
 - The form of identification of the Borrower in the deed conveying the Property to the trustee or trust is the same as that in each Loan Document and the title policy is the same as the form in which the Borrower holds title to the Property.



- c. If the trust is a ~~guarantor~~Guarantor, each of the following conditions must be satisfied:
- The trustee is authorized to guarantee the debts of another entity.
 - There are no statutory or contractual restrictions on the activities of the trust or the trustee that would impair the ~~guarantor's~~Guarantor's ability to guarantee the SBL Mortgage.

If the trust or the trust agreement does not meet the requirements set forth above, and the trust or the trust agreement will not be modified prior to the Origination Date of the SBL Mortgage to comply with all of the requirements, Single Counsel must provide Freddie Mac with a description of the differences and recommendations as to whether and why Freddie Mac should accept the trust or trust agreement without them being fully compliant with this Section 9SBL.6.

9SBL.7 Review of Borrower and Borrower Principal organizational documents (10/12/17)

Single Counsel must review the organizational documents for any entity (including a trust) that is a Borrower or Borrower Principal (including an entity ~~guarantor~~Guarantor) to ensure that the following conditions are met:

1. The entity is validly formed under the laws of the State in which it was organized.
2. For the Borrower and the general partner of a general partnership Borrower only, the entity is qualified to do business in the State in which the Property is located.
3. The entity does not expire, or in the case of an investment fund, have a termination date, during the term of the SBL Mortgage.
4. The entity has the required organizational power to execute, deliver and perform its obligations under the Loan Documents or the Guaranty (as applicable).
5. The individual executing the Loan Documents or the Guaranty (as applicable) on behalf of the entity has been properly authorized by the entity to take such actions on its behalf.
6. The entity complies with any additional Freddie Mac conditions set forth in the Guide or the Letter of Commitment.
7. There is no risk of impairment of Freddie Mac's rights resulting from the structure or operation of the entity that would be unacceptable to a prudent institutional lender originating a mortgage loan secured by a comparable property in the same locale as the Property.

If the organizational documents do not meet the requirements set forth above, and the organizational documents will not be modified prior to the Origination Date of the SBL Mortgage to comply with all of the requirements, Single Counsel must provide Freddie Mac with a description of the differences and recommendations as to whether and why Freddie Mac should accept the organizational documents without them being fully compliant with this Section 9SBL.7.

9SBL.8 Adverse circumstances—Borrower (06/30/16)



Seller may not be aware of any circumstances or conditions involving the credit standing of the Borrower that adversely affect the value or marketability of the SBL Mortgage.

9SBL.9 Reserved (06/30/16)

9SBL.10 Reserved (03/03/17)

9SBL.11 Reserved (06/30/16)

9SBL.12 Tenancy-in-common (TIC) (06/30/16)

A TIC may be an eligible Borrower if it meets all of the following conditions:

- There may not be more than 5 TIC owners.
- Unless otherwise approved by Freddie Mac, each TIC owner must be an SAE.
- The TIC owners must enter into a tenant in common agreement (“TIC Agreement”).
- The TIC owners and the TIC Agreement must satisfy the requirements set forth in the “Tenant in Common Borrowers – Minimum Requirements (SBL)” document [available at mf.freddiemac.com](http://mf.freddiemac.com).

If the TIC owners or the TIC Agreement do not meet the requirements set forth above, and the TIC owners or the TIC Agreement will not be modified prior to the Origination Date of the SBL Mortgage to comply with all of the requirements, Single Counsel must provide Freddie Mac with a description of the differences and recommendations as to whether and why Freddie Mac should accept the TIC owners or the TIC Agreement without them being fully compliant with this Section 9SBL.12.

9SBL.13 Borrower/Borrower Principal public record searches (10/14/16)

The Public Records searches required in Section 18SBL.30, including credit reports, web searches, bankruptcy, tax lien, criminal and litigation searches, must be conducted within 60 days prior to the submission of the full underwriting package to Freddie Mac for each SBL Mortgage.

9SBL.14 Very Small Markets -- Borrower/Key Borrower Principal due diligence and geographic proximity (04/13/23)

If a Property is located in a Very Small Market, and either (i) the Borrower is wholly owned (whether directly or indirectly) by the ~~guarantor~~ [Guarantor](#), or (ii) any Key Borrower Principals in the transaction do not have an established relationship with Freddie Mac or the SBL Seller/Servicer, then the SBL Seller/Servicer must provide each of the following in its underwriting package for the SBL Mortgage:

- One Seller/Servicer verified bank reference for all Borrowers and Key Borrower Principals
- Property-level bank statements for the last three months

The above documents must be submitted in accordance with Chapter 55SBL.



Summary report: Litera Compare for Word 11.0.0.61 Document comparison done on 2/20/2024 9:31:35 AM	
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Multifamily Seller/Service Guide

Chapter 19A

Originating a Targeted Affordable Housing Cash Mortgage under a Forward Commitment



19A.1 Overview (06/15/23)

- a. Availability of Forward Commitments (05/31/11)
- b. Investment quality, types of Mortgages and Mortgage requirements (06/15/23)
- c. Freddie Mac's review of construction documentation (10/21/21)

19A.2 Description and types of Forward Commitments (08/18/22)

- a. Description of Forward Commitments (08/18/22)
- b. Types of Forward Commitments (05/31/11)

19A.3 Forward Commitment Property Inspection (03/03/17)

19A.4 Construction lender (10/21/21)

19A.5 Loan Submission Template (LST), Quote, underwriting package, Commitment and Rate Lock; approval by TAH Underwriting Supervisor (08/18/22)

19A.6 Fees (08/18/22)

- a. Application Fee (08/18/22)
- b. Commitment Fee (08/18/22)
- c. Delivery Assurance Fee – for 9% LIHTC Forward Commitments (08/18/22)
- d. Standby Fee – for Non-LIHTC Forward Commitments (08/18/22)

19A.7 Construction period security (08/30/13)

19A.8 Construction Loan closing for Funded Forward Commitments (05/01/14)

19A.9 Construction monitoring (03/03/17)

19A.10 Extending the Forward Commitment (06/15/23)

- a. General (06/15/23)
- b. Request for extension (08/18/22)

19A.11 Complete property inspection (08/18/22)

19A.12 ~~Conditions to Conversion (12/14/23)~~ [Conditions to Conversion \(02/22/24\)](#)

- a. Underwriting criteria for Conversion (08/18/22)
- b. Time limit for meeting Conditions to Conversion (08/18/22)
- c. Definitions applicable to Conditions to Conversion (08/18/22)
- d. ~~Property requirements for Conversion (12/14/23)~~ [Property requirements for Conversion \(02/22/24\)](#)
- e. Other Conversion criteria (08/18/22)

19A.13 Loan Documents, TAH Cash Conversion Underwriting Package and notification of Conversion (12/15/22)

- a. Loan Documents to be used at Conversion (12/15/22)
- b. TAH Cash Conversion Underwriting Package and Conversion schedule (08/18/22)

Guide Bulletin Update ~~12/14/23~~ [02/22/24](#) Chapter 19A – Page 1



- c. Notification of release of Delivery Assurance Documents (08/18/22)
- d. Conversion Acceptance Letter (12/15/22)

19A.14 Overall responsibilities of parties at Conversion (08/18/22)

- a. Responsibilities of the Seller for Conversions of Funded Forward Commitments (08/18/22)
- b. Freddie Mac's responsibilities (08/18/22)

19A.15 Release of documents from escrow (08/18/22)

19A.16 Final delivery; funding (08/18/22)

19A.17 Late delivery; nondelivery (04/13/23)

- a. Late delivery (08/18/22)
- b. Remedies for late delivery (08/18/22)
- c. Nondelivery (04/13/23)
- d. Remedies for nondelivery (08/18/22)
- e. Calculation of the Breakage Fee (08/18/22)

19A.18 Assignment (08/18/22)



19A.1 Overview (06/15/23)

a. Availability of Forward Commitments (05/31/11)

This chapter provides the requirements for a Targeted Affordable Housing (TAH) Cash Mortgage originated under a Forward Commitment (as defined in Section 19A.2 below) utilizing the prior approval model. To be eligible to enter into a Forward Commitment, a Targeted Affordable Housing Seller/Servicer must meet the requirements specified in Section 3.13.

See Exhibit 2, Origination Guidelines for Affordable Products, for additional information about the types of affordability components that are available to Targeted Affordable Housing Seller/Servicers.

b. Investment quality, types of Mortgages and Mortgage requirements (06/15/23)

Unless otherwise specified below, the requirements for investment quality, types of Mortgages and other Mortgage requirements are the same for all TAH Cash Mortgages, including those purchased by Freddie Mac pursuant to a Forward Commitment.

1. Mortgages eligible for purchase under a Forward Commitment

Under a Forward Commitment, Freddie Mac purchases (after Conversion):

- Fixed-rate Mortgages in which the interest rate is unchanged for the entire Mortgage term. Fixed-rate Mortgages may be partial term interest-only.
- Floating-Rate Mortgages in which the interest rate is adjusted for the entire Mortgage term. A Floating-Rate Mortgage may be partial term interest-only.

Freddie Mac will purchase a Mortgage under a Forward Commitment if the Property has a 4% LIHTC allocation or a 9% LIHTC allocation or meets the requirements for Non-LIHTC Forward Commitments provided in the term sheet. Additionally, the Property must be owned by the Borrower or under contract with the purchase date scheduled to occur within 90 days of Rate Lock.

See the following sections in Chapter 19, Originating a Targeted Affordable Housing Cash Mortgage for additional information and requirements:

- Section 19.1(b): Investment quality
- Section 19.1(f): Minimum Origination Fee
- Section 19.1(g): Other requirements
- Section 19.2: Mortgage requirements

2. Mortgages ineligible for purchase under a Forward Commitment:

- Preservation Rehabilitation Mortgages



- TAH Bridge Loans

c. Freddie Mac’s review of construction documentation (10/21/21)

A review of construction documentation by Freddie Mac for Forward Commitments is required. The construction lender must meet the criteria identified in Section 19A.4. For this review, the Seller submits as part of the full underwriting package:

- A pre-construction analysis report, as described in Section 63.3(a)
- A narrative summary, including a property and site description and a summary analysis of the development team’s qualifications, that is prepared by the Chief Architect/Engineer, as outlined in Section 55.2 and the underwriting checklist, Section 1.30 of Exhibit 1.

The Seller must also deliver the following construction documentation to the *Multifamily TAH Underwriter* via the Document Management System (DMS) within 90 days after the date of the Forward Commitment:

- Final plans and specifications (stamped and signed)
- Executed construction contract with all exhibits

Section 55.2 lists the items to be submitted as construction documentation in the underwriting package.

19A.2 Description and types of Forward Commitments (08/18/22)

a. Description of Forward Commitments (08/18/22)

A Forward Commitment provides a single source of construction, in the case of a Funded Forward Commitment, and/or permanent financing for new construction or substantial rehabilitation of a multifamily property that qualifies as a Targeted Affordable Housing Product, in the case of an Unfunded Forward Commitment. In this chapter, the term “construction” will include substantial rehabilitation.

A Forward Commitment is executed by the Seller and Freddie Mac. Freddie Mac commits to locking the interest rate or spread for the permanent Mortgage and the Seller commits to delivering a permanent Mortgage to Freddie Mac when the project is complete and has met each of the Conditions to Conversion (as defined in Section 19A.12). Freddie Mac locks the rate or spread for the permanent Mortgage when the Forward Commitment is accepted by the Seller. The Property must reach stabilization and meet the Conditions to Conversion before Freddie Mac purchases the Mortgage and, in the case of a Funded Forward Commitment, releases the Construction Phase Letter of Credit.

b. Types of Forward Commitments (05/31/11)

There are two types of Forward Commitments: Funded Forward Commitments and Unfunded Forward Commitments:

- In a Funded Forward Commitment, Freddie Mac advances funds to the construction lender during the construction period and, as security for the funds, requires the construction lender to provide Freddie Mac with the Construction Phase Letter of Credit.



- In an Unfunded Forward Commitment, Freddie Mac does not advance construction funds to the construction lender, and therefore does not require a Construction Phase Letter of Credit.

19A.3 Forward Commitment Property Inspection (03/03/17)

Freddie Mac requires a Forward Commitment Property Inspection for every Forward Commitment. See Section 8.16 for Freddie Mac’s requirements for the Forward Commitment Property Inspection.

19A.4 Construction lender (10/21/21)

The Seller must determine that the construction lender:

- Employs an experienced, fully-staffed construction lending department
- Demonstrates sufficient construction lending experience with successful construction lending on projects of similar size and complexity for the relevant type of property
- For a Funded Forward Commitment, has executed a Master Forward Financing Agreement with Freddie Mac

For each Funded Forward Commitment, the construction lender must execute an Addendum to the Master Forward Financing Agreement with Freddie Mac regarding the terms and conditions for the specific Forward Commitment. The Addendum must be delivered to *Multifamily Purchase* with the Construction Phase Letter of Credit.

19A.5 Loan Submission Template (LST), Quote, underwriting package, Commitment and Rate Lock; approval by TAH Underwriting Supervisor (08/18/22)

The applicable provisions of Chapter 27 apply regarding the LST, Quote, underwriting package, Commitment and Rate Lock. However, the following exceptions to the requirements of Chapter 27 apply to TAH Forward Commitments:

- The LST and full underwriting package, as applicable, must be approved and signed by the Seller’s TAH Underwriting Supervisor, as described in Section 3.13
- Under a Funded Forward Commitment, the construction lender has the option to choose that construction advances be made in either a single draw or in multiple draws. The requirements for both the single and multiple draw options are described in the construction lender’s Master Forward Financing Agreement.

19A.6 Fees (08/18/22)

a. Application Fee (08/18/22)

The Seller must pay to Freddie Mac the non-refundable Application Fee, as set forth in the Forward Commitment and in Section 27.6. If the Actual Mortgage Amount at Conversion



exceeds the Maximum Mortgage Amount in the Forward Commitment, then the Seller must pay to Freddie Mac the additional Application Fee described in the Conversion Acceptance Letter (as defined below) prior to the acceptance of the Conversion Acceptance Letter.

b. Commitment Fee (08/18/22)

The Seller is obligated to pay a refundable commitment fee (“**Commitment Fee**”) to Freddie Mac in the amount set forth in the Forward Commitment. The Commitment Fee must be delivered to Freddie Mac by 2:00 p.m. Eastern Standard Time on the second Business Day following Rate Lock. At the option of the Seller, the Commitment Fee can be in the form of cash or a letter of credit. A letter of credit must satisfy the requirements set forth in Section 11.2. If the Mortgage is not delivered to Freddie Mac by the Mandatory Delivery Date in accordance with the Forward Commitment for any reason, the Commitment Fee, along with any interest accrued thereon, will be retained by Freddie Mac. If the Mortgage is delivered to Freddie Mac by the Mandatory Delivery Date and purchased by Freddie Mac, the Commitment Fee will be refunded in accordance with the Guide.

c. Delivery Assurance Fee – for 9% LIHTC Forward Commitments (08/18/22)

- 1. Generally:** For 9% LIHTC Forward Commitments, in addition to the Application Fee and the Commitment Fee, and in order to ensure performance of the mandatory delivery obligation, the commitment to be executed by the Seller and the Borrower in respect to the Mortgage (“**Lender Permanent Loan Commitment**”), the terms of which are consistent with the terms of the Forward Commitment, will include: (a) a covenant by the Borrower to close the Mortgage with the Seller pursuant to the terms of the Lender Permanent Loan Commitment; and (b) a requirement for payment by the Borrower of the Delivery Assurance Fee.
- 2. Freddie Mac to hold Delivery Assurance Fee:** The Seller will deliver the Delivery Assurance Fee to Freddie Mac no later than the first Business Day immediately after the Construction Loan closing. The Delivery Assurance Fee will be held by Freddie Mac. The Delivery Assurance Fee will be retained by Freddie Mac if the Mortgage is not delivered to Freddie Mac. The Delivery Assurance Fee will be refunded to Borrower: (a) if the Mortgage is delivered to Freddie Mac on or before the Forward Commitment Maturity Date or (b) in accordance with the terms of the Forward Commitment.
- 3. Form of Delivery Assurance Fee:** The Delivery Assurance Fee for the Forward Commitment may be in the form of cash, a letter of credit or a secured note. A letter of credit must satisfy the requirements set forth in Section 11.2. The Delivery Assurance Fee in cash or letter of credit (“**Delivery Fee Letter of Credit**”) must be delivered to *Multifamily Purchase* not less than one Business Day after the Construction Loan closing.

If a secured note is used for the Delivery Assurance Fee, then the Seller must provide a duly executed Delivery Assurance Note (in the form published on the Freddie Mac web site) secured by a Delivery Assurance Mortgage (in the form published on the Freddie Mac web site) to evidence and secure the obligation to deliver the permanent Mortgage to Freddie Mac. The Seller must promptly notify Freddie Mac if any part of the form of Delivery Assurance Note or Delivery Assurance Mortgage is not enforceable under the laws of the applicable jurisdiction and recommend such changes as may be required to cause the Delivery Assurance Note or the Delivery Assurance Mortgage to be enforceable under applicable law. Freddie Mac agrees that the Delivery Assurance Mortgage will be subordinate to the security instrument securing the Construction Loan.



The Borrower must execute the Delivery Assurance Note and the Delivery Assurance Mortgage upon the Borrower's execution of the Lender Permanent Loan Commitment. If, however, the Borrower will not acquire the Property until the Construction Loan closing, then the Borrower may execute the Delivery Assurance Mortgage at the Construction Loan closing. The Delivery Assurance Mortgage must be recorded at the time of the Construction Loan closing. Both the Delivery Assurance Note, endorsed to Freddie Mac, and the Delivery Assurance Mortgage, assigned to Freddie Mac, must be delivered to *Multifamily Purchase* no later than five Business Days after the Construction Loan closing.

4. **Payment or Release of Delivery Assurance Note:** The Delivery Assurance Note will be due and payable by the Borrower on the earlier of: (a) the Forward Commitment Maturity Date or (b) the date on which the Commitment Fee and/or Breakage Fee (as defined in the Forward Commitment) are/is due. If the Delivery Assurance Fee is to be refunded pursuant to the provisions above, then the Seller will send notice to Freddie Mac pursuant to Section 19A.13 below. The release of the Delivery Assurance Fee will in no way limit or otherwise modify the Seller's obligations as set forth in the Forward Commitment nor will it limit or otherwise modify Freddie Mac's rights and remedies as set forth in the Forward Commitment.

d. Standby Fee – for Non-LIHTC Forward Commitments (08/18/22)

For Non-LIHTC Forward Commitments, in addition to the Application Fee and the Commitment Fee, the Seller must pay a standby fee (the "**Standby Fee**") to Freddie Mac in the amount set forth in the Forward Commitment, for each year (or partial year, prorated) prior to the date of Conversion. The Standby Fee must be delivered to Freddie Mac by 2:00 p.m. Eastern Standard Time on the second Business Day following Rate Lock.

The Seller is also obligated to pay an additional Standby Fee to Freddie Mac with respect to any extension of the Forward Commitment Maturity Date. The additional Standby Fee must be delivered to Freddie Mac concurrently with the fully executed originals of each amendment to the Forward Commitment to effectuate such extension(s).

The Standby Fee is not refundable.

19A.7 Construction period security (08/30/13)

With a Funded Forward Commitment, Freddie Mac must be secured during construction by a Construction Phase Letter of Credit, which must be:

- In a form acceptable to Freddie Mac and meeting all requirements set forth in Section 11.2
- In an amount equal to the maximum Mortgage amount plus 45 days of interest at the Mortgage rate; on transactions with multiple draws the 45 days of interest will be contained in the Construction Phase Letter of Credit issued for the first draw on the Mortgage
- With an expiration date no earlier than 60 days after the Forward Commitment Maturity Date, which is set forth in the Forward Commitment
- Accompanied by an opinion of the issuer's counsel with respect to the issuer of the letter of credit that meets the requirements of Section 11.2



19A.8 Construction Loan closing for Funded Forward Commitments (05/01/14)

Freddie Mac, the Seller, the construction lender and the escrow agent execute an escrow agreement. The escrow agreement must meet the requirements of the Master Forward Financing Agreement and must be in form acceptable to Freddie Mac and the other parties to the escrow agreement. Each party to the escrow agreement must deliver an executed escrow agreement, together with other applicable documents and/or collateral, to the escrow agent not later than two Business Days prior to the Project Loan closing.

Upon the escrow agent's receipt of the executed escrow agreement, the escrow agent will email it to Freddie Mac in PDF form and will overnight the original executed escrow agreement to Freddie Mac at the address provided in the escrow agreement.

No later than the first Business Day immediately after the Construction Loan closing for a Forward Commitment, the Seller must deliver a Forward Commitment Initial Delivery Package to *Multifamily Purchase*. The requirements for the Forward Commitment Initial Delivery Package are found in the Initial Delivery Instructions – Forward Commitments, which is available at mf.freddie.com/lenders/purchase.

19A.9 Construction monitoring (03/03/17)

The Seller must retain an Architectural Consultant meeting the requirements of Section 63.2(a) to prepare the construction reports and monitor the progress of the construction.

During the construction phase, the Architectural Consultant is responsible for ensuring that appropriate construction due diligence takes place, including the preparation of construction monitoring reports, which must be provided to the Seller on a regular basis. The Seller must monitor the progress of the construction and notify Freddie Mac of any material issues that could have an adverse effect on the project's scope or quality or could result in a request to extend the Forward Commitment. Freddie Mac expects the Seller to be familiar with the progress of the project. See Section 63.4 for the content of the construction monitoring reports and the duties and responsibilities of the Seller and the Architectural Consultant with respect to the construction monitoring reports.

If the Seller receives a request from a third party (such as an agency of the local governing body) for Freddie Mac's authorization or sign-off for items such as plat recordations or impact fees, the Seller must advise the third party to send any such documentation directly to the Seller. The Seller's counsel must review all documentation and provide Freddie Mac with a preliminary legal issues memorandum meeting the requirements of Section 6.4. Freddie Mac must receive a written recommendation from the Seller prior to executing or denying any requested authorization or sign-off. The Seller and its counsel must ensure that any such requests comply with all documents previously executed or approved for the transaction, including the approved plans and specifications.

19A.10 Extending the Forward Commitment (06/15/23)

a. General (06/15/23)

The Forward Commitment Maturity Date may be extended for one 6-month period, upon full and timely satisfaction of each and all of the conditions to extension set forth herein and payment of the extension fee (as specified in the Forward Commitment with respect to the first extension and as required by Freddie Mac in connection with any additional extension).



Any extension request beyond the first 6 months will be in Freddie Mac’s sole discretion and approval may be based on the satisfaction of any conditions that Freddie Mac determines in its sole discretion. An extension may require a new Appraisal, as discussed in more detail in Section 60.30.

In connection with any extension, the Seller must confirm to Freddie Mac that:

- The Seller has taken such steps and acts as may be necessary or appropriate to perfect and continue Freddie Mac’s liens upon and security interest in the Property;
- The Seller has received the prior written consent of the Construction Lender, or to the extent applicable, the Seller has provided to Freddie Mac evidence as to why such consent is not required; and
- The Seller has received the prior written consent of the LIHTC Investor, or to the extent applicable, the Seller has provided to Freddie Mac evidence as to why such consent is not required.

The Borrower is responsible for all fees and costs associated with such extensions, including letter of credit fees, legal fees and recording costs, as applicable.

If the Forward Commitment Maturity Date is extended, the term “**Forward Commitment Maturity Date**” as used in the Commitment, means the original Forward Commitment Maturity Date, as extended pursuant to the conditions to Extension.

b. Request for extension (08/18/22)

1. First extension

No later than 60 days prior to the Forward Commitment Maturity Date, the Seller must notify Freddie Mac via email of its request for an extension. The email must specify that the request is for a first extension, and must include the following:

- A synopsis of the deal
- A reason for the extension request
- Projected stabilization timeline

Following Freddie Mac’s receipt of the request, Freddie Mac will advise the Seller regarding its approval of the extension, the amount of the stand-by fee and the amount of the extension fee as specified in the Forward Commitment via an extension approval letter, which may be in the form of a PDF sent via Multifamily DMS or email.

The term of any letter of credit applicable to the transaction must be extended for the length of the extension plus 60 days. The Seller must provide Freddie Mac with amendments or replacements of the applicable letters of credit, extending their respective stated terms, no later than 30 days after the Forward Commitment Maturity Date and no later than 30 days prior to the expiration of the Construction Phase Letter of Credit or any letters of credit for the Commitment Fee or the Delivery Assurance Fee, as applicable.



2. Subsequent extension

No later than 60 days prior to the Forward Commitment Maturity Date, as extended, the Seller must notify Freddie Mac via email of its request for an extension. The email must specify that the request is for a subsequent extension, and must include the following:

- A synopsis of the deal
- A reason for the extension request
- Projected stabilization timeline

Following Freddie Mac's receipt of the request, Freddie Mac will advise the Seller regarding its approval of the extension, any additional conditions to extension which Freddie Mac determines in its sole discretion and the amount of the extension fee via an extension approval letter, which may be in the form of a PDF sent via Multifamily DMS or email.

The terms of any letter of credit applicable to the transaction must be extended for the length of the extension plus 60 days. The Seller must provide Freddie Mac with amendments to or replacements of the applicable letters of credit, extending their respective stated terms, no later than 30 days after the Forward Commitment Maturity Date, as extended, and no later than 30 days prior to the expiration of the Construction Phase Letter of Credit or any letters of credit for the Commitment Fee or the Delivery Assurance Fee.

19A.11 Complete property inspection (08/18/22)

The Seller must conduct a complete property inspection of the Property before initiating Conversion pursuant to Section 19A.13. The Seller must be satisfied that the finished project has been completed as proposed in a workmanlike manner and that there have been no changes to the Property that would adversely affect its lease-up or ongoing operational costs as originally proposed. The Seller may make this determination by reviewing the final construction reports of the Architectural Consultant, the construction lender, the architect of record and government inspectors; however, the Seller must make its own determination of the Property and the market. For additional information on the complete property inspection see Section 8.15(b).

Once the architect of record has executed the certification of substantial completion, the Architectural Consultant must submit to the Seller the post-construction analysis report with a final narrative evaluation. The Seller must review this report and ensure that it meets the requirements of Section 63.5(a).

19A.12 Conditions to Conversion (~~12/14/23~~02/22/24)

a. Underwriting criteria for Conversion (08/18/22)

By: (i) submission of a TAH Cash Conversion Underwriting Package and (ii) the Seller's execution of the Forward Commitment, the Seller represents and confirms to Freddie Mac that the Seller will underwrite the Mortgage described in the Forward Commitment and deliver the Mortgage in accordance with the standards set forth in the Guide, as modified by the Forward Commitment. The underwriting criteria set forth in the Guide, as made applicable to the

Guide Bulletin Update ~~12/14/23~~02/22/24 Chapter 19A – Page 10



Mortgage by the Forward Commitment and as in effect on the date of the Forward Commitment, will not be changed or modified by Freddie Mac prior to the Forward Commitment Maturity Date. Notwithstanding the foregoing, Freddie Mac reserves the right to effect changes in and modifications to its procedural requirements with respect to the delivery and Servicing of any Mortgage and the Seller agrees to adhere to any such changes and modifications.

b. Time limit for meeting Conditions to Conversion (08/18/22)

Freddie Mac's Forward Commitment and agreement to purchase the Mortgage will terminate and be of no force or effect in the event that the Seller is unable to fully satisfy each and all of the Conditions to Conversion on or before the Forward Commitment Maturity Date or extended Forward Commitment Maturity Date, as applicable.

c. Definitions applicable to Conditions to Conversion (08/18/22)

As used in this Section 19A.12, the following terms have the following meanings:

- “*Acceptable Leases*” means legally valid, binding and enforceable written lease agreements with bona fide residential tenants (excluding employees of the Borrower or any affiliate of the Borrower) providing for initial lease terms of not less than six months and complying with all applicable laws and with the Guide.
- “*Approved Plans*” means the plans, specifications, drawings, sketches, reports, budget and completion schedule and materials specified in the Seller's full underwriting package for the Forward Commitment submitted to and approved by Freddie Mac prior to the Rate Lock date, together with such changes as have been approved for the Improvements pursuant to the terms of the Forward Commitment.
- “*Conditions to Conversion*” means, collectively, each of the conditions precedent to Conversion set forth in the Forward Commitment, this Section 19A.12, and any other condition which may otherwise be required by Freddie Mac in connection with Conversion.
- “*Event of Insolvency*” means any of the following events with respect to the Borrower or any Guarantor, Designated Entity for Transfers (as identified in the Forward Commitment) or Borrower Principal: (a) any of the foregoing will: (i) voluntarily be adjudicated as bankrupt or insolvent; (ii) seek, consent to or fail to vacate the appointment of a receiver or trustee for itself or for all or any part of its property or assets; (iii) file a petition seeking relief under the United States Bankruptcy Code, 11 U.S.C. Section 101 et seq. or commencing any insolvency or other similar proceedings; (iv) make a general assignment for the benefit of creditors; (v) admit in writing its insolvency, bankruptcy or inability to pay its debts as they come due; (vi) have all or any substantial portion of its assets attached, seized, subjected to a writ or distress warrant, or otherwise levied upon; or (vii) be unable to or fail to pay its debts as they mature; (b) any Governmental Authority will enter an order, judgment or decree appointing a receiver or trustee for the Borrower or any Guarantor, Designated Entity for Transfers or Borrower Principal for all or any part of its property or assets; (c) a petition is filed against the Borrower or any Guarantor, Designated Entity for Transfers or Borrower Principal seeking relief under the United States Bankruptcy Code, 11 U.S.C. Section 101 et seq. or commencing any insolvency or other similar proceedings; or (d) any Borrower or any Guarantor, Designated Entity for Transfers (as identified in the Forward Commitment) or Borrower Principal is put on probation or its activities are restricted in any manner by any Governmental Authority, or becomes subject



to any order, judgment, decree, finding or regulatory action that would adversely affect such person's ability to comply in all respects with the terms and conditions of the Forward Commitment, the Lender Permanent Loan Commitment, the Mortgage, the Construction Loan documents, or any other document, instrument or certificate executed and delivered, or required to be executed and delivered, pursuant thereto.

- “*Governmental Authority*” means the United States of America, any State, district, territory, municipality, foreign state, or other foreign or domestic government, or department, agency, board, commission, or instrumentality of any of the foregoing.
- “*Improvements*” means the buildings, structures and improvements now constructed or at any time in the future constructed or placed upon the land, including any future alterations, replacements and additions.
- “*Units*” means, collectively, the residential rental housing in the Property.

d. **Property requirements for Conversion** (~~12/14/23~~02/22/24)

By the Seller's acceptance of the Forward Commitment, the Seller has agreed to deliver to Freddie Mac a Mortgage in accordance with the standards set forth in the Purchase and Servicing Documents. In order for Freddie Mac to purchase the Mortgage, the following Conditions to Conversion must have been satisfied on the date of submission of the TAH Cash Conversion Underwriting Package (see checklist in Section 1.31 of Exhibit 1) by the Seller to Freddie Mac, and on the date of Conversion:

1. **Completion of Construction or Rehabilitation.** The Borrower will have completed the construction and/or rehabilitation of the Improvements on the Property (including all amenities, landscaping, signage, parking and the like, except for minor punch list and weather-sensitive items for which sufficient funds have been reserved in a repair escrow) (i) in a good and workmanlike manner and substantially in accordance with the Approved Plans, (ii) on a lien-free basis, (iii) in compliance in all material respects with all applicable treaties, conventions, statutes, laws, regulations, ordinances, permits, licenses, variances, certificates, consents, clearances, closures, exemptions, injunctions, judgments, orders, decrees, settlement agreements, decisions, actions or requirements of any Governmental Authority, subdivision requirements, fire and safety laws, the requirements of the Americans with Disabilities Act and, if applicable, the design and construction requirements established pursuant to the Fair Housing Act, as amended, and (iv) in compliance with the environmental requirements of the Guide and the Forward Commitment. The TAH Cash Conversion Underwriting Package will contain evidence of such completion as may be requested by Freddie Mac.
2. **Requirements for Borrower; Guarantor(s); Designated Entity for Transfers; Borrower Principal.** Except in accordance with the requirements set forth below, the identity of the Borrower and Guarantor(s) will remain as set forth in Exhibit B to the Forward Commitment. There will be no reduction in the direct or indirect ownership or control of the Borrower by any Designated Entity for Transfers (as identified in the Forward Commitment) or Borrower Principal. There will be no material adverse change in the condition, financial or otherwise, of the Borrower, any partner of the Borrower (if the Borrower is a partnership), any member of the Borrower (if the Borrower is a limited liability company), any Guarantor, Designated Entity for Transfers or Borrower Principal from that which was disclosed to Freddie Mac in the Seller's full underwriting package for the Forward Commitment. Notwithstanding the forgoing, Freddie Mac agrees that the Mortgage may



be delivered by the Seller with a different tax credit fund (a “**Substitute Tax Credit Fund**”), subject to Freddie Mac’s approval. As a condition to Freddie Mac’s approval of a Substitute Tax Credit Fund, the Substitute Tax Credit Fund must be controlled by the same LIHTC Syndicator or LIHTC Investor as was disclosed in the Forward Commitment and must satisfy all other requirements of the Forward Commitment or the Guide, as applicable, for a qualifying tax credit fund.

3. **Minimum Occupancy Requirement.**

- For Properties with 100 percent of units subject to rent and income restrictions:
 - Have stabilized occupancy at 85 percent for one month prior to the submission of the underwriting package for Conversion
 - Confirm and maintain stabilized occupancy at 85 percent during underwriting at Conversion
- For Properties that do not have 100 percent of units subject to rent and income restrictions:
 - Have stabilized occupancy at 85 percent for three months prior to the submission of the underwriting package for Conversion
- For each month from and after the date construction and/or rehabilitation of the Improvements on the Property is completed, through and including the Conversion date, the Borrower will provide to the Seller a current rent roll for that month, each certified as true and correct by the Borrower and the property manager for the Property, and such other information as may be reasonably required by the Seller and/or Freddie Mac to determine the physical occupancy of the Property.

4. **Debt Coverage Ratio Requirement.** The Property must have a Debt Coverage Ratio (DCR) that is:

- ~~○~~ Greater than or equal to the minimum DCR for the Mortgage product, and
- ~~○~~ No more than 10 basis points lower than the original underwritten DCR

5. **Actual Mortgage Amount.**

- a. At Conversion, Freddie Mac will have determined the amount of the Mortgage, in its sole discretion, using Freddie Mac’s underwriting standards and criteria as of the date of the Conversion (“**Actual Mortgage Amount**”). Unless waived in writing by Freddie Mac, which waiver will be made by Freddie Mac in its sole discretion, the Actual Mortgage Amount will not exceed the Maximum Mortgage Amount and will not be less than the Minimum Mortgage Amount at Conversion, each as set forth in Exhibit A of the Forward Commitment.
- b. If the Actual Mortgage Amount is less than the Maximum Mortgage Amount but greater than the Minimum Mortgage Amount at Conversion and Freddie Mac has agreed to purchase the Mortgage, the Borrower must demonstrate to Freddie Mac’s satisfaction, prior to the Conversion date, that the Borrower has secured a source of



funds acceptable to Freddie Mac (“**Additional Source of Funds**”) to cover the difference between the Maximum Mortgage Amount and the Actual Mortgage Amount (“**Loan Differential**”). If the Actual Mortgage Amount is less than the Minimum Mortgage Amount at Conversion and Freddie Mac has agreed to purchase the Mortgage, the Borrower and/or Breakage Obligor must pay the Modified Breakage Fee (as defined in Schedule I to the Forward Commitment) and the Borrower must show an Additional Source of Funds; provided that in the event there is a nondelivery, the Borrower and/or Breakage Obligor must pay the Breakage Fee described in Schedule I to the Forward Commitment.

- c. If the Borrower will incur additional debt to cover all or a portion of the Loan Differential and/or the Modified Breakage Fee, the additional debt must be subordinated to the Mortgage, and the terms, conditions and documentation of the additional debt must meet the requirements for Subordinate Financing as set forth in the Guide.
- d. **Additional Actual Mortgage Amount**
 1. Upon completion and lease up of the Property, and prior to the origination of the Mortgage, if the performance of the Property exceeds the pro-forma rents, occupancy and other criteria used by Freddie Mac to underwrite the Mortgage prior to the issuance of the Forward Commitment, the Seller may request the Actual Mortgage Amount be greater than the Maximum Mortgage Amount by an amount that does not exceed ~~10 percent~~ the Additional Actual Mortgage Amount Percentage listed in the Confirmation Sheet (or, if not listed in the Confirmation Sheet, then 10%) (the “Additional Actual Mortgage Amount Percentage”) of the Maximum Mortgage Amount (any such increase referred to as the “**Additional Actual Mortgage Amount**”).
 2. In connection with a request for Additional Actual Mortgage Amount, the Seller will include in the TAH Cash Conversion Underwriting Package (i) a calculation of the Actual Mortgage Amount supporting the requested Additional Actual Mortgage Amount and (ii) a new Appraisal which complies with the requirements of Chapter 60 ~~of the Guide~~, and which Appraisal supports the requested Additional Actual Mortgage Amount
 3. Freddie Mac’s approval of any Additional Actual Mortgage Amount in excess of the Maximum Mortgage Amount will be made in Freddie Mac’s own discretion based on its underwriting criteria at the time of such request.
 4. To the extent the requested Additional Actual Mortgage Amount is approved by Freddie Mac, (i) the interest rate on such Additional Actual Mortgage Amount will be equal to the Mortgage interest rate determined at Rate Lock and specified in the executed and delivered Exhibit A and (ii) the Conversion Acceptance Letter delivered by Freddie Mac pursuant to Section 19A.13 (the “**Conversion Acceptance Letter**”) will also set forth: (a) the Additional Actual Mortgage Amount so approved, (b) any additional Application Fee that may be due as a result of the Additional Actual Mortgage Amount, and (c) any other updated terms and conditions related to the Additional Actual Mortgage Amount (including the deposit of a Breakage Fee related thereto) or otherwise with respect to the Mortgage.



6. **Equity Contributions; Other Funds.** The TAH Cash Conversion Underwriting Package will contain:
 - a. Assurances and evidence that the Borrower: (i) has received or will receive, fully and timely, all equity contributions as required by the Borrower’s operating documents to be made to the Borrower as of the date of Conversion, and has properly applied such equity contributions, proceeds, and other cash to the Property to the extent received, and (ii) has funded or will fund, fully and timely, all cash required to be invested in the Property; and
 - b. Assurances and evidence that: (i) either (A) all approved Subordinate Financing has been or will be received by the Borrower as of the date of Conversion; or (B), if and to the extent any approved Subordinate Financing has not or will not be received on or before the Conversion date (the “**Approved Subordinate Financing Shortfall**”), the Borrower has received or will receive, fully and timely, additional equity contributions from one or more of its partners in an amount equal to the Approved Subordinate Financing Shortfall as of the date of Conversion, and (ii) such amounts have been or will be applied to the Property.
7. **Low-Income Housing Tax Credits.** For LIHTC transactions only, the TAH Cash Conversion Underwriting Package will contain assurances and evidence that: (i) the Property is eligible for low-income housing tax credits; (ii) the Borrower has taken all steps necessary to obtain allocation of such low-income housing tax credits to the Property in the required amount; and (iii) the Property must: (A) meet the requirements of a “qualified low-income housing project” within the meaning of Section 42(g) of the Internal Revenue Code and of a “qualified residential rental project” within the meaning of Section 142(d) of the Internal Revenue Code and (B) at all times must have been in compliance with all: (1) federal, State and local low-income housing and other requirements applicable to the Property and (2) any applicable requirements of the Internal Revenue Code, and the final, proposed and temporary regulations issued under the Internal Revenue Code.
8. **Title and Survey.** The TAH Cash Conversion Underwriting Package will contain: (i) an update to the analysis of and recommendation as to the exceptions to title from the Seller and the Seller’s counsel and (ii) an ALTA “as-built” survey of the completed construction and/or rehabilitation of the Improvements on the Property, prepared by a licensed surveyor, certified to the Seller, Freddie Mac and the title insurance company and which will otherwise conform with Freddie Mac’s then-current survey requirements.
9. **Appraisal.** If required by the Guide, the Forward Commitment or the Conversion Acceptance Letter, the Seller will obtain, at the Borrower’s sole expense, a redocumentation of the value of the Property determined by the appraisal of the Property prepared for the Seller and Freddie Mac prior to the date of the Forward Commitment. Such redocumentation of value must be in form and substance acceptable to the Seller and Freddie Mac and prepared for the Seller and Freddie Mac by a State-certified appraiser approved by the Seller or, if required by the Seller, a new Appraisal of the Property that complies with the requirements of Chapter 60.
10. **Updated Environmental Report and Post-Construction Analysis Report.** Freddie Mac will have received for review an updated Phase I environmental report, if required pursuant to the Forward Commitment and/or the Guide, and post-construction analysis report, which will include, among other things, an on-site inspection and identification of any Deferred Maintenance or Life Safety Hazards issues.



11. **Updated Legal Analyses.** The Seller's counsel will have prepared updated legal analyses on the then current forms acceptable to Freddie Mac and will have emailed those updated analyses to the Freddie Mac in-house counsel assigned to the specific transaction.
12. **Other Real Estate Due Diligence.** In addition to those items required by this Section 19A.12, review of any other agreements, documents, instruments, certificates, reports, papers and matters which are subject to Freddie Mac's review and approval under the terms of the Forward Commitment and the Guide.
13. **Absence of Change in Law.** There will be no: (i) change in federal or State law, (ii) pending or proposed legislation, (iii) decision or pending decision of any court or administrative body, (iv) ruling or regulation (including any final, temporary or proposed federal regulation), (v) official pronouncement, or (vi) other action or event that, in Freddie Mac's sole judgment, materially adversely affects or may materially adversely affect, directly or indirectly, the transactions to be effected pursuant to the Forward Commitment or Freddie Mac's ability to purchase the Mortgage.
14. **Compliance with Regulatory Agreement and Other Agreements.** The TAH Cash Conversion Underwriting Package will also contain all regulatory agreements and other agreements affecting the Property as well as evidence, satisfactory to Freddie Mac, of the Property's compliance with the terms of each. The Seller's counsel will provide Freddie Mac with an analysis for each regulatory agreement affecting the Property.
15. **Absence of Default.** There will be no uncured default, or the continuation of any event that may with the passage of time cause a default, under: (a) any of the Purchase and Servicing Documents, (b) the Mortgage Documents, (c) any approved Subordinate Financing or (d) any organizational document of the Borrower. Further, an Event of Insolvency will not have occurred at any time.
16. **Truth of Representations and Warranties.** There will be no material error or misstatement in, or omission from, any representation or warranty made by the Seller in the full underwriting package for the Forward Commitment or the TAH Cash Conversion Underwriting Package or by the Borrower in the Mortgage Documents.
17. **Payment of Fees.** All fees required by the Forward Commitment and the Guide will be paid in a timely manner and in accordance with the requirements of the Forward Commitment and the Guide.
18. **Execution and Recordation of Documents.** The release of the Mortgage and security interest of the construction lender must have been executed and recorded or delivered in escrow for recording under arrangements satisfactory to Freddie Mac.
19. **Gap or Bridge Financing Repaid.** The TAH Cash Conversion Underwriting Package will contain assurances and evidence that any gap or bridge financing provided to the Borrower has been or will be, as of the date of Conversion, paid in full and all liens imposed on the Borrower in connection with such financing have been or will be released as of the date of Conversion, including, but not limited to, the release from record of all related liens on the Property.



20. **Building Law Ordinance Insurance.** If required by Freddie Mac, building law ordinance insurance will be provided on or before the Conversion date, in form and substance acceptable to Freddie Mac.

21. **No Material Legal Action.** There must not have been any material litigation, investigation, proceeding, decree, judgment or settlement brought against or otherwise affecting the Property, the Borrower, any Borrower Principal, any partner or member (as applicable) of the Borrower, any managing officer of the Borrower, the Guarantor, or any affiliate of the foregoing, or the assets or properties thereof, from that which existed on the date of the Forward Commitment.

e. Other Conversion criteria (08/18/22)

Any special terms or additional Conditions to Conversion specified in the Forward Commitment must be satisfied. See Section 19A.13 below and the TAH Cash Conversion Underwriting Package in Section 1.31 of Exhibit 1 for additional information about the items that must be submitted as part of the Conversion underwriting package.

19A.13 Loan Documents, TAH Cash Conversion Underwriting Package and notification of Conversion (12/15/22)

a. Loan Documents to be used at Conversion (12/15/22)

Any references in the Guide or in the Forward Commitment regarding the Loan Agreement, Security Instrument or any other documents applicable to the Mortgage will mean the then current documents either located at mf.freddiemac.com or in standard use by Freddie Mac at the time of Conversion. Any modifications to the Loan Documents attached to the Forward Commitment will be included in the Conversion Acceptance Letter (see 19A.13(d)) and, if applicable, updated to conform to the then current Freddie Mac Loan Documents. Any Subordination Agreement which has been modified and attached to the Forward Commitment, however, will not need to conform to the then current Freddie Mac Loan Documents at the time of Conversion, unless required by Freddie Mac.

b. TAH Cash Conversion Underwriting Package and Conversion schedule (08/18/22)

Once the Seller has completed all Conversion due diligence and analysis and all Conditions to Conversion have been satisfied, the Seller must prepare the TAH Cash Conversion Underwriting Package and submit it along with the proposed Conversion schedule to Freddie Mac no later than 60 days prior to the proposed date of the Conversion.

Freddie Mac uses the TAH Cash Conversion Underwriting Package to determine whether the Property has satisfied all Conditions to Conversion. Freddie Mac specifies the list of documents that the Seller must include in the TAH Cash Conversion Underwriting Package in Section 1.31 of Exhibit 1. Chapter 55 contains a complete description of Freddie Mac's requirements for each document in an underwriting checklist, including a description of the required content and whether the document must be certified. Chapter 55 also contains instructions for delivering underwriting packages to Freddie Mac.

The TAH Cash Conversion Underwriting Package must be approved by the Seller's TAH Underwriting Supervisor, as described in Section 3.13.



If a return of the Delivery Assurance Note and Mortgage are requested for Conversion, then the Seller must inform Freddie Mac of that request via email no later than 30 days prior to Conversion. The notification must contain: (i) the contact details for the escrow agent or the title company used for originating the Mortgage, (ii) a request for Cancellation of the Delivery Assurance Note, and (iii) a draft, supplied by the Seller's counsel, of the termination or satisfaction of Delivery Assurance Mortgage that is applicable in the Property's jurisdiction.

c. Notification of release of Delivery Assurance Documents (08/18/22)

If the Seller requests that the Delivery Assurance Documents be released at Conversion, then the Seller must send notification to Freddie Mac. The notification must contain the following information:

- The name, address, telephone number, facsimile number and email address of the escrow agent or title company to be used for originating the Mortgage
- A request for the cancellation and return of the Delivery Assurance Note, if applicable
- A request for the release of the Delivery Assurance Mortgage along with a draft of the cancellation of Mortgage, if applicable

d. Conversion Acceptance Letter (12/15/22)

After Freddie Mac completes its underwriting, Freddie Mac will notify the Seller of its approval or rejection of the Conversion. Freddie Mac's approval or rejection is subject to Freddie Mac's determination that each of the Conditions to Conversion have been and remain satisfied or have been duly waived by Freddie Mac in its sole discretion. If Freddie Mac approves the Conversion, Freddie Mac will execute and deliver to the Seller a Conversion Acceptance Letter specifying the Actual Mortgage Amount (including any Additional Actual Mortgage Amount) and any other terms and conditions of Conversion or as required by the Commitment or Guide. Exhibits A – G of the Forward Commitment will also be amended and restated to conform to the then current Exhibits A – G of the Freddie Mac commitment form in standard use by Freddie Mac at the time of Conversion.

To the extent applicable, any reference to the Forward Commitment after execution of the Conversion Acceptance Letter will be deemed to include the Conversion Acceptance Letter.

After Freddie Mac has executed the Conversion Acceptance Letter, the Seller must accept it, countersign it, upload it to DMS and notify the TAH Underwriter of the expected Conversion date. On the Conversion date, the Seller must notify Freddie Mac that the Conversion has occurred by providing written confirmation of the Conversion Date via email and DMS.

19A.14 Overall responsibilities of parties at Conversion (08/18/22)

a. Responsibilities of the Seller for Conversions of Funded Forward Commitments (08/18/22)

The Seller is responsible for the preparation and distribution of a Conversion escrow agreement that must satisfy the requirements of the construction lender's Master Forward Financing Agreement (in the case of a Funded Forward Commitment) and the Guide. The Seller is also responsible for the payoff of the Construction Loan.



b. Freddie Mac’s responsibilities (08/18/22)

Freddie Mac will coordinate with the Seller the delivery of the following collateral documents to the title company or escrow agent:

- Delivery Assurance Note marked paid and cancelled, if applicable
- Release of Delivery Assurance Mortgage, if applicable
- Any other escrow documents held by Freddie Mac

19A.15 Release of documents from escrow (08/18/22)

Freddie Mac will authorize the release of the documents delivered by Freddie Mac to the escrow agent upon

- The Seller’s delivery to the escrow agent for recordation of the assignment of the Mortgage, assigning the Seller’s interest to Freddie Mac,
- The escrow agent’s confirmation that it has in its possession the lender’s final policy of title insurance to be delivered to Freddie Mac with the Final Delivery Package, which title policy meets the requirements of the Guide and insures the first lien priority of the Mortgage, and
- The Seller’s certification that the Seller has all of the items required by the Guide for final delivery of the Mortgage

19A.16 Final delivery; funding (08/18/22)

The provisions of Chapter 32 apply with respect to final delivery and funding.

19A.17 Late delivery; nondelivery (04/13/23)

a. Late delivery (08/18/22)

For Mortgages delivered under a Forward Commitment, Freddie Mac may, in its discretion, treat either of the following situations as a late delivery of a Mortgage:

- The Seller fails to deliver the Final Delivery Package to Freddie Mac, including notifying *Multifamily Purchase* in accordance with Section 32.1(c), at or before noon Eastern time on the Mandatory Delivery Date.
- The Final Delivery Package, as delivered, fails to meet Freddie Mac’s requirements as set forth in the Purchase and Servicing Documents.

b. Remedies for late delivery (08/18/22)

The provisions of Section 27.26(b) apply.

c. Nondelivery (04/13/23)

For Mortgages delivered under a Forward Commitment, Freddie Mac may, in its discretion, treat any of the following situations as a nondelivery of a Mortgage:



- The Seller fails to deliver the Final Delivery Package to Freddie Mac, including notifying *Multifamily Purchase* in accordance with Section 32.1(c), at or before noon Eastern time on the Mandatory Delivery Date
- The Mortgage, as delivered, fails to meet Freddie Mac’s requirements as set forth in the Purchase and Servicing Documents
- After issuance of the Forward Commitment, there has been a material adverse change from what was disclosed to Freddie Mac in the full underwriting package in either of the following:
 - The financial position of the Borrower, any Key Borrower Principal or the ~~guarantor~~[Guarantor](#)
 - The condition of the Property
- The Final Delivery Package, as delivered, fails to meet Freddie Mac’s requirements as set forth in the Purchase and Servicing Documents

d. Remedies for nondelivery (08/18/22)

If Freddie Mac determines that there has been a nondelivery of a Mortgage, Freddie Mac may take whatever action or actions it deems appropriate to protect its interests and enforce its rights, including

- Terminating the Purchase Contract (Freddie Mac will elect not to purchase the Mortgage)
- Taking any other action set forth in the Forward Commitment or in Chapter 4
- Charging the Seller a Breakage Fee
- Taking whatever action is necessary to collect the Delivery Assurance Fee

e. Calculation of the Breakage Fee (08/18/22)

As liquidated damages for the nondelivery of a Mortgage, Freddie Mac will charge the Seller a Breakage Fee, calculated in accordance with the formula set forth in the Forward Commitment.

19A.18 Assignment (08/18/22)

Freddie Mac will have the right to assign or otherwise transfer the Forward Commitment, or any mandatory Purchase Contract resulting from the Forward Commitment, to any affiliate or subsidiary of Freddie Mac without the consent of the Seller/Servicer (“Freddie Mac Assignment”). After a Freddie Mac Assignment, all references to Freddie Mac in the Forward Commitment, Purchase Contract, or in this Guide will be deemed to refer to the affiliate or subsidiary of Freddie Mac to which the Freddie Mac Assignment is made.

Summary report:	
Litera Compare for Word 11.0.0.61 Document comparison done on 2/20/2024 9:32:51 AM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 19A - Originating a TAH Cash Forward Commitment GB-12-14-23.docx	
Modified filename: 19A - Originating a TAH Cash Forward Commitment GB-02-22-24.docx	
Changes:	
<u>Add</u>	12
Delete	11
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	23

Multifamily Seller/Service Guide

Chapter 25A

Originating a Targeted Affordable Housing Tax-Exempt Loan under a Forward Commitment



- 25A.1 Overview of Forward Commitments for Tax-Exempt Loans (08/17/23)
 - a. Availability of Forward Commitments (08/17/23)
 - b. Loan structure (08/17/23)
 - c. ~~Loan Purpose (08/17/23)~~ [Loan purpose \(08/17/23\)](#)
 - d. Mortgage requirements applicable to Forward TELs (08/17/23)
- 25A.2 Description of a Forward Commitment (08/17/23)
- 25A.3 Fees (08/17/23)
 - a. Application Fee (08/17/23)
 - b. Commitment Fee (08/17/23)
 - c. Standby Fee (08/17/23)
 - d. Fees and expenses of Single Counsel (08/17/23)
- 25A.4 Single Counsel and Documentation Responsibilities (08/17/23)
- 25A.5 Conditions Precedent to Rate Lock (08/17/23)
- 25A.6 Extending the Forward Commitment (08/17/23)
- 25A.7 ~~Conditions to Conversion (08/17/23)~~ [Conditions to Conversion \(02/22/24\)](#)
 - a. ~~Property requirements for Conversion (08/17/23)~~ [Property requirements for Conversion \(02/22/24\)](#)
 - b. Amortization Schedules (08/17/23)
 - c. Requirements of Other Parties (08/17/23)
 - d. Opinion of counsel to Borrower and Guarantor (08/17/23)
 - e. Opinion of bond counsel (08/17/23)
 - f. Termination of Completion Guaranty (08/17/23)
 - g. Other Conversion Criteria (08/17/23)
- 25A.8 ~~Determination of Actual Loan Amount; Mandatory paydown (08/17/23)~~ [Determination of Actual Loan Amount; Mandatory paydown \(02/22/24\)](#)
 - a. Actual Loan Amount (08/17/23)
 - b. ~~Additional Actual Loan Amount (08/17/23)~~ [Additional Actual Loan Amount \(02/22/24\)](#)
- 25A.9 TAH TEL Conversion Underwriting Package and Conversion Acceptance Letter (08/17/23)
- 25A.10 Loan Documents to be used at Conversion (08/17/23)
- 25A.11 Final delivery, Funding (08/17/23)
- 25A.12 Assignment (08/17/23)



25A.1 Overview of Forward Commitments for Tax-Exempt Loans (08/17/23)

a. Availability of Forward Commitments (08/17/23)

This chapter provides the requirements for a Targeted Affordable Housing (TAH) Tax-Exempt Loan (TEL) originated under the TAH TEL Purchase Program pursuant to a Forward Commitment (Forward TEL). To be eligible to enter into a Forward Commitment for a Forward TEL, a TAH Seller/Servicer must meet the requirements specified in Section 3.13.

The Seller and Freddie Mac will both rely on Single Counsel for TELs. See Sections 25.2, 25A.3(d), and 25A.4 for a description of services Single Counsel may provide for a Forward TEL transaction and the fees associated with such services.

With respect to Forward TELs:

- All references to Seller’s counsel in this [Chapter 25A](#) chapter should be deemed to refer to Single Counsel.
- All references to “Loan Agreement” in this [Chapter 25A](#) chapter should be deemed to refer to the Continuing Covenant Agreement published under “TEL” at mf.freddie.com/lenders/legal/tah-documents.html.
- All references to other Loan Documents in this [Chapter 25A](#) chapter will be deemed to refer to the documents published under “TEL” at mf.freddie.com/lenders/legal/tah-documents.html.
- Seller will be deemed to have made to Freddie Mac all of the Seller/Servicer Representations and Warranties set forth in this Guide, as well as those found on the Freddie Mac website at mf.freddie.com, which are incorporated by reference pursuant to Chapter 5, except that the Seller/Servicer Representations and Warranties regarding (a) authorization and execution of documents and (b) enforceability of documents will apply with respect to each of the Loan Documents. All such Seller/Servicer Representations and Warranties will be deemed to have been made as of the (1) the date of the Forward Commitment, (2) the date of Rate Lock, (3) the date of the Conversion, (4) the date on which Seller delivers the TEL to Freddie Mac, and (5) the Freddie Mac Funding Date, and all references in such Seller/Servicer Representations and Warranties to the date of “final delivery” will be deemed to refer to the Freddie Mac Funding Date.

See Exhibit 2, Origination Guidelines for Targeted Affordable Housing Mortgages, for additional information about the types of affordability components that are available to TAH Seller/Servicers.

b. Loan structure (08/17/23)

A Forward TEL requires a back-to-back loan structure. First, a construction lender originates and funds the TEL to a governmental lender. The TEL is evidenced by a tax-exempt governmental note delivered by the governmental lender to the construction lender, which may bear interest at a variable rate or, with the consent of bond counsel, a fixed rate. During the Permanent Phase (defined below) the tax-exempt governmental note will bear

Guide Bulletin Update [08/17/23](#) [02/22/24](#) Chapter 25A – Page 2



interest at a fixed rate. The governmental lender will use the proceeds of the TEL to fund a separate mortgage loan to the Borrower with matching economic terms. The TEL will be a nonrecourse obligation of the governmental lender secured solely by receipts and revenues from the mortgage loan to the Borrower and the collateral pledged therefor. The Borrower's payment obligations in respect of the mortgage loan will be evidenced by a Note delivered to the governmental lender and are secured by a Security Instrument encumbering the Property in favor of the governmental lender. The governmental lender will endorse the Note and assign the Security Instrument to a fiscal agent as security for the TEL. The construction lender is responsible for administering the TEL and the Borrower's mortgage loan during the construction phase of the improvements on the Property. Upon satisfaction of the Conditions to Conversion, the Seller will purchase the TEL from the construction lender. If Freddie Mac subsequently purchases the TEL from the Seller as evidenced by the tax-exempt governmental note, then payments made by the Borrower under its mortgage loan documents will be collected by the Servicer and paid to Freddie Mac, as owner of the TEL, unless the governmental lender requires the fiscal agent to be the paying agent in the transaction, in which case the Servicer will deliver the Borrower's loan payments to the fiscal agent, and the fiscal agent will pay Freddie Mac according to its instructions. The Servicer will retain the Servicing Spread and any recurring fees of other parties to the transaction that are payable from monthly collections under the transaction documents, unless the governmental lender requires the fiscal agent to be the paying agent in the transaction, in which case the Servicer will deliver any recurring fees of other parties to the transaction to the fiscal agent, and the fiscal agent will pay such other parties according to the transaction documents.

c. Loan Purpose purpose (08/17/23)

A Mortgage is eligible for purchase by Freddie Mac under the TAH TEL Purchase Program pursuant to a Forward Commitment if it is originated for the purpose of new construction or substantial rehabilitation. However, Preservation Rehabilitation Mortgages are not eligible for Forward Commitments.

Additionally, the Property must be owned by the Borrower or under contract with the purchase date scheduled to occur within 90 days of Rate Lock.

d. Mortgage requirements applicable to Forward TELs (08/17/23)

Except as otherwise stated in this ~~Chapter 25A~~chapter, a Forward TEL must meet all of the requirements of Chapter 25. In addition, see the following sections in this Guide for additional requirements:

- Section 19A.1(c): Freddie Mac's review of construction documentation
- Section 19A.3: Forward Commitment Property Inspection
- Section 19A.4: Construction lender
- Section 19A.9: Construction Monitoring
- Section 19A.11: Complete Property Inspection



- Section 19A.17: Late delivery; nondelivery (provided, however, that the last bullet point of Section 19A.17(d) is inapplicable to Forward TELs)

25A.2 Description of a Forward Commitment (08/17/23)

A Forward Commitment provides a single source of construction and permanent financing for new construction or substantial rehabilitation of a Property that qualifies as a Targeted Affordable Housing Product. In this chapter, the term “construction” will include substantial rehabilitation. Only an Unfunded Forward Commitment is allowed in the TAH TEL Purchase Program. In an Unfunded Forward Commitment, Conversion does not occur, and Freddie Mac does not purchase the TEL, until construction has been completed and all Conditions to Conversion have been satisfied.

For a Forward TEL, the term of the “Construction Phase” begins on the Origination Date of the TEL and ends on the date of the Conversion (Conversion Date). The Conversion must occur on or before the “Forward Commitment Maturity Date” as set forth in the Forward Commitment, as such date may be extended by Freddie Mac pursuant to the terms of the Forward Commitment and the Construction Phase Financing Agreement. The term of the “Permanent Phase” begins on the Conversion Date and ends on the maturity date of the TEL. The Construction Phase and the Permanent Phase may be lengthened or shortened based on the actual Conversion Date.

The Forward Commitment is executed by the Seller and Freddie Mac. In it, Freddie Mac commits to locking the interest rate for the Permanent Phase, sets forth the maximum amount of the TEL during the Permanent Phase, determines the Forward Commitment Maturity Date, and describes any Conditions to Conversion and any conditions to its purchase of the TEL. The Seller commits to purchasing the tax-exempt governmental note from the construction lender when the project is complete and has satisfied the Conditions to Conversion. The Property must reach stabilization and meet the Conditions to Conversion set forth in Section 25A.7 before the TEL can convert to the Permanent Phase.

25A.3 Fees (08/17/23)

a. Application Fee (08/17/23)

The Seller must pay to Freddie Mac the non-refundable Application Fee, as set forth in the Forward Commitment and in Section 27.6. If, at Conversion, the Actual Loan Amount (as defined below) exceeds the Rate Locked Maximum Funding Loan Amount stated in the Confirmation Sheet, then the Seller must pay to Freddie Mac the additional Application Fee described in the Conversion Acceptance Letter delivered by Freddie Mac pursuant to Section 25A.9 (“**Conversion Acceptance Letter**”) prior to the acceptance of the Conversion Acceptance Letter.

b. Commitment Fee (08/17/23)

The Seller is obligated to pay a refundable commitment fee (“**Commitment Fee**”) to Freddie Mac in the amount set forth in the Forward Commitment. The Commitment Fee must be delivered to Freddie Mac by 2:00 p.m. Eastern Standard Time on the second Business Day following Rate Lock. At the option of the Seller, the Commitment Fee can be in the form of cash or a letter of credit. A letter of credit must satisfy the requirements set forth in Section 11.2. If the Mortgage is not delivered to Freddie Mac by the Mandatory Delivery Date in accordance with the Forward Commitment for any reason, the Commitment Fee, along with any interest accrued thereon, will be retained by Freddie Mac. If the Mortgage is delivered to

Guide Bulletin Update [08/17/23](#)[02/22/24](#) Chapter 25A – Page 4



Freddie Mac by the Mandatory Delivery Date and purchased by Freddie Mac, the Commitment Fee will be refunded in accordance with this Guide.

c. Standby Fee (08/17/23)

In addition to the Application Fee and the Commitment Fee, the Seller must pay a non-refundable standby fee (“**Standby Fee**”) to Freddie Mac in the amount set forth in the Forward Commitment, for each year (or partial year, prorated) of the Construction Phase. The Standby Fee must be delivered to Freddie Mac by 2:00 p.m. Eastern Standard Time on the second Business Day following Rate Lock.

The Seller is also obligated to pay an additional Standby Fee to Freddie Mac with respect to any extension of the Forward Commitment Maturity Date. The additional Standby Fee must be delivered to Freddie Mac concurrently with the fully executed originals of each amendment to the Forward Commitment to effectuate such extension(s).

d. Fees and expenses of Single Counsel (08/17/23)

See Section 25.2 for a description of the applicable legal fees and expenses for Single Counsel. With respect to fees and expenses for Single Counsel at Conversion, the Seller must pay the legal fees and expenses (based on actual time and hourly rates) of Single Counsel for representing both Freddie Mac and the Seller in connection with the Conversion on or before the Conversion Date. The Seller may, at its option, obtain from the Borrower the funds with which to pay or reimburse the fees and expenses of Single Counsel in connection with Conversion. Nevertheless, Seller is responsible for the payment of Single Counsel’s fees and expenses regardless of whether the Seller obtains a deposit for such funds from the Borrower or is successful in obtaining such funds at a later date. See Section 25A.4 for further discussion of Single Counsel’s role and documentation responsibilities in the context of Forward TELs.

25A.4 Single Counsel and Documentation Responsibilities (08/17/23)

See Section 25.2 regarding general requirements for Single Counsel in TEL. Regarding Forward TELs and Conversions of Forward TELs, the following additional provisions apply:

1. Single Counsel will prepare the Construction Phase Financing Agreement to be effective on the Origination Date. Single Counsel will also prepare the relevant Loan Documents for the transaction and will attach those documents to the Construction Phase Financing Agreement.
2. Construction Lender's counsel will be responsible for preparing its construction loan agreement, loan disbursement agreement, security instrument and project note to be in effect during the construction phase, together with its other construction loan documents.

25A.5 Conditions Precedent to Rate Lock (08/17/23)

Prior to locking the interest rate for the Permanent Phase, Seller must deliver each of the following items in form acceptable to Freddie Mac:

- Drafts of the Loan Documents required by the Forward Commitment in substantially final form



- Drafts of the required opinions of bond counsel, counsel to the fiscal agent, and counsel to the Borrower, SPE Equity Owner (if applicable) and Guarantor in substantially final form
- A pro forma title insurance policy which takes no exceptions for materialmen's or mechanics' liens by any party and otherwise meets the requirements of this Guide
- A survey of the Property, if one is required by the Forward Commitment, meeting the requirements of this Guide
- Drafts of the organizational documents of the Borrower, including Borrower's amended and restated operating or partnership agreement (as applicable), in substantially final form
- Final drafts (or copies of executed versions, as applicable) of all documentation concerning approved Subordinate Financing (if any) and laundry and commercial leases, including such subordination agreements as are required by the Forward Commitment
- Final drafts of the land use restriction agreements or similar instruments to be executed by the Borrower in connection with the TEL
- Evidence of final approval from the governmental lender
- For LIHTC properties, a copy of the 42(m) letter for the Property
- For LIHTC properties, evidence of final approval from the LIHTC equity investor
- Evidence of final approval from the construction lender to originate the TEL

25A.6 Extending the Forward Commitment (08/17/23)

The provisions of Section 19A.10 apply, except for the following additional requirements:

- With respect to Section 19A.10(a), the first bullet point is inapplicable to Forward TELs.
- Freddie Mac may require, in its sole discretion, an opinion of bond counsel that the extension of the start date of the amortization schedule will not, in and of itself, adversely affect the excludability from gross income, for federal income tax purposes (and, where applicable, for State income tax purposes), of the interest payable on the tax-exempt governmental note.

25A.7 Conditions to Conversion (08/17/23 02/22/24)

The provisions of Section 19A.12 apply to Conversions of Forward Commitments for TELs, except as otherwise stated below and in Section 25A.8. In addition, (i) wherever there is a reference in Section 19A.12 to "TAH Cash Conversion Underwriting Package", it should be deemed to mean "TAH TEL Conversion Underwriting Package" and (ii) wherever there is a reference in Section 19A.12 to 9% LIHTC, it should be deemed to mean 4% LIHTC.

a. Property requirements for Conversion (08/17/23 02/22/24)

1. Title and Survey



Freddie Mac will have received each of the following meeting the requirements of this Guide and otherwise acceptable to Freddie Mac:

- An update to the analysis of and recommendation as to the exceptions to title from the Seller and Single Counsel
- A commitment to insure together with a pro-forma endorsement for the final date-down endorsement for the title policy or a pro-forma for a new title policy, in either case insuring the lien of the Security Instrument, as amended and restated on the Conversion Date, which endorsement or policy contain no exceptions to title, except as may be approved by Freddie Mac and otherwise in conformance with Freddie Mac's then-current title requirements
- An ALTA "as-built" survey of the completed construction and/or rehabilitation of the Improvements on the Property, prepared by a licensed surveyor, certified to the Seller, Freddie Mac and the title insurance company and which will otherwise conform with Freddie Mac's then-current survey requirements

2. No material litigation

~~There must not have been any material, civil or criminal investigation, proceeding, decree, judgment or settlement brought against or otherwise affecting the Property, the Borrower, any Borrower Principal, any partner or member (as applicable) of the Borrower, any managing officer of the Borrower, the Guarantor, or any affiliate of the foregoing, or the assets or properties thereof, from that which existed on the Origination Date.~~

32. Execution and Recordation of Documents

The release or assignment to the Seller of any security interest of the construction lender must have been executed and recorded or delivered in escrow for recording under arrangements satisfactory to Freddie Mac, as applicable.

b. Amortization Schedules (08/17/23)

Unless Conversion occurs on the Forward Commitment Maturity Date and at the Rate Locked Maximum Funding Loan Amount stated in the Confirmation Sheet, the Servicer will have prepared and delivered to Freddie Mac (with a copy to the fiscal agent) replacement amortization schedules for the project note and the tax-exempt governmental note.

c. Requirements of Other Parties (08/17/23)

All conditions to Freddie Mac's purchase of the tax-exempt governmental note set forth in the Loan Documents and all other requirements of the governmental lender, the fiscal agent and the construction lender in connection with Conversion must have been satisfied.

d. Opinion of counsel to Borrower and Guarantor (08/17/23)

Freddie Mac and the Seller will have received a final form of an opinion of counsel to the Borrower and Guarantor in form and substance acceptable to Freddie Mac and the Seller.

e. Opinion of bond counsel (08/17/23)



The governmental lender, the fiscal agent, Freddie Mac and the Seller will have received an opinion of bond counsel to the effect that the occurrence of Conversion will not, in and of itself, adversely affect the excludability from gross income, for federal income tax purposes (and, where applicable, for State income tax purposes), of the interest payable on the tax-exempt governmental note.

f. Termination of Completion Guaranty (08/17/23)

Any guaranty of completion executed by the Borrower, any Borrower Principal, any partner of the Borrower (if Borrower is a partnership), any member of Borrower (if Borrower is a limited liability company), the Borrower Principal(s) or the Guarantor, will terminate on the Conversion Date.

g. Other Conversion Criteria (08/17/23)

Any special terms or conditions specified in the Forward Commitment and in the Construction Phase Financing Agreement must be satisfied.

25A.8 Determination of Actual Loan Amount; Mandatory payoff (08/17/2302/22/24)

a. Actual Loan Amount (08/17/23)

At Conversion, Freddie Mac will have determined the amount of the TEL which will be outstanding as of the Conversion Date, in its sole discretion, using Freddie Mac's underwriting standards and criteria as of the Conversion Date ("**Actual Loan Amount**"). Unless approved in writing by Freddie Mac, which waiver will be made by Freddie Mac in its sole discretion, the Actual Loan Amount will not exceed the Rate Locked Maximum Funding Loan Amount and will not be less than the Minimum Loan Amount at Conversion, each as set forth in the Confirmation Sheet.

If the Actual Loan Amount is (i) less than the Rate Locked Maximum Funding Loan Amount or (ii) less than the Minimum Loan Amount at Conversion and Freddie Mac, in its sole and absolute discretion, has nevertheless agreed to purchase the TEL, then the Borrower must demonstrate to Freddie Mac's satisfaction, in its sole and absolute discretion, that the Borrower has secured a source of funds acceptable to Freddie Mac ("**Additional Source of Funds**"), to cover the difference between the outstanding principal amount of the TEL and the Actual Loan Amount ("**Loan Differential**").

If the Borrower has the necessary funds or can secure an Additional Source of Funds to fund payment of the Loan Differential, the Borrower must make a prepayment of a portion of its mortgage loan so as to cause a corresponding prepayment of the TEL on or prior to the Conversion Date in an amount equal to the Loan Differential. Moreover, if the Borrower will incur additional debt to cover all or a portion of the Loan Differential in order to effectuate a payoff of the TEL, such additional debt must be subordinated to the TEL, and the terms, conditions and documentation of the additional debt must meet the requirements for Subordinate Financing set forth in this Guide.

b. Additional Actual Loan Amount (08/17/2302/22/24)

If upon completion and lease up of the Property, the performance of the Property exceeds the pro-forma rents, occupancy and other criteria used by Freddie Mac to underwrite the TEL prior



to the issuance of the Forward Commitment, the Seller may request at the time Seller delivers its TAH TEL Conversion Underwriting Package that the Actual Loan Amount be increased beyond the Rate Locked Maximum Funding Loan Amount as set forth in the Confirmation Sheet by an amount that does not exceed ~~10%~~the Additional Actual Loan Amount Percentage listed in the Confirmation Sheet (or, if not listed in the Confirmation Sheet, then 10%) (the “Additional Actual Loan Amount Percentage”) of such Rate Locked Maximum Funding Loan Amount (any such increase referred to as the “**Additional Actual Loan Amount**”); provided, however, in no event will the Actual Loan Amount at Conversion exceed the amount of the TEL outstanding immediately prior to Conversion.

In connection with any such request, Seller will include in its TAH TEL Conversion Underwriting Package each of the following:

- Seller’s calculation of the Actual Loan Amount supporting the requested Additional Actual Loan Amount based on the performance of the Property
- A new Appraisal which complies with the requirements of Chapter 60 ~~of this Guide~~, and which Appraisal supports the requested Additional Actual Loan Amount

Freddie Mac’s approval of any Additional Actual Loan Amount will be made in Freddie Mac’s discretion based on its underwriting criteria at the time of such request.

To the extent the requested Additional Actual Loan Amount is approved by Freddie Mac:

- The interest rate on such Additional Actual Loan Amount will be equal to the Permanent Phase Interest Rate determined at Rate Lock and specified in the executed and delivered Confirmation Sheet
- The Conversion Acceptance Letter delivered by Freddie Mac will set forth (i) the Additional Actual Loan Amount so approved and (ii) any other updated terms and conditions related to the Additional Actual Loan Amount (including the payment of an Application Fee related thereto) or otherwise with respect to the TEL
- Such approval is conditioned the opinion of bond counsel referenced in Section 25A.7(e) including an opinion to the effect that each of the increased Actual Loan Amount and revised amortization schedule delivered pursuant to Section 25A.7(b) will not, in and of themselves, adversely affect the excludability from gross income, for federal income tax purposes (and, where applicable, for State income tax purposes), of the interest payable on the tax-exempt governmental note

25A.9 TAH TEL Conversion Underwriting Package and Conversion Acceptance Letter (08/17/23)

The provisions of Section 19A.13(b) and 19A.13(d) apply, except that (i) wherever there is a reference to “TAH Cash Conversion Underwriting Package”, it should be deemed to mean “TAH TEL Conversion Underwriting Package” and (ii) wherever there is a reference to “Actual Mortgage Amount” or “Additional Actual Mortgage Amount”, such reference should be deemed to mean “Actual Loan Amount” or “Additional Actual Loan Amount”, respectively.



25A.10 Loan Documents to be used at Conversion (08/17/23)

The provisions of Chapter 25 apply regarding the Loan Documents in TEL, with the exception that a Forward TEL must be documented using the forms of TEL loan documents which were published at mf.freddiemac.com mf.freddiemac.com/lenders/legal/tah-documents.html at the time of the Forward Commitment Rate Lock, and as attached to the Construction Phase Financing Agreement.

25A.11 Final delivery, Funding (08/17/23)

The provisions of Chapter 32 apply, with the exception that the Final Delivery Table of Contents refers to the Final Delivery Package Table of Contents – Conversion of Unfunded Forward Tax-Exempt Loan.

25A.12 Assignment (08/17/23)

Freddie Mac will have the right to assign or otherwise transfer the Forward Commitment, or any mandatory Purchase Contract resulting from the Forward Commitment, to any affiliate or subsidiary of Freddie Mac without the consent of Seller/Service ("Freddie Mac Assignment"). After a Freddie Mac Assignment, all references to Freddie Mac in the Forward Commitment, Purchase Contract, or in this Guide will be deemed to refer to the affiliate or subsidiary of Freddie Mac to which the Freddie Mac Assignment is made.

Summary report: Litera Compare for Word 11.0.0.61 Document comparison done on 2/20/2024 9:33:57 AM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 25A - Originating TAH TELs under a Fwd Commit GB-08-17-23.docx	
Modified filename: 25A - Originating TAH TELs under a Fwd Commit GB-02-22-24.docx	
Changes:	
<u>Add</u>	19
Delete	23
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	42

Multifamily Seller/Service Guide

Chapter 31

Insurance Requirements



31.1 ~~General insurance requirements and insurance~~

~~terms (12/15/22)~~ [General insurance requirements and insurance terms \(02/22/24\)](#)

- a. General requirements (06/30/16)
- b. Requirements applicable only to SBL Mortgages (12/15/22)
- c. Form of coverage (06/30/16)
- d. ~~Additional insurance terms (12/14/18)~~ [Additional insurance terms \(02/22/24\)](#)

31.2 General requirements for Borrower's property damage and general liability insurance (12/14/18)

- a. Acceptable forms (06/30/16)
- b. Insurance term (12/14/17)
- c. Reserve (05/01/14)
- d. Named insured (05/07/07)
- e. Mortgagee clause and additional insured (12/14/18)
- f. Cancellation clause (05/05/17)
- g. Proof of payment (10/31/12)

31.3 Blanket or Master Insurance Policies (06/27/19)

31.4 Acceptable insurers (01/01/13)

31.5 ~~Property damage (All-Risk) insurance (12/15/22)~~ [Property damage \(All-Risk\) insurance \(02/22/24\)](#)

- a. ~~Property damage (All-Risk) deductible (12/15/22)~~ [Property damage \(All-Risk\) deductible \(02/22/24\)](#)
- b. Expanded deductible (12/14/18)
- c. Blanket All-Risk Insurance Limits (06/27/19)
- d. Deductible for All-Risk Blanket Insurance Limit (04/30/19)

31.6 Business Income/Rental Value Insurance (07/01/14)

31.7 ~~Windstorm insurance (04/30/19)~~ [Windstorm insurance \(02/22/24\)](#)

- a. ~~Wind/Hail coverage (04/30/19)~~ [Wind/hail coverage \(04/30/19\)](#)
- b. ~~Wind/Hail deductibles (04/30/19)~~ [Wind/hail deductibles \(02/22/24\)](#)
- c. Named Storm coverage (04/30/19)
- d. ~~Named Storm deductibles (04/30/19)~~ [Named Storm deductibles \(02/22/24\)](#)
- e. Windstorm insurance through a State Windpool (12/14/18)

31.8 Flood insurance (02/16/23)

- a. Flood zone determination (02/16/23)
- b. Flood coverage requirements (12/15/22)
- c. Flood coverage provided by Blanket Insurance Limit (12/14/18)
- d. Maximum deductible for flood insurance (12/14/18)
- e. Seller/Service monitoring responsibilities (05/07/07)
- f. Evaluating the need for flood insurance coverage (12/15/22)

31.9 Earthquake insurance (12/15/22)

- a. Earthquake terms used in this chapter (12/15/22)



b. Earthquake insurance requirements (12/15/22)

31.10 ~~Boiler and Machinery insurance (01/01/13)~~ [Boiler and Machinery insurance \(02/22/24\)](#)

31.11 ~~Builder's Risk insurance (12/14/18)~~ [Builder's Risk insurance \(02/22/24\)](#)

31.12 Ordinance and Law insurance (07/01/14)

31.13 Terrorism insurance (06/27/19)

31.14 ~~Localized perils insurance (04/30/19)~~ [Localized perils insurance \(02/22/24\)](#)

31.15 Sewer and drain insurance (01/01/13)

31.16 General liability insurance (12/14/23)

- a. Required CGL and umbrella or excess coverage (12/15/20)
- b. Maximum deductible and Self-Insured Retention (SIR) for liability insurance (12/15/20)
- c. Vehicle liability insurance (12/14/23)

31.17 Professional liability insurance requirements for certain Seniors Housing Mortgages (12/15/20)

- a. Professional liability (PL) insurance requirements (12/15/20)
- b. Additional insured (01/01/13)
- c. Deductibles and self-insured retention (SIR) (12/15/20)

31.18 Cooperative (Co-op) Requirements (01/01/13)

- a. Fidelity bond/crime insurance coverage (01/01/13)
- b. Co-op directors' and officers' liability insurance (01/01/13)

31.19 Insurance records for origination and Servicing (12/14/23)

- a. Documentation of Borrower insurance compliance at loan origination (02/17/22)
- b. Post-purchase reporting of Borrower insurance compliance (12/14/23)

31.20 Evidence of insurance (12/15/22)

- a. Temporary evidence of insurance (12/15/22)
- b. Permanent evidence of insurance (12/15/22)

31.21 General requirements applicable to all property and liability insurance documentation (12/17/19)

31.22 Verification of required and continuing property and liability insurance coverage (12/17/19)

- a. Required coverage (04/30/19)
- b. Continuing coverage (12/17/19)

31.23 Reserved (12/14/18)

31.24 Ensuring continuous insurance coverage (04/30/19)

- a. General requirements for ensuring continuous insurance coverage (01/01/13)
- b. Forced placed insurance (04/30/19)
- c. Notice to Freddie Mac of forced placed insurance (04/30/19)



d. Payment for forced placed insurance (04/30/19)

31.25 Indemnification (07/01/11)

31.26 Reserved (06/30/16)

31.27 Captive insurance companies (04/30/19)

31.28 Manufactured Housing Communities (07/01/14)



31.1 General insurance requirements and insurance terms (~~12/15/2020~~12/22/24)

This chapter states the Property and Liability Insurance requirements applicable to Multifamily loans purchased by Freddie Mac.

a. General requirements (06/30/16)

At all times during the term of the Mortgage, the Seller/Servicer must:

- Ensure that the Property is covered by all insurance policies required by the Loan Documents and the Purchase and Servicing Documents
- Ensure that the Borrower complies with all insurance requirements mandated by federal laws and by State and local laws of the jurisdiction where the Property is located
- Arrange for all insurance notices, policies, invoices and correspondence relating to any insurance policy to be delivered directly to the Seller/Servicer
- Comply with the stated insurance coverage and limit requirements in this Chapter 31 that are applicable to the Property
- Comply with all documentation, delivery and Servicing requirements of this Chapter 31

b. Requirements applicable only to SBL Mortgages (12/15/22)

1. Requirements for adequate property and liability insurance coverage

As of the Freddie Mac Funding Date and throughout the term of the SBL Mortgage, the Seller/Servicer must evaluate the insurance coverage and limits for each Property and ensure, to its satisfaction, that adequate property and liability insurance coverage is in place.

The term “Recommended Insurance Standards” means all of the standards for insurance coverage and limits as well as any related guaranty requirements set forth in this Chapter 31.

When evaluating the adequacy of the property and liability insurance coverage for the Property, the Seller/Servicer must refer to the Recommended Insurance Standards and must document, as specified in Section 31.1(b)(2), any insurance coverage limit, insured peril, or other aspect of the insurance coverage that differs from the Recommended Insurance Standards. The Seller/Servicer may approve insurance coverage for the Property that differs from the Recommended Insurance Standards provided that the Seller/Servicer ensures that the insurance coverage maintained for the Property includes adequate coverage for the kind of risks customarily insured against and in such minimum coverage and maximum deductibles as are customarily and generally acceptable to institutional lenders for properties comparable to the Property.

At all times during the term of the SBL Mortgage, the Seller/Servicer must also:

- Ensure that the Borrower and the Property are covered by all insurance policies required by the Loan Documents



- Ensure that the Borrower complies with all insurance requirements mandated by federal laws and by State and local laws of the jurisdiction where the Property is located
- Comply with all documentation, delivery and servicing requirements of Sections 31.2 through 31.28

The Seller/Servicer is not permitted to exercise its discretion to approve coverage that differs from the following:

- The All-Risk insurance requirements in Section 31.5
- The Business Income/Rental Value Insurance requirements in Section 31.6
- The flood insurance requirements in Section 31.8
- The earthquake insurance requirements in Section 31.9

2. Representations of adequate insurance coverage; Coverage and Gap Reporting

As of the Freddie Mac Funding Date and throughout the term of each SBL Mortgage, the Seller/Servicer must document via the Insurance Compliance Tool (ICT) each of the following (collectively, “Coverage and Gap Reporting”)

- The property and liability limit insurance coverage in place for the SBL Mortgage
- Any insurance coverage limit, insured peril or other aspect of insurance coverage for the SBL Mortgage that differs from the Recommended Insurance Standards applicable to the Property

Freddie Mac will accept the Coverage and Gap Reporting entered by the Seller/Servicer into the Insurance Compliance Tool (ICT) as the Seller/Servicer’s representation of adequate property and liability insurance coverage for the SBL Mortgage and justification of the adequacy of coverage where coverage gaps are present.

c. Form of coverage (06/30/16)

The required insurance coverage may be provided by one individual policy, separate individual policies, one or more Blanket Insurance policies, a master program, or any combination of these. Coverage may also be added to a policy through endorsements or riders. Regardless of the form, each policy, endorsement or rider must show the complete address of the Property.

d. Additional insurance terms (~~12/14/18~~02/22/24)

The following insurance terms when used in this chapter have the following meanings:

1. Agreed Amount provision

The Borrower and the insurance company agree that if the Property is insured for a specified dollar amount, the Coinsurance Clause will be offset or suspended.

Guide Bulletin Update ~~12/14/23~~02/22/24 Chapter 31 – Page 5



2. Specific Insurance Limit

A Specific Insurance Limit provides one “per occurrence” (per peril) limit that applies to a single location. Specific Insurance Limits may be provided through an individual policy or through a master policy with scheduled limits for each location.

3. Blanket Insurance Limit

A Blanket Insurance Limit provides one “per occurrence” limit as a shared limit for more than one property or more than one category of coverage, or both. Blanket Insurance Limits may be provided by an individual policy or a blanket policy.

4. Blanket Insurance Policy

A blanket insurance policy provides coverage for multiple properties and/or multiple perils through a single policy with Blanket Insurance Limits.

5. Master Insurance Policy

A master insurance policy provides coverage for multiple properties and/or multiple perils through a single policy with Specific Insurance Limits scheduled for each property covered by the policy.

6. Coinsurance Clause

The Coinsurance Clause requires the Property to be insured for a specific percentage of the Property’s Replacement Cost [Value](#) (typically 80, 90 or 100 percent) in exchange for a lower rate. If, at the time of loss, it is determined that the insurance purchased is less than the insurance required by the Coinsurance Clause, the loss recovery will be limited to the same percentage of loss as the ratio of the insurance amount carried to the insurance amount required.

7. Joint Loss Agreement

Where the property damage policy and the Boiler and Machinery policy are provided by different insurance companies, an endorsement added to both the property damage policy and the Boiler and Machinery policy that requires the respective insurance companies to each pay 50 percent of any claim covered by both policies.

8. Replacement Cost Value

The Replacement Cost Value (RCV) is the estimated cost to replace the Property improvements on the same premises with improvements of comparable material and quality and used for the same purpose.

The following items should not be included in the estimated RCV:

- Cost to reconstruct the foundation(s). (However, when determining the RCV of improvements for flood insurance, the value must include the cost to repair or replace the foundation and supporting structures)



- Cost of site improvements, such as driveways, parking lots, sidewalks, and landscaping

Though the Seller/Serviceicer may use other reliable resources to determine estimated RCV, the most common resources include:

- **Insurance company** – the RCV estimate provided by the insurance company that has underwritten or will underwrite the property damage insurance. Using the insurance company’s estimate, where provided, will help reduce any disagreements about coverage if a claim is filed
- **Appraiser** – a qualified commercial real estate appraiser experienced in the market
- **Contractor** – a reputable commercial contractor with experience constructing and/or reconstructing properties in the area similar to the Property
- **Third-party vendor** – a third-party vendor that specializes in **Replacement Cost** RCV calculations or publishes data used for this purpose

9. Actual Cash Value

Actual Cash Value is the cost to repair or replace damaged property with material of like kind and quality, minus physical depreciation at the time of the damage or loss.

10. ~~9.~~ Total Insurable Value (TIV)

The Total Insurable Value (TIV) equals the sum of the RCV of the building(s), the business income rental value, and the value of the business personal property, if any.

11. ~~10.~~ Schedule of Values (SOV)

A Schedule of Values (SOV) is a listing of insurable values (all elements of the TIV) provided to an insurance company for all properties for which an insured Borrower requires coverage under a property insurance policy.

31.2 General requirements for Borrower's property damage and general liability insurance (12/14/18)

As of the Freddie Mac Funding Date and throughout the term of the Mortgage, the Seller/Serviceicer must ensure that the Borrower has in force property damage and liability insurance coverage for the Property, including Cooperatives (Co-ops), that meets the requirements of the Purchase and Servicing Documents.

All property damage and general liability insurance forms and policies must provide coverage that is equivalent to the coverage contained in the Insurance Service Office (ISO) forms and policies.

a. Acceptable forms (06/30/16)

ISO’s standard Special Causes of Loss Form (formerly referred to as “All Risk”) and Commercial General Liability Form are acceptable forms of property damage and liability insurance, respectively.

**b. Insurance term (12/14/17)**

Generally, insurance policies are written for a term of 12 months. However, Freddie Mac will permit a policy of any term, as long as the policy is in full force and effect on the Origination Date of the Mortgage and coverage remains continuous throughout the term of the Mortgage.

See Section 31.22 for additional information on renewals.

c. Reserve (05/01/14)

Unless otherwise set forth in the Loan Documents or otherwise deferred by Freddie Mac, the Servicer must collect sufficient funds on the Origination Date and through subsequent monthly Reserve payments to pay the premiums for all insurance policies required in the Purchase and Servicing Documents. The Servicer must also collect Reserves for an additional amount of the estimated cost of such premiums, if required by the Loan Documents. If National Flood Insurance Program (NFIP) flood insurance is required, the Seller/Servicer must collect Reserves for the NFIP flood insurance if the Seller/Servicer collects Reserves for other insurance on the Property.

Unless Freddie Mac has deferred the collection of the Reserves for insurance premiums for Blanket Insurance policies, master programs, and liability insurance policies covering multiple properties, the Seller/Servicer must either:

- Collect Reserves for the premium allocation obtained from the insurance agent or broker, for each Property securing a Freddie Mac Mortgage that is insured under the applicable policy and serviced by the Servicer to ensure that the Servicer will have sufficient funds in the Reserve to pay the allocated premium due on the applicable policy or policies, or
- Collect Reserves for an amount sufficient to purchase an individual insurance policy or policies providing Specific Insurance.

If the Servicer collects a Reserve for insurance premiums, the Servicer must pay the premiums for all required insurance when due.

If the Servicer does not maintain a Reserve for insurance premiums, the Seller/Servicer must ensure that the Borrower has made the payments as required in Section 31.2(g).

See Section 39.2 for additional information regarding Reserves and payments.

d. Named insured (05/07/07)

The named insured in each policy must be the Borrower or the Borrower Principal. If the Borrower Principal is the named insured, the Borrower must be named as an additional insured.

e. Mortgagee clause and additional insured (12/14/18)

Each property damage policy (including all perils within the scope of “Causes of Loss – Special Form” or “All Risk” policy, and any other cause for which Freddie Mac requires or may require property damage insurance) required by the Purchase and Servicing Documents must contain a standard mortgagee clause and a loss payable clause in favor of, and in a form acceptable to, Freddie Mac.



Each general liability policy (including commercial general liability (CGL), umbrella liability and excess liability) must name Freddie Mac as an additional insured. If umbrella or excess liability policies are “Follow Form” to the underlying CGL policy, verification of additional insured status on the umbrella or excess policies is not required.

Freddie Mac must not be named as an additional insured in any professional liability insurance policies, including a primary, excess and/or umbrella professional liability insurance policy for a Seniors Housing Mortgage with assisted living, Alzheimer’s care, and/or skilled nursing units.

Except as noted above, the mortgagee (for a property damage policy) and additional insured (for a liability policy including commercial general liability (CGL), umbrella liability and excess liability) in the Borrower’s insurance policies must be designated as shown in the following example:

FREDDIE MAC its successors and assigns
C/O NAME OF SELLER/SERVICER
100 MAIN STREET
HOMETOWN USA 12345

f. Cancellation clause (05/05/17)

Unless required otherwise by State law, each property damage insurance policy must provide that the insurer will notify the named mortgagee in writing at least 10 days before cancellation of the policy by the insurer for nonpayment of the premium or nonrenewal, and at least 30 days before cancellation by the insurer for any other reason.

General liability and umbrella or excess liability insurance policies must provide that the insurer will notify at least the named insured in writing at least 10 days before cancellation of the policy by the insurer for nonpayment of the premium or nonrenewal, and at least 30 days before cancellation by the insurer for any other reason, unless otherwise required by State law. Note that under the terms of the Loan Documents, the Borrower must promptly deliver to the lender a copy of any notices received by the Borrower with respect to the insurance policies.

g. Proof of payment (10/31/12)

The Seller/Servicer must ensure that the Borrower:

- Has paid all initial insurance policy premiums in full prior to final delivery of the Mortgage to Freddie Mac, and
- Pays all insurance premiums for all renewals (or new policies, as applicable) in advance of the due date throughout the term of the Mortgage, unless the Servicer collects Reserves for insurance in accordance with Section 31.2(c).

31.3 Blanket or Master Insurance Policies (06/27/19)

Freddie Mac permits Blanket or Master Insurance policies that insure multiple properties, including the Property and other properties that may or may not be encumbered by Mortgages purchased



by Freddie Mac, provided that:

- The insurance documentation clearly identifies the complete street address of the Property;
- All properties insured on the blanket policy have common ownership by a single borrower, sponsor or parent company, or are managed by the same property management company on behalf of the Borrower; and
- The policy complies with all other applicable insurance requirements in this chapter.

The Seller/Servicer must, to its satisfaction, determine, support and document in the Mortgage File that any Blanket Insurance Limits provide adequate coverage relevant to the risks associated with the Property covered by the limits.

The Seller/Servicer must obtain and review sufficient information to evaluate the Borrower's Blanket Insurance Limits, including geographic concentrations of insurable value, such as adjacent or nearby properties covered by the same limits, and with respect to any peril applicable to the Property. The Seller/Servicer must collect appropriate documentation such as Schedules of Value, evidence of insurance coverage or insurance policies, portfolio risk modeling results, and other relevant information the Seller/Servicer deems necessary to complete its analysis. Other relevant information may include property addresses, number of buildings and stories, building RCV, business income/rental value, business personal property (if any), whether there are buildings located in a SFHA requiring flood coverage, whether a property is located in an Elevated Seismic Hazard Region as defined in Section 64.2 or Section 64SBL.2, as applicable.

Freddie Mac recognizes that some Borrowers purchase property insurance through large programs that insure entities and properties that do not share a common ownership with the Borrower. Freddie Mac perceives additional risk in the Blanket Insurance policies for these properties and encourages the Seller/Servicer to carefully analyze these policies to determine if the Property and other Properties encumbered by a Freddie Mac Mortgage are adequately insured.



31.4 Acceptable insurers (01/01/13)

Each insurance carrier providing property damage and/or liability insurance, whether admitted or non-admitted, must comply with the minimum rating requirements below based on the carrier’s aggregate exposure as follows:

INSURANCE CARRIER RATINGS AND FINANCIAL SIZE CATEGORIES					
Aggregate Carrier Exposure	Minimum A.M. Best Financial Strength Rating	AND	Minimum A.M. Best Financial Size Category	OR	Minimum Rating from: Fitch Inc., Standard & Poor’s Rating Services, or Moody’s Investors Service Inc.
≤ \$5 million	A-	AND	VII	OR	<ul style="list-style-type: none"> A- by Fitch Inc., or A- by Standard & Poors Ratings Services, or A3 by Moody’s Investors Service Inc.
> \$5 million & ≤ \$25 million	A-	AND	VIII		
> \$25 million	A-	AND	IX		

Insurance carrier rating requirements and minimum financial size categories are based on the aggregate carrier exposure, which is defined in the chart below.

Aggregate Carrier Exposure (for each individual carrier)		
Insurance type		Aggregate Carrier Exposure
Property damage insurance	Specific Insurance or policy for one Property	Required building coverage limits + required Business Income/Rental Value Insurance
	Blanket Insurance or master program from one carrier	Blanket Insurance or master program limit
	An individual policy, Blanket Insurance or master program with more than one carrier participating with layered limits	Total limit provided by the carrier in all layers in which the carrier participates
Liability insurance	Specific Insurance or policy for one Property	Total aggregate limits (general liability + excess/umbrella)
	Liability insurance for multiple properties, or master program from one carrier	Total aggregate limits (general liability + excess/umbrella)
	An individual policy, liability insurance policy for multiple properties or master program with more than one carrier participating with layered limits	Total limit provided by the carrier in all layers in which the carrier participates



31.5 Property damage (All-Risk) insurance (~~12/15/22~~02/22/24)

Property damage insurance is required for all Mortgages to ensure the improvements are protected against loss or damage from fire and other perils covered within the scope of an Insurance Services Office (ISO) Special Causes of Loss or "All Risk" policy form. All-Risk insurance coverage must:

- Be written in an amount not less than 100 percent of the estimated RCV of the improvements without any deduction for depreciation, and
- Either not contain a Coinsurance Clause or contain a Coinsurance Clause that is offset by an Agreed Amount provision. If an Agreed Amount provision is used, the Agreed Amount must be no less than the estimated RCV.

In addition, coverage for roof coverings may be written on an Actual Cash Value basis.

Additionally, Freddie Mac recommends that the policy contain a Joint Loss Agreement if Boiler and Machinery insurance is required and the insurance carrier providing Boiler and Machinery insurance is different from the carrier providing property damage insurance.

Freddie Mac also recommends that the policy contain an Inflation Guard endorsement, providing for an annual adjustment of the insurance amount based on that geographic area's inflation rate, or a similar option. (Inflation Guard may not always be available.)

a. Property damage (All-Risk) deductible (~~12/15/22~~02/22/24)

The maximum deductible per occurrence for property damage (All-Risk) insurance policies providing Specific Insurance Limits is:

Replacement Cost <u>RCV</u>	Maximum Deductible
< \$10 million	\$50,000
≥ \$10 million	\$75,000 <u>100,000</u>

b. Expanded deductible (12/14/18)

For existing Mortgages, if the Borrower is unable to obtain a policy that complies with the maximum deductibles required by the applicable sections of this chapter, the Servicer may approve the following expanded maximum deductibles for all property damage policies providing Specific Insurance Limits (other than NFIP, windstorm and earthquake insurance) if all of the conditions below have been met.

Expanded Deductibles	
Replacement Cost <u>RCV</u>	Maximum Deductible
< \$10 million	\$100,000
≥ \$10 million	\$150,000



- The Borrower is unable to obtain deductibles for the applicable property damage insurance in compliance with the other applicable sections of this chapter
- The Borrower or Borrower Principal demonstrates liquid assets at least four times the deductible amount
- The Mortgage has a Risk Rating of six or less
- The Mortgage is not currently delinquent and has not been delinquent within the last 12 months
- The Property is in average or better condition according to the most recent inspection

The waiver of the maximum deductible is only valid for one policy term. At the end of that period, if the Borrower has been unable to obtain deductibles in compliance with the other applicable sections of this chapter, the Servicer may permit renewal of the waiver of the maximum deductibles in compliance with this sub-section.

c. Blanket All-Risk Insurance Limits (06/27/19)

For policies providing property damage (All-Risk) insurance coverage using Blanket Insurance Limits, the Seller/Servicer must, to its satisfaction, determine, support, and document that the Blanket Insurance Limits, including any sub-limits, are adequate for the risks applicable to the Property. In evaluating whether the Blanket All-Risk Limits provide adequate coverage for concentrations of insurable value, the Seller Servicer must take into consideration the TIV of nearby properties that are covered by the same blanket limit. The Seller Servicer must maintain a copy of its blanket-limit analysis in the associated loan file.

The blanket “All-Risk” limit must be no less than the greater of the following:

- The largest individual TIV covered by the Blanket Insurance Limit, or
- The aggregate TIV of the Property, any adjacent properties sharing a boundary with the Property, any properties separated from the Property by a street, alley, or public space, and any other properties within 100 feet of the Property and covered by the same blanket limit.

d. Deductible for All-Risk Blanket Insurance Limit (04/30/19)

The maximum per occurrence deductibles when All-Risk coverage is provided by a Blanket Insurance Limit is one percent per unit of insurance to a maximum of \$250,000.

31.6 Business Income/Rental Value Insurance (07/01/14)

Business Income/Rental Value Insurance is required for all applicable property damage perils within the scope of the “Causes of Loss – Special Form” or “All Risk” policy, including windstorm, flood, earthquake and terrorism, regardless of whether the coverage is provided on an All-Risk or separate policy.

The Business Income/Rental Value Insurance must be sufficient to cover the minimum number of months of effective gross income (EGI) based on underwritten EGI or the most recent year-end financials, and the minimum extended period of indemnity in accordance with the following:

Guide Bulletin Update [12/14/23](#)[02/22/24](#) Chapter 31 – Page 13



Mortgage unpaid principal balance (UPB)	Minimum number of months EGI	Minimum extended period of indemnity
\$50 million or less	12 months	None required
Greater than \$50 million	18 months	90 days

When considering Business Income/Rental Value Insurance for Cooperative Properties, the calculation of the EGI required must include routine maintenance fees and special assessments for the Property.

Business Income/Rental Value coverage may be provided on an Actual Loss Sustained (ALS) basis (i.e., coverage pays only for the insured’s actual loss of income, up to the overall limit of the policy), provided that any limit associated with the ALS coverage is not less than the equivalent value of the minimum number of months EGI required.

The waiting period (also known as the deductible) for this coverage may not exceed seven days.

31.7 Windstorm insurance (04/30/1902/22/24)

Windstorm insurance refers to coverage for damages caused by high winds, hail, tornados, and hurricane-force winds (“Named Storm”). If coverage for windstorm and/or windstorm related perils and/or Named Storms is excluded from the primary property insurance policy, separate windstorm coverage must be obtained, either through an endorsement or a separate policy.

a. Wind/Hailhail coverage (04/30/19)

Wind/hail coverage must meet the requirements identified in Sections 31.5 and 31.6, with the exception of deductibles.

b. Wind/Hailhail deductibles (04/30/1902/22/24)

The maximum per-occurrence deductible when wind/hail coverage is provided by a Specific Insurance Limit is as follows:

- When expressed as a percentage, five percent per unit of insurance
- When expressed as a dollar amount:

TIV of the Property	Maximum deductible
< \$10 million	\$50,000
≥ \$10 million	\$75,000 100,000

The maximum per-occurrence deductible when wind/hail coverage is provided on a Blanket Insurance Limit basis is as follows:

- When expressed as a percentage, five percent per unit of insurance
- When expressed as a dollar amount, \$250,000



c. Named Storm coverage (04/30/19)

For all properties located in Tier 1 Windstorm Risk counties, as defined by the insurer, Named Storm coverage must meet the requirements in Sections 31.5 and 31.6, with the exception of deductibles.

If Named Storm coverage is provided as part of a Blanket Insurance Limit, the Seller/Service must determine, to its satisfaction, that the blanket Named Storm limits are adequate for the Property and any concentrations of insurable value associated with other properties covered.

The Blanket Insurance Limit for Named Storm may not be less than the greater of the following:

- The largest individual TIV of properties covered by the Blanket Insurance Limit, or
- 40 percent of the aggregate TIV within any State covered by the Blanket Insurance Limit (e.g., if the Blanket Insurance Limit covers properties in both Florida and Texas, then for Florida, 40 percent of the aggregate TIV of all properties within Tier 1 Windstorm Risk counties in Florida covered by the policy; for Texas, 40 percent of aggregate TIV of all properties in Texas covered by the policy that are located in Tier 1 Windstorm Risk counties in Texas).

d. Named Storm deductibles (04/30/19 ~~02/22/24~~)

The maximum per-occurrence deductible when Named Storm coverage is provided by a Specific Insurance Limit is as follows:

- When expressed as a percentage, five percent per unit of insurance.
- When expressed as a dollar amount:

TIV of the Property	Maximum deductible
< \$10 million	\$50,000
≥ \$10 million	\$ 75,000 <u>100,000</u>

The maximum per-occurrence deductible when Named Storm coverage is provided on a Blanket Insurance Limit basis is as follows:

- When expressed as a percentage, five percent per unit of insurance.
- When expressed as a dollar amount, \$250,000.

e. Windstorm insurance through a State Windpool (12/14/18)

If windstorm coverage is only available from a State Windpool, the policy must meet the requirements in 1, 2, or 3 below:

1. If the policy issued by the State Windpool does not contain a Coinsurance Clause, the policy must be written in an amount no less than 100 percent of the estimated



Replacement CostRCV of the insurable improvements without any deduction for depreciation.

2. If the policy issued by the State Windpool contains a Coinsurance Clause that is offset or suspended by an Agreed Amount provision:
 - The policy must be written in an amount no less than 100 percent of the estimated **Replacement Cost**RCV of the insurable improvements without any deduction for depreciation, and
 - The Agreed Amount must equal the estimated **Replacement Cost**RCV.
3. If the policy issued by the State Windpool contains a Coinsurance Clause that is not offset or suspended by an Agreed Amount provision, then all of following are required:
 - The policy must be written in an amount no less than 100 percent of the estimated **Replacement Cost**RCV of the insurable improvements without any deduction for depreciation.
 - The **Replacement Cost**RCV estimate must meet the requirements of the Guide.
 - The Servicer must document in the Mortgage File that there is a **Replacement Cost**RCV estimate dated within 12 months of the request for Coinsurance.
 - The policy must contain a Coinsurance Clause less than or equal to 80 percent.

In addition, the guarantor must sign an additional guaranty for any losses incurred by Freddie Mac associated with the Borrower's failure to maintain the required Windstorm Coverage.

If the Business Income/Rental Value Insurance required in Section 31.6 is not included in the State Windpool insurance policy, the Borrower must obtain separate Business Income/Rental Value Insurance relevant to Windstorm Coverage.

31.8 Flood insurance (02/16/23)

Flood insurance is required for any building that is part of the Property that is fully or partially located in a Special Flood Hazard Area (SFHA) Zone A or V, as defined by the Federal Emergency Management Agency (FEMA).

Specific coverage requirements are identified below; however, the Seller/Servicer must ensure the coverage meets the minimum mandatory purchase requirements identified in the following Federal flood insurance statutes, as well as any applicable Federal agency rulemaking and publication:

- National Flood Insurance Act of 1968 (1968 Act)
- Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert Waters)
- Flood Disaster Protection Act of 1973 (FDPA)
- Homeowner Flood Insurance Affordability Act of 2014



Freddie Mac may require flood insurance for buildings located outside of a SFHA Zone A or V, if it determines that flood insurance is warranted, such as for buildings with a history of prior flooding or subject to risk of storm surge flooding.

a. Flood zone determination (02/16/23)

Seller/Serviceicers must determine whether any buildings located at the Property are or will be fully or partially located in a SFHA, using the FEMA Standard Flood Hazard Determination Form (SFHDF). Seller/Serviceicers must ensure that all structures at the Property will be evaluated when ordering the SFHDF. In addition to the Property address listed in the Collateral Description of the SFHDF, Seller/Serviceicers must provide to the vendor supplemental information such as the Property's legal description or parcel descriptions. The resulting Flood Zone Determination (FZD) form, and any subsequent FZD forms, must be effective for the life of the related loan and be included in the Mortgage File.

Any Property that has buildings located in a SFHA but is located in a community that does not participate in the National Flood Insurance Program (NFIP), is not eligible for sale to Freddie Mac, regardless of whether private flood insurance is available.

b. Flood coverage requirements (12/15/22)

For each building that is fully or partially located in a SFHA, Freddie Mac requires flood insurance equal to at least the following:

- The RCV of the first two floors of the building above grade, plus
- The RCV of any floors below grade, plus
- 12 months of business income/rental value associated with the building, and
- The insurable value of Borrower-owned contents or business personal property within the building.

The above coverage requirements can be met by obtaining flood insurance from private flood insurers or from insurers providing policies under the NFIP, or any combination thereof. Policies issued by private flood insurers must meet the minimum requirements for Acceptable Insurers identified in Section 31.3. Policies issued by insurers participating in the NFIP, as well as those insurers authorized to participate in the NFIP's Write Your Own program, are acceptable.

Contents or business personal property generally includes equipment and inventory owned by the Borrower which are used in connection with the ownership, management or operation of the Property that do not otherwise constitute fixtures. Seller/Serviceicers are responsible for having a process in place to obtain inventory and the insurable value of Borrower-owned contents or business personal property within buildings located in SFHAs in order to determine the required coverage. Seller/Serviceicers must provide documentation of the presence or absence of borrower-owned contents or business personal property within the building in the Mortgage file.

Private flood insurance policies must:



- Be written on a RCV basis without any deduction for depreciation,
- Provide coverage and terms at least as broad as or better than the coverage and terms provided under a standard flood insurance policy issued under the NFIP private flood insurance policies, and
- Either not contain a Coinsurance Clause or contain a Coinsurance Clause that is offset by an Agreed Amount provision. If an Agreed Amount provision is used, the Agreed Amount must be no less than the estimated RCV.

When an NFIP policy is used, the Seller/Servicer must consider the extent of recovery allowed under the NFIP policy for the type of building being insured in order to avoid creating a situation in which a Borrower would pay for more coverage than a NFIP policy would pay out in the event of a loss.

Freddie Mac does not require flood insurance for low-value, non-residential structures located in a SFHA that meet the exemption provisions of HFIAA. Such structures include maintenance buildings, storage sheds, pool houses, carports, laundry buildings, and gatehouses.

c. Flood coverage provided by Blanket Insurance Limit (12/14/18)

Blanket Insurance Limits providing private flood insurance for multiple properties are acceptable. The Seller/Servicer must evaluate concentrations of insurable value associated with properties covered by a Blanket Insurance Limit for flood resulting from adjacent properties and properties within the same MSA of the Property. The Blanket Insurance Limit providing flood coverage must be no less than the greater of the following:

- The largest individual amount of flood insurance that would be required under the terms of the Guide for any property with buildings located in an SFHA within the Property's MSA covered by the Blanket Insurance Limit for flood coverage, or
- 40 percent of the aggregate amount of flood insurance that would be required under the terms of the Guide for properties with buildings located in an SFHA within the Property's MSA that are covered by the Blanket Insurance Limit for flood coverage.

The Seller/Servicer must obtain and review sufficient information to evaluate the Borrower's portfolio of flood risk covered by the Blanket Insurance flood limits. In order to evaluate the Blanket Insurance Limit for flood coverage required above, the Seller/Servicer should consider the following information from the Borrower related to buildings within the Property's MSA that are located in SFHAs:

- Property location (address)
- Number of stories
- Building type (Residential, Other Residential, Non-Residential)
- Building RCV
- Building Business Income/Rental Value (BI/RV)
- Borrower-owned business personal property value
- NFIP limits in place
- Other coverage limits (excess flood) in place



The Seller Servicer may also need the following information to estimate values required for evaluation of the Blanket Insurance Limit for flood coverage:

- Total building RCV for each property
- Total BI/RV for each property
- Total number of buildings at each property
- Number of buildings at each property that are located in a SFHA

d. Maximum deductible for flood insurance (12/14/18)

The following are maximum deductibles allowed for flood insurance policies:

For first-layer building coverage:

- \$50,000 per building for a Property with 10 buildings or less located in SFHAs
- \$500,000 per occurrence for a Property with more than 10 buildings located in SFHAs

For Business Income/Rental Value coverage:

- 15 day waiting period when expressed as a time-elements deductible
- \$100,000 per occurrence when expressed as a monetary deductible

When NFIP policies are used as part of the coverage, the maximum deductible available under the NFIP for the type of building being insured is acceptable.

e. Seller/Servicer monitoring responsibilities (05/07/07)

The Seller/Servicer must have a process in place that allows it to:

- Identify any FEMA NFIP map changes, and
- Determine whether buildings that are part of any Property in a community affected by a map change are now located in, or are no longer located in, an SFHA as a result of the map change

f. Evaluating the need for flood insurance coverage (12/15/22)

1. No change in the flood map, the Property remains in an SFHA

If all or any of the buildings that are part of the Property were previously in an SFHA and remain in an SFHA, flood insurance must remain in force.

2. Change in the flood map, the Property is now in an SFHA

If all or any of the buildings that were not previously in an SFHA are now in an SFHA, Freddie Mac requires the Property to be covered by the required amount of flood insurance no later than 120 days after the effective date of the FEMA NFIP map change. Flood insurance may be obtained from NFIP and/or a private insurance company meeting Freddie Mac's requirements.

3. Documentation required for coverage discontinuation



Freddie Mac will not require flood insurance for buildings at a Property that are no longer in an SFHA if the Servicer receives any one of the following:

- Letter of Map Amendment (LOMA) from FEMA excluding the insurable improvements or the entire Property from the SFHA, or
- Letter of Map Revision (LOMR) from FEMA removing the community's SFHA designation, or
- Letter of Determination Review (LODR) concluding that the insurable improvements are not in the SFHA

The Borrower must maintain flood insurance on the insurable improvements until FEMA issues a LOMA, LOMR or LODR. Upon issuance of a LOMA, LOMR or LODR, the Borrower may request from FEMA a refund of paid flood insurance premiums through the insurance agent servicing the flood insurance policy. A copy of the LOMA, LOMR or LODR, as applicable, must be maintained in the Mortgage File.

Within 10 days of authorizing the Borrower to discontinue flood insurance coverage, the Servicer must give written notice to Freddie Mac by emailing MF_Insurance_Compliance@FreddieMac.com noting the property name, loan number, and the changes. The Servicer must also complete and submit a Summary Update record in Insurance Compliance Tool (ICT) with documentation including a copy of the LODR, LOMA, or LOMR and any other applicable documentation.

31.9 Earthquake insurance (12/15/22)

a. Earthquake terms used in this chapter (12/15/22)

These terms, when used in this chapter, have the following meanings:

- **Seismic Risk Assessment (SRA)**

The Seismic Risk Assessment (SRA) uses modeling techniques to assess the risk to a Property from seismic events. It takes into consideration proximity to known faults, construction type and quality, building configuration, soil condition and other factors. See Chapter 64 or Chapter 64SBL, as applicable, for Freddie Mac's requirements for an SRA.

- **Scenario Expected Loss-475 (SEL-475)**

The SEL-475 is defined as the SEL corresponding to the mean level loss resulting from the damage experienced due to a 475-year return period earthquake. For additional details regarding the determination of the SEL-475, see Section 64.8 or Section 64SBL.8, as applicable.

For the purposes of this chapter, the term SEL-475 is used instead of the older term Probable Maximum Loss (PML).



b. Earthquake insurance requirements (12/15/22)

In accordance with Chapter 64 or Chapter 64SBL, as applicable, Freddie Mac requires an SRA at the Borrower’s expense for a Property located in an Elevated Seismic Hazard Region. For Properties where multiple building construction types are present (for example, Properties that have buildings with and without tuck-under parking), a SEL-475 estimate is required for each building construction type. If any single building has a SEL-475 greater than 20 percent, then earthquake insurance or seismic retrofit is required for that building.

1. Required earthquake coverage

Earthquake insurance is required per the table below:

SEL-475	Building Stability Concern*	
	No	Yes
≤ 20%	Insurance not required	Ineligible for purchase until seismic retrofit completed unless otherwise approved by Freddie Mac
> 20% & ≤ 40%	Insurance required, and seismic retrofit optional; if the retrofit results in a SEL-475 ≤ 20% at completion, then insurance will no longer be required	Ineligible for purchase until seismic retrofit completed unless otherwise approved by Freddie Mac
> 40%	The affected building(s) must have a seismic retrofit prior to the Mortgage being submitted to Freddie Mac for consideration	

***See Section 64.9 or Section 64SBL.9, as applicable, for Freddie Mac’s requirements for the evaluation of building stability.**

For a Property or buildings for which Freddie Mac requires earthquake insurance, the coverage must be the greater of \$1 million or 150 percent of the difference between the projected loss for the Property or buildings using the actual SEL-475 and the projected loss of the 20 percent SEL-475.

Business Income/Rental Value Insurance and Ordinance and Law coverage is required if the earthquake insurance does not provide that coverage for earthquake damage.

2. Maximum deductible

The maximum deductible for earthquake insurance is as follows:

Borrower Equity	Maximum Deductible (a reserve account is required for certain deductibles)	Reserve Account
≤ 30 percent	5 percent of coverage	Not required
≤ 30 percent	10 percent of coverage	Required for 5 percent of the coverage amount



≤ 30 percent	15 percent of coverage	Required for 10 percent of the coverage amount
> 30 percent	15 percent of coverage	Not required

3. Seismic risk changes subsequent to Freddie Mac’s purchase of the Mortgage

The requirements of this section apply to Mortgages that have been purchased by Freddie Mac.

a. Updates to the National Seismic Hazard Maps

If the United States Geological Survey (USGS) updates the National Seismic Hazard Maps data on its website such that a Property previously not located in an Elevated Seismic Hazard Region subsequently has a PGA (as calculated via the USGS website) equal to or greater than 0.15g, the Seller/Servicer must, within 60 days of the USGS update

- Obtain an updated PGA calculation in accordance with Section 64.2(b) or Section 64SBL.2(b), as applicable
- Obtain an SRA in accordance with the requirements of Chapter 64 or Chapter 64SBL, as applicable
- Submit the seismic risk documentation described in Section 55.2 or Section 55SBL.2, as applicable, to *Multifamily Asset Management, Asset Performance and Compliance*

The Servicer must retain all such documentation in the Mortgage File. In addition, the engineer or firm completing the SRA must send a resume or statement of qualification with the completed SRA. Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* will determine if and/or how much earthquake insurance is required.

If the USGS updates the National Seismic Hazard Maps data on its website such that a Property previously located in an Elevated Seismic Hazard Region now has a PGA less than 0.15g, and earthquake coverage was required based on the results of the previous SRA, the Seller/Servicer may request Freddie Mac approval to discontinue or reduce that earthquake coverage.

The Seller/Servicer must document the updated PGA calculation described in Section 64.2(b) or Section 64SBL.2(b), as applicable, and submit the documentation to Freddie Mac via the Property Reporting System (PRS) in order to request permission from Freddie Mac to discontinue or reduce earthquake insurance.

Closure of the Loan Item Tracking entry for the PGA calculation documentation will constitute Freddie Mac’s notification to the Seller/Servicer that earthquake coverage may be discontinued or reduced.

The Servicer must retain all such evidence in the Mortgage File.



b. After a Property undergoes seismic retrofit

If a Property undergoes a seismic retrofit that results in a SEL-475 of less than or equal to 20 percent and addresses building stability concerns, if applicable, the Seller/Servicer may request Freddie Mac approval to discontinue or reduce the earthquake coverage.

The Seller/Servicer must:

- Obtain an SRA in accordance with the requirements of Chapter 64 or Chapter 64SBL, as applicable
- Upload the SRA documentation for the related Loan Item Tracking (LIT) entry via the Property Reporting System (PRS) and select “Send to Freddie Mac”
- Freddie Mac will review the SRA and close the Loan Item Tracking entry if the SRA confirms that the SEL -475 is less than or equal to 20 percent and there are no building stability concerns, if applicable
- Closure of the Loan Item Tracking entry for the SRA will constitute Freddie Mac's notification to the Seller/Servicer that earthquake coverage may be discontinued or reduced.

The Servicer must retain all such documentation in the Mortgage File.

31.10 Boiler and Machinery insurance (~~01/01/13~~02/22/24)

Boiler and Machinery insurance provides coverage for damage to the

- Central heating, ventilation and cooling system (HVAC)
- Other portions of the Property, if the damage is the result of an explosion of steam boilers, pressure vessels and/or other steam equipment

Freddie Mac requires comprehensive Boiler and Machinery insurance for a Property with a central HVAC system where steam boilers and/or other pressurized systems are in operation and are regulated by the State where the Property is located. The insurance must cover loss or damage from explosion of steam boilers, pressure vessels and/or other steam equipment now or installed at a later date.

~~The required coverage~~Coverage for Boiler and Machinery insurance must be ~~written in an amount no less than 100 percent of the estimated RCV of the~~in place for the buildings housing the central HVAC system, including the RCV of the central HVAC system and must meet the requirements in Sections 31.5 and 31.6. If the Boiler and Machinery insurance is provided by a different insurance carrier than the primary insurance carrier providing the property damage policy, Freddie Mac recommends that both policies include a Joint Loss Agreement.

The maximum per occurrence deductible for Boiler and Machinery insurance is

- For a policy providing Specific Insurance Limits:



Replacement Cost RCV of the Property	Maximum per occurrence deductible
< \$10 million	\$50,000
≥ \$10 million	\$75,000 <u>100,000</u>

- For a policy providing Blanket Insurance Limits, one percent of the aggregate Replacement Cost~~RCV~~ of the covered properties to a maximum deductible of \$250,000.

31.11 Builder's Risk insurance (~~12/14/18~~ 02/22/24)

The term Builder's Risk insurance, when used in this chapter, means a policy that insures against loss to buildings, materials, equipment and fixtures during construction, rehabilitation, addition, significant alteration or repair. Freddie Mac requires such construction projects to be fully insured in accordance with the requirements of this Chapter 31. If insurance for such projects is not provided by the Borrower's primary property insurance policies, a separate Builder's Risk policy is required.

Coverage must be for at least 100 percent of the sum of the project contract or contracts and all materials to complete the work, as well as applicable soft costs.

Once construction is complete, Builder's Risk coverage may be discontinued.

The maximum per occurrence deductible for Builder's Risk insurance is

- For a policy providing Specific Insurance Limits:

Total Project Value	Maximum per occurrence deductible
< \$10 million	\$50,000
≥ \$10 million	\$75,000 <u>100,000</u>

- For a policy providing Blanket Insurance Limits, one percent of the aggregate Replacement Cost~~RCV~~ of the covered properties, to a maximum deductible of \$250,000.

31.12 Ordinance and Law insurance (07/01/14)

Ordinance and Law coverage is not required for any property that is legally conforming under current building, zoning or land use laws.

Ordinance and Law coverage is required for any property that is non-conforming under current building, zoning or land use laws or ordinances unless the municipality or other governing authority will permit the Property to be rebuilt 100 percent to the specifications of the Property that existed at the time of the loss. The Seller/Service must provide evidence of 100 percent rebuild allowance to Freddie Mac to demonstrate the coverage is not required.

If the zoning law rebuild allowance is restricted to less than 12 months under which the reconstruction must be under permit or construction, then Ordinance and Law coverage is required.

If required, Ordinance and Law coverage must include the following:

Guide Bulletin Update ~~12/14/23~~ 02/22/24 Chapter 31 – Page 24



- a. Coverage “A” – Loss to the undamaged portion of the Property:** Coverage no less than the estimated Replacement Cost Value (RCV) of the Property; provided, however, if the damage threshold percentage of the zoning laws is known, the minimum for coverage A may be determined as follows:

Minimum for Coverage “A” = (Replacement Cost RCV – (Replacement Cost RCV X damage threshold percentage))

For example:

- If the Replacement Cost RCV of the Property is \$20 million and the damage threshold percentage is 60 percent, the Coverage “A” limit must be at least \$8 million (\$20 million – (\$20 million X 60 percent) = \$8 million).
 - If the damage threshold percentage is unknown, the minimum coverage must be no less than the estimated Replacement Cost RCV of the Property, which is \$20 million in this example.
- b. Coverage “B” – Demolition cost:** The Cost to demolish and clear the site of undamaged parts of the Property if such demolition is required by enforcement of any zoning laws. Coverage “B” must equal no less than 10 percent of the estimated Replacement Cost RCV of the Property.
- c. Coverage “C” – Construction cost:** Increased cost of construction to allow the Borrower to rebuild the Property to meet all applicable zoning laws. Coverage “C” must equal no less than 10 percent of the estimated Replacement Cost RCV of the Property.

Ordinance and Law Coverage must include an Increased Period of Restoration endorsement that extends business income and extra expense coverage to provide additional time to restore operations when delayed due to enforcement of building or zoning laws.

31.13 Terrorism insurance (06/27/19)

Terrorism insurance is required for all Mortgages, including those being refinanced, to ensure the improvements are protected against loss or damage due to acts of terrorism. If terrorism coverage is excluded from the primary property insurance policy, separate terrorism coverage must be obtained either through an endorsement or a separate policy.

- a. Terrorism coverage must meet all of the following requirements:
- Property damage insurance in an amount and with maximum deductibles in accordance with Section 31.4 and 31.5,
 - Business Income/Rental Value Insurance in accordance with Section 31.6, and
 - Liability insurance in accordance with Section 31.16 (not including Professional Liability Insurance).
- b. Blanket Terrorism Insurance



For policies providing terrorism insurance using Blanket Insurance Limits, the Seller/Servicer must, to its satisfaction, determine, support, and document that the Blanket Insurance Limits for terrorism coverage are adequate for the applicable risks. In evaluating whether the terrorism limits provide adequate coverage for concentrations of insurable value, the Seller Servicer must take into consideration the TIV of nearby properties that are covered by the same blanket limit. The Seller Servicer must maintain a copy of its blanket-limit analysis in the associated loan file.

The blanket terrorism limit must be no less than the greater of the following:

- The largest individual TIV covered by the Blanket Insurance Limit, or
- The aggregate TIV of the Property, any adjacent properties sharing a boundary with the Property, any properties separated from the Property by a street, alley, or public space, and any other properties within 100 feet of the Property and covered by the same blanket limit.

31.14 Localized perils insurance (04/30/1902/22/24)

A Property located in an area prone to localized perils, such as sinkhole, mine subsidence, volcanic eruption, and avalanche, must have one or more insurance policies in place to cover these perils. Sinkholes are particularly common in Florida. Mine subsidence may occur in any location where there is, or has been, subterranean mining, but is particularly common in Pennsylvania, Ohio, Illinois and Colorado.

If this insurance is not available and the Property is at risk for one or more of these perils, the Seller/Servicer must inform, as applicable,

- The *Applicable Freddie Mac Multifamily Regional Office*,
- The *Multifamily TAH Underwriter*, or
- *Freddie Mac Multifamily Asset Management, Borrower Transactions*.

Coverage must ~~be no less than the estimated Replacement Cost of~~ [meet the requirements in Sections 31.5 and 31.6 for](#) the buildings affected by the localized peril.

The maximum deductible for localized perils insurance is:

- For a policy providing Specific Insurance Limits:

Replacement Cost RCV of the Property	Maximum Deductible
< \$10 million	\$50,000
≥ \$10 million	\$75,000 100,000

- For a policy providing Blanket Insurance Limits, one percent of the aggregate ~~Replacement Cost~~ [RCV](#) of the covered properties, to a maximum deductible of \$250,000.



31.15 Sewer and drain insurance (01/01/13)

If the Property is prone to periodic sewer or drain back-ups caused by ground water, public or private water systems, or public sewers external to the Property, the Seller/Service must require the Borrower to obtain sewer and drain backup insurance.

Coverage and the deductible must be consistent with the coverage obtained by other lenders in the area.

31.16 General liability insurance (12/14/23)

Standard Commercial General Liability (CGL) insurance on an “occurrence-based” policy form insuring against liability resulting from bodily injury, property damage, personal injury, advertising injury and contractual liability is required. The policy must cover all of the following on the Property:

- Buildings
- Common areas and elements
- Commercial spaces
- Public ways (roads, driveways, alleys, walks, paths, and other similar areas)
- Home Sites and any Borrower-owned structures at an MHC Property

If the Borrower changes from a “claims made” policy form to an “occurrence-based” policy form, a Supplemental Extended Reporting Period (also known as a Tail) endorsement must be obtained to prevent a gap in coverage.

a. Required CGL and umbrella or excess coverage (12/15/20)

1. Borrower must maintain primary CGL coverage for

- \$1 million per occurrence, and
- \$2 million in the general aggregate

If the CGL policy covers multiple locations, Freddie Mac requires that the general aggregate limits apply per location with no aggregate cap.

2. In addition, the Borrower must maintain, at a minimum, the following umbrella or excess liability coverage:

Aggregate number of residential units covered	Minimum umbrella or excess liability limits
Up to 250	\$1 million
251 to 500	\$2 million



Aggregate number of residential units covered	Minimum umbrella or excess liability limits
501 to 1,000	\$3 million
1,001 to 2,000	\$5 million
2,001 to 5,000	\$10 million
5,001 to 10,000	\$15 million
10,001 to 20,000	\$20 million
20,001 to 35,000	\$25 million
More than 35,000	\$50 million

If the CGL layer includes an aggregate limit cap, then additional umbrella/excess liability limits above the minimum amount required must be contemplated to determine whether the liability coverage adequately addresses the casualty risk for the insured portfolio.

The minimum coverage limits in this section are to be evaluated based upon the aggregate number of residential units covered by the umbrella and/or excess liability policy, and may be satisfied with any combination of primary CGL, umbrella and/or excess.

b. Maximum deductible and Self-Insured Retention (SIR) for liability insurance (12/15/20)

The following maximum deductible or SIR, or combined deductible and SIR, apply to all forms of general liability insurance on the Property, including CGL, umbrella and/or excess policies:

- \$35,000 for policies with individual or combined mortgage balances less than or equal to \$25 million
- \$50,000 for policies with individual or combined mortgage balances greater than \$25 million
- \$250,000 for Blanket Insurance Limits
- \$10,000 for umbrella/excess liability policies

c. Vehicle liability insurance (12/14/23)

The Borrower must maintain commercial auto liability insurance for vehicles owned, hired, or used by anyone for business at the Property. The commercial auto liability insurance coverage must be at least \$1 million per accident.



31.17 Professional liability insurance requirements for certain Seniors Housing Mortgages (12/15/20)

a. Professional liability (PL) insurance requirements (12/15/20)

If the Property has assisted living, Alzheimer’s care, and/or skilled nursing units, the Borrower must obtain professional liability insurance.

The professional liability policy may be written on a “claims made” policy form or an “occurrence-based” policy form. If the Borrower changes from a “claims made” policy form to an “occurrence-based” policy form, a Supplemental Extended Reporting Period (also known as a Tail) endorsement must be obtained to prevent a gap in coverage.

1. Borrower must maintain primary professional liability coverage of:

- \$1 million per occurrence
- \$2 million in the general aggregate

If the professional liability policy covers multiple locations, Freddie Mac requires that the aggregate limits apply per location with no aggregate cap.

2. In addition, the Borrower must maintain the following minimum umbrella or excess professional liability coverage:

Total number of licensed beds covered by the policy	Minimum Umbrella/Excess Coverage
Less than or equal to 100	\$1 million
101 to 500	\$5 million
501 to 1,000	\$10 million
Greater than 1,000	\$25 million

If the primary PL layer includes an aggregate limit cap, then additional umbrella/excess liability limits above the minimum amount required must be contemplated to determine whether the liability coverage adequately addresses the casualty risk for the insured portfolio.

The minimum coverage limits in this section may be satisfied with any combination of primary PL, umbrella and/or excess. If CGL and PL insurance coverages are combined, the required umbrella and/or excess liability limit is the higher of the two requirements.

b. Additional insured (01/01/13)

Freddie Mac may not be named as an additional insured on professional liability insurance policies.

**c. Deductibles and self-insured retention (SIR) (12/15/20)**

Freddie Mac allows the following maximum deductible or SIR, or combined deductible and SIR for Professional Liability:

- \$100,000 for policies that insure 500 or fewer licensed beds
- \$250,000 for policies that insure more than 500 licensed beds

31.18 Cooperative (Co-op) Requirements (01/01/13)**a. Fidelity bond/crime insurance coverage (01/01/13)**

The Seller/Servicer must ensure that each Co-op Borrower maintains fidelity bond/crime insurance coverage for the Co-op's employees, officers and board members. The minimum coverage required is the greater of

- Two times the monthly gross association fees plus reserves, or six times the monthly gross association fees
- The maximum deductible is \$25,000.

b. Co-op directors' and officers' liability insurance (01/01/13)

The Seller/Servicer must ensure that each Co-op maintains directors' and officers' liability insurance as follows:

- Minimum coverage of \$1 million per occurrence
- Maximum deductible of \$25,000

31.19 Insurance records for origination and Servicing (12/14/23)

The Seller/Servicer must evaluate the Borrower's property and liability insurance coverage at loan origination and at each policy renewal throughout the term of the Mortgage to determine compliance with the Guide. Seller/Servicers and their vendors must use the Insurance Compliance Tool (ICT) to document their assessment of the Borrower's insurance compliance and any recommended waiver requests.

a. Documentation of Borrower insurance compliance at loan origination (02/17/22)

Seller/Servicers must complete the Form 1133, *Certification of Borrower Insurance Compliance*, to document the insurance coverage that is or will be in place at loan closing. If any element of the Borrower's insurance coverage is not in compliance with the Guide and the Seller/Servicer recommends a waiver, the Seller/Servicer must indicate the noncompliance on the Form 1133 and submit a "New Origination Waiver Request" via the ICT for review and approval.

The Form 1133 and any waiver requests must be submitted via the ICT as follows:

- Form 1133 "Underwriting record". Seller/Servicers must submit the Form 1133 "Underwriting record" with the Full Underwriting Package. This version is a draft of the

Guide Bulletin Update [12/14/23](#) [02/22/24](#) Chapter 31 – Page 30



insurance compliance record that Seller/Serviceers and their vendors may update throughout the underwriting process.

- New Origination Waiver Requests. Seller/Serviceer must submit any recommended waiver requests with the Full Underwriting Package. All waiver requests must be reviewed and processed final prior to rate lock for Standard Delivery loans and prior to final Acceptance Letter or Modification Letter, as applicable, for Early Rate-Lock loans.
- Form 1133 “Delivery record”. Seller/Serviceers must submit the Form 1133 “Delivery record” when the final insurance compliance review is complete, but no later than the Origination Date. This version is the final Seller/Serviceer record of insurance compliance.

The Form 1133 and waiver records must include Evidence of Insurance and supporting documentation, as appropriate, uploaded via the ICT. When the Form 1133 “Delivery record” is processed final by Freddie Mac, a PDF image of the form, along with any waiver requests, attached Evidence of Insurance, supporting documents, and Public Notes is automatically transferred to the Freddie Mac loan file in DMS.

b. Post-purchase reporting of Borrower insurance compliance (12/14/23)

For all Mortgages serviced by Seller/Serviceers on behalf of Freddie Mac, Seller/Serviceers must evaluate the Borrower’s insurance coverage as policies renew and provide updates to insurance records in ICT as set forth below.

- Update Summary Function. The Seller/Serviceer must complete the Update Summary form to identify renewed or changed insurance coverage details, attach updated Evidence of Insurance and other supporting documentation, and submit the “Update Summary.” Once the update has been submitted, a PDF image of the form, along with any attached Evidence of Insurance, supporting documents, and Public Notes is automatically transferred to the Freddie Mac loan file in DMS.
- Renewal Waivers. If any element of the Borrower’s insurance coverage is not in compliance with the Guide and the Seller/Serviceer recommends a waiver, the Seller/Serviceer must submit a Renewal Waiver request in ICT for review and approval.

For Mortgages that have been securitized, Seller/Serviceers are to evaluate coverage as policies renew and follow the processes established by the Master Serviceer for updating coverage information and recommending waivers. Seller/Serviceers are to use the ICT for processing updated records for loans for which Freddie Mac is Master Serviceer.

31.20 Evidence of insurance (12/15/22)

The Seller/Serviceer must obtain temporary or permanent evidence of Borrower’s required property and liability insurance for the closing of new loans and for each renewal. This is applicable to all required insurance policies associated with the Property. After Freddie Mac loan purchase and after each insurance renewal, the Seller/Serviceer must require the Borrower to provide copies of insurance policies in accordance with the Loan Agreement. The Seller/Serviceer must maintain copies of all required evidence of insurance in its loan file.

**a. Temporary evidence of insurance (12/15/22)**

The following are acceptable forms of temporary evidence of property insurance:

- ACORD 28, Evidence of Commercial Property Insurance (most recent version)
- ACORD 27, Evidence of Property Insurance (most recent version)
- Mortgage Bankers Association (MBA) Evidence of Insurance – Commercial Property Form
- ACORD 75, Insurance Binder
- Declaration pages from Property insurance policy
- Property insurance policies, including all endorsements and exclusions
- Other equivalent documentation issued by an insurance company or agent/broker that does not use ACORD forms (such as a certificate of insurance or evidence of insurance) that is deemed acceptable by the lender
- For NFIP flood insurance, NFIP policy declaration page or completed and executed NFIP Flood Insurance Application plus a copy of the paid receipt for the Borrower's premium payment
- For private flood insurance, policy declaration page, copy of flood insurance policy including all endorsements and exclusions, copy of policy binder, or copy of quote of flood insurance that will be in place

The following are acceptable forms of temporary evidence of liability insurance:

- ACORD 25, Certificate of Liability Insurance (most recent version)
- ACORD 75, Insurance Binder
- Liability insurance policies, including all endorsements and exclusions
- Other equivalent documentation issued by an insurance company or agent/broker that does not use ACORD forms (such as a certificate of insurance or evidence of insurance) that is deemed acceptable by the lender

b. Permanent evidence of insurance (12/15/22)

The following are acceptable forms of permanent evidence of property and liability insurance:

- Copy of the insurance policy(ies), including all endorsements and exclusions
- For insurance programs using layered insurance policies, copy of the primary insurance policy(ies), including all endorsements and exclusions



- Mortgage Bankers Association (MBA) Evidence of Insurance – Commercial Property Form
- For NFIP flood insurance, NFIP policy declaration page
- For private flood insurance, copy of the flood insurance policy(ies)

31.21 General requirements applicable to all property and liability insurance documentation (12/17/19)

The Seller/Servicer must ensure that all of the following elements are included in the evidence of insurance documentation:

- Borrower, Borrower Principal, or affiliated management company as Named Insured
- Complete Property address
- Mortgagee and Additional Insured endorsements
- Policy effective dates evidencing current coverage
- Policy notice of cancellation provisions
- Coverage limits, sublimits, and deductibles
- Information clearly stating whether terrorism coverage is included
- If flood insurance is required, information indicating limits and deductibles specifically applicable to buildings located in Special Flood Hazard Areas

31.22 Verification of required and continuing property and liability insurance coverage (12/17/19)

a. Required coverage (04/30/19)

The Servicer must ensure that all insurance coverage required by the Purchase and Servicing Documents is in place for the life of the Mortgage. This may include

- Adding coverage that is not currently in place (for example, FEMA has determined the Property is now in an SFHA and flood insurance is now required), and/or
- Increasing the coverage (for example, the ~~Replacement Cost~~RCV of the improvements on the Property has increased and the insurance coverage must be updated).

In addition, if there is insurance coverage in force on the Property that is no longer required by Freddie Mac (for example, FEMA has determined the Property is no longer in an SFHA and flood insurance is not required) the Servicer must provide the appropriate documentation to notify Freddie Mac *Multifamily Asset Management, Borrower Transactions* and explain that the insurance is no longer required.

**b. Continuing coverage (12/17/19)**

At least annually, and prior to the expiration of each required insurance policy, the Servicer must verify that the Borrower will renew the existing coverage and/or obtain new insurance coverage in compliance with the Purchase and Servicing Documents. The Servicer must retain in the Mortgage File a copy of the applicable renewal and/or new insurance documentation.

The Servicer must require the Borrower to provide evidence of renewed insurance prior to the expiration date of each policy. The documentation required by Freddie Mac at renewal is as follows:

- A legible copy of the current continuation certificate, provided that the Servicer has the original policy on file and the coverage is renewed with the same insurer and under the same policy number(s), coverage terms and conditions
- The documents listed in Sections 31.20(a) and 31.20(b), as applicable

31.23 Reserved (12/14/18)**31.24 Ensuring continuous insurance coverage (04/30/19)****a. General requirements for ensuring continuous insurance coverage (01/01/13)**

If the Seller/Servicer determines that a Property's insurance has lapsed, is cancelled, is inadequate, or is not in force for any reason, the Seller/Servicer must prevent a gap in insurance by one or more of the following means:

- Contacting the Borrower and working with the Borrower to resolve the deficiency
- Having in place or obtaining a portfolio insurance policy and/or other insurance vehicle or vehicles designed to provide required coverage if one or more policies lapses, is cancelled, is inadequate or is not in force
- Implementing forced placed insurance

Any insurance policy intended to prevent a gap in insurance coverage, or to supplement inadequate coverage, must:

- Provide retroactive and/or automatic coverage
- Cover the Mortgages serviced for Freddie Mac
- Include deductibles no greater than those required by the Purchase and Servicing Documents
- Provide all property damage and liability insurance required by the Purchase and Servicing Documents



- Be provided by an insurance carrier meeting the requirements of Section 31.3, based on the total unpaid principal balance (UPB) of the Mortgages insured under the policy by the Seller/Servicer

b. Forced placed insurance (04/30/19)

Under certain circumstances, Freddie Mac requires the use of forced placed insurance to prevent a lapse in insurance coverage. If the required forced placed insurance is not available, the Seller/Servicer must contact Freddie Mac *Multifamily Asset Management, Borrower Transactions*.

1. If one or more of the following conditions exists, the Seller/Servicer must force place insurance:
 - The required insurance has not yet lapsed or been cancelled, but will lapse within three days (or over an intervening weekend or holiday), and
 - The Servicer determines that the renewal of the existing insurance or new insurance is not forthcoming, or
 - The Servicer has not been able to determine that the renewal of the existing insurance or new insurance is forthcoming
 - Any insurance obtained by the Servicer to prevent a lapse in coverage is no longer in force or will no longer be in force within three days (or over an intervening weekend or holiday)
2. If both of the following conditions exist, the Seller/Servicer must contact the Borrower within two days of the Servicer's learning of the condition and must work with the Borrower to resolve the deficiency:
 - The insurance currently in force provides less than 80 percent of the required coverage (see Note below)
 - A lapse in coverage is not imminent

If the issue is not resolved with 15 days, the Servicer must either:

- Force place insurance to the limits required in Purchase and Servicing Documents, or
- Request a waiver of the insurance coverage from Freddie Mac or recommend an alternative solution to the insurance issue.

The waiver request or recommendation must be submitted to Freddie Mac via the ICT. The Servicer must provide justification for the recommendation. *Multifamily Asset Management, Borrower Transactions* may accept the Servicer's recommendation, recommend an alternative solution, or require the Servicer to force place increased insurance coverage to the limits required in this chapter.

Note: The percentage of coverage refers to the actual dollar amount of insurance coverage in force for a Property and not the deductible amounts. For example, if a



Property has property damage insurance of \$7 million, but the ~~Replacement Cost~~ RCV is \$10 million, the coverage is 70 percent of the required coverage.

3. If one or more of the following conditions exist, the Seller/Servicer must contact the Borrower within five days of the Servicer's learning of the condition and must work with the Borrower to resolve the deficiency:
 - The insurance coverage currently in force is greater than 80 percent, but less than 100 percent, of the required coverage (see Note above)
 - Deductible amounts do not comply with the requirements
 - Any other failure of the insurance policy to be comply with the requirements of the Purchase and Servicing Documents

If the issue is not resolved with 30 days, the Servicer must either:

- Force place insurance to the limits required in the Purchase and Servicing Documents, or
- Request a waiver of the insurance coverage or recommend an alternative solution to the insurance issue.

The waiver request or recommendation must be submitted to Freddie Mac via the ICT. The Servicer must provide justification for the recommendation. Freddie Mac *Multifamily Asset Management, Borrower Transactions* may accept the Servicer's recommendation, recommend an alternative solution, or require the Servicer to force place increased insurance coverage to the limits required in this chapter.

c. Notice to Freddie Mac of forced placed insurance (04/30/19)

If coverage is forced placed as described in 31.24(b), the Servicer must immediately send written notification to Freddie Mac *Multifamily Asset Management, Borrower Transactions* detailing the insurance issues, the forced placed coverage and the deductibles. The Servicer must retain in the Mortgage File a copy of the written notification regarding forced placed insurance.

d. Payment for forced placed insurance (04/30/19)

The Servicer must adjust the Borrower's insurance Reserve payments for the forced placed insurance if the Borrower is required to make periodic Reserve deposits for insurance premiums or bill the Borrower to recover the advance (if the Servicer does not maintain an insurance Reserve for the Borrower). If an insurance Reserve account is not currently required, Freddie Mac may require the Servicer to set up a Reserve. If the Borrower refuses to reimburse the Servicer for the forced placed insurance, the Servicer must submit a completed Legal Referral Form, Form 1101, to the Director of Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance*. Freddie Mac will reimburse the Servicer for any advances that the Servicer has made for premiums for such forced placed insurance to the same extent that Freddie Mac would reimburse the Servicer for advances to pay required insurance premiums.



31.25 Indemnification (07/01/11)

Pursuant to Chapter 47, Freddie Mac may require the Seller/Servicer to indemnify Freddie Mac for any loss, damage or expense it may incur as a result of the Seller/Servicer's failure to

- Obtain and maintain all insurance required by this chapter, or
- Ensure that each Property is adequately insured as required in this chapter

31.26 Reserved (06/30/16)

31.27 Captive insurance companies (04/30/19)

For information regarding the use of captive insurance companies, contact the following:

- Prior to the Origination Date: the *Applicable Regional Office* or the *Multifamily TAH Underwriter*, as applicable
- After the Freddie Mac Funding Date: *Freddie Mac Multifamily Asset Management, Borrower Transactions*

31.28 Manufactured Housing Communities (07/01/14)

All MHC Properties must meet the requirements of this Chapter 31.

Generally, any improvements owned by the Borrower must be insured against loss or damage from relevant perils including fire, wind, hail, flood, and other related perils within the scope of a "Special Causes of Loss" or "All Risk" policy, in an amount not less than the **Replacement Cost** RCV of the improvements, per Section 31.4. In addition, the Borrower must carry business income/rental value insurance for all relevant perils in an amount not less than the effective gross income attributable to the Property per Section 31.6.

Properties located partially or fully in a Federal Emergency Management Agency (FEMA) Special Flood Hazard Area (SFHA) must meet the insurance requirements in Section 31.8, especially with regard to full business income/rental value relevant to flood losses.

The Borrower must carry Commercial General Liability (CGL) insurance against legal liability resulting from personal and bodily injury, property damage, and contractual liability, per Section 31.16.

Summary report: Litera Compare for Word 11.0.0.61 Document comparison done on 2/20/2024 9:44:37 AM	
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Intelligent Table Comparison: Active	
Original filename: 31 - Insurance reqs GB-12-14-23.docx	
Modified filename: 31 - Insurance reqs GB-02-22-24.docx	
Changes:	
<u>Add</u>	67
Delete	60
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	127

Multifamily Seller/Servicer Guide

Chapter 39

Administration of Reserves; Monitoring Repairs



- 39.1 General requirements for the administration of Reserves and monitoring repairs (02/29/16)
 - a. Delivery of documents and notices to Freddie Mac (02/29/16)
 - b. Reserve Custodial Accounts (05/01/14)

- 39.2 Reserve requirements; Reserves for taxes, ground rents, assessments and other charges (10/19/23)
 - a. Reserve requirements (04/30/19)
 - b. Annual certification (02/06/17)
 - c. Requirements when Reserves are not collected (10/19/23)

- 39.3 Replacement Reserves, Repair Reserves, Rental Achievement and similar performance agreements – general requirements (10/12/17)
 - a. Reserve requirements (10/12/17)
 - b. Recordkeeping (10/14/16)
 - c. Investment of funds (10/14/16)
 - d. Annual certification (02/06/17)

- 39.4 ~~Required repairs, Green Improvements and Repair Reserve Servicing for non-SBL Mortgages, or for SBL Mortgages with Loan Agreement forms dated 11-02-2015 or earlier (10/19/23)~~ [Required repairs, Green Improvements and Repair Reserve Servicing for non-SBL Mortgages, or for SBL Mortgages with Loan Agreement forms dated 11-02-2015 or earlier \(02/22/24\)](#)
 - a. Monitoring and timely completion of repairs (02/28/19)
 - b. ~~Incomplete repairs, partially completed repairs and extension requests (10/19/23)~~ [Incomplete repairs, partially completed repairs and extension requests \(02/22/24\)](#)
 - c. Disbursement from Repair Reserve (10/31/12)
 - d. Requiring a Borrower to fund an unfunded Repair Reserve upon default (06/25/20)
 - e. Prohibited actions by the Servicer (09/18/14)

- 39.5 ~~Priority Repairs and Replacement Reserve Servicing for SBL Mortgages with Loan Agreement forms dated after 11-02-2015 (10/19/23)~~ [Priority Repairs and Replacement Reserve Servicing for SBL Mortgages with Loan Agreement forms dated after 11-02-2015 \(02/22/24\)](#)
 - a. ~~Monitoring and completion of Priority Repairs (10/19/23)~~ [Monitoring and completion of Priority Repairs \(02/22/24\)](#)
 - b. Reserved (10/14/16)
 - c. Disbursement from Replacement Reserve Fund for Priority Repairs (10/14/16)
 - d. Reserved (10/14/16)
 - e. Prohibited actions by the Servicer (10/14/16)

- 39.6 Replacement Reserve Servicing (04/30/19)
 - a. Funded Replacement Reserves (12/10/13)
 - b. Disbursements for additional capital replacement items (07/01/14)
 - c. Requiring a Borrower to fund an unfunded Replacement Reserve (05/01/14)
 - d. Unfunded Replacement Reserves with required capital expenditures (04/30/19)
 - e. Prohibited actions by the Servicer (09/18/14)
 - f. Mortgages with terms longer than 10 years (12/12/14)



39.7 Rental achievement Reserve Servicing (09/18/14)

- a. Monitoring of Property performance; requests for release or reduction of Reserve funds (09/18/14)
- b. Extension of earn-out expiration date (09/18/14)
- c. Servicer's notice to Freddie Mac following approved addition, release, reduction or substitution of the Reserve or letter of credit (10/31/12)
- d. Failure of Property to meet performance standard; application of collateral (10/31/12)
- e. Prohibited actions by the Servicer (10/31/12)

39.8 Special Purpose Reserve Servicing (10/14/16)

- a. Monitoring of Property performance; requests for release or reduction of Reserve funds (10/14/16)
- b. Extension of termination date (10/14/16)
- c. Servicer's notice to Freddie Mac following approved addition, release, reduction or substitution of the Reserve or letter of credit (10/14/16)
- d. Failure of Property to meet performance standard; application of collateral (10/14/16)
- e. Prohibited actions by the Servicer (10/14/16)

39.9 Servicing Moderate Rehabilitation (Mod Rehab) Mortgages (12/15/22)

- a. Servicer responsibilities (12/15/22)
- b. Draw calculation (05/05/17)
- c. Release of retainage and holdback amounts (05/05/17)

39.10 Servicing a Mortgage with a Green Up® or a Green Up Plus® loan option (02/28/19)

- a. Benchmarking Metrics (02/28/19)
- b. Borrower, Green Consultant and Benchmarking Data Consultant Access to Portfolio Manager (02/28/19)



39.1 General requirements for the administration of Reserves and monitoring repairs (02/29/16)

a. Delivery of documents and notices to Freddie Mac (02/29/16)

1. Electronic Delivery

When this chapter requires electronic delivery of backup documentation related to the completion or partial completion of repairs, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents into the Property Reporting System (PRS).

When this chapter requires electronic delivery of documents related to post-origination transactions, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents into the Document Management System (DMS) and using the “File Submission” link to notify:

- For Structured Transactions, Tax Exempt Bond Credit Enhancements, Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products, or Credit Facilities, “*Structured Transactions*”
- For all other Mortgages, “*Borrower Transactions*”

2. Delivery of original documents to Freddie Mac

When this chapter requires delivery of an original document with respect to any Mortgage, the Servicer must:

- Upload the document into DMS, and
- Deliver the original to
 - For Structured Transactions, Tax Exempt Bond Credit Enhancements, Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products, or Credit Facilities, Freddie Mac *Multifamily Asset Management, Structured Transactions*
 - For all other Mortgages, Freddie Mac *Multifamily Asset Management, Borrower Transactions*

b. Reserve Custodial Accounts (05/01/14)

The Servicer must hold Reserves in Custodial Accounts in accordance with the requirements of the Loan Documents. If the Loan Documents do not contain specific requirements, then the Servicer must hold all Reserves in Custodial Accounts meeting the requirements of Chapter 52.

The Seller/Servicer must provide Freddie Mac all Custodial Account documentation required by Chapter 52.

The Servicer must service all Reserve Custodial Accounts required or permitted under this chapter in accordance with the Loan Documents, this chapter, Chapter 52 and other applicable sections of the Guide, and industry-accepted practices.

Guide Bulletin Update ~~10/19/23~~02/22/24 Chapter 39 – Page 3



39.2 Reserve requirements; Reserves for taxes, ground rents, assessments and other charges (10/19/23)

a. Reserve requirements (04/30/19)

1. Unless Freddie Mac has deferred its right to require a Reserve for any item(s), the Servicer must collect Reserves for:
 - Taxes
 - Ground rents
 - Assessments and charges that may, if not paid on a timely basis, become prior liens on the Property
 - Premiums on all insurance policies (individual policies, Blanket Insurance policies, master insurance policies, and liability insurance policies covering multiple properties) required by Chapter 31 and/or the Purchase and Servicing Documents
 - Cap fee deposits for an ARM with an interest rate cap or swap agreement with a third-party provider that expires before the Mortgage maturity date

For taxes, ground rents, assessments, cap fee deposits and premiums for individual insurance policies, if the Servicer is collecting a Reserve when Freddie Mac purchases the Mortgage, the Servicer must continue to collect 1/12 of the yearly charge for each Reserve together with each monthly installment payable under the Note.

For Blanket Insurance policies, master insurance policies, and liability insurance policies covering multiple properties, the Seller/Servicer must do one of the following:

- Collect 1/12 of the premium allocation obtained from the insurance agent or broker, for each Property securing a Freddie Mac Mortgage that is insured under the applicable policy and serviced by the Servicer to ensure that the Servicer will have sufficient funds in the Reserve to pay the allocated premium due on the applicable policy or policies with each monthly installment payable under the Note.
- Collect 1/12 of an amount sufficient to purchase an individual insurance policy or policies with each monthly installment payable under the Note.
- Collect an amount sufficient to pay the annual premium for an individual insurance policy or policies for the Property.

See Section 31.2(c) for additional information regarding Reserves for insurance premiums.

2. If a Borrower obtains a Supplemental Mortgage, then beginning on the Origination Date of the Supplemental Mortgage, the Servicer of the most senior Mortgage will begin to collect Reserve deposits for taxes, ground rents (if applicable), insurance, and Replacement Reserves, unless one of the following circumstances exists:



- The Mortgaged Property is a Cooperative, and collection of those Reserves was deferred at origination of the most senior Mortgage
 - The Loan Documents for the most senior Mortgage explicitly provide for continued deferral of Reserve deposits following origination of a Supplemental Mortgage (for items other than insurance)
 - The Loan Documents for the most senior Mortgage explicitly provide for the continued deferral of Reserve deposits for insurance because the Mortgaged Property was covered under a Blanket Insurance policy or a master insurance policy and under the Supplemental Mortgage, the Mortgaged Property will continue to be covered under a Blanket Insurance policy or a master insurance policy.
3. The Servicer must pay, at its own expense, any interest payable to the Borrower for Reserve funds or any other funds held by the Servicer, whether due to contractual agreement or operation of law. The Servicer must use funds deposited in a Reserve only for items related to the purpose for which the Reserve was established. The Servicer may not withdraw miscellaneous costs, including Uniform Commercial Code (UCC) filing fees, overnight delivery charges and/or late payment fees, from the Reserve.

The Servicer must obtain bills for and pay all Reserve items before the applicable penalty or termination date. The Servicer must maintain adequate records to prove payment of all Reserve items.

At least annually, the Servicer must compute the required Reserve installment amounts based on reasonable estimates of assessments and bills to determine that sufficient funds are being collected or have been collected to meet all Reserve payments. If the amount held in Reserve by the Servicer, together with the future monthly Reserve installments, exceeds the amount required to pay Reserve items as they fall due, the Servicer must either repay the excess promptly to the Borrower (if there is no default under the terms of the Loan Documents) or credit the excess to the Borrower by a reduction in monthly Reserve installments.

If the Servicer deems the amount held in Reserve insufficient to pay Reserve items when due, the Servicer must obtain the necessary additional funds from the Borrower before the latest date on which the charges may be paid prior to penalty, lapse of insurance policies, etc. If the Borrower fails to remit the deficient amount, or if there is insufficient time to obtain the amount, the Servicer must pay any Reserve items due and reflect a shortage in the Borrower's Reserve. However, during any period in which the Borrower is in bankruptcy, the Servicer may not make any advance in excess of Reserve funds for Reserve items without the prior consent of Freddie Mac.

For Mortgages originated under this Guide, the Servicer must advance the shortage in accordance with Section 52.15 and must notify Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* if any advance is unresolved for 30 days.

For Delegated TAH Mortgages, the Servicer must advance the shortage to the extent permitted or described in its Delegated TAH Master Agreement.



To the extent permitted by the Loan Documents and applicable law, the Servicer may, without Freddie Mac's prior approval, start collecting Reserves not previously required, but may not discontinue collecting Reserves without Freddie Mac's prior written approval.

b. Annual certification (02/06/17)

Any Servicer that has a Multifamily Servicing-only approval, as described in Section 3.1(e), must certify to Freddie Mac in writing that all of the following have been paid during the preceding fiscal year and are not then delinquent, except as otherwise set forth in the certification:

1. Insurance premiums
2. Ground rents
3. Assessments
4. Taxes
5. Other charges that may, if not paid on a timely basis, become prior liens on the Property

If any such items are delinquent, the certification must describe the nature of the delinquency and the steps being taken to cure that delinquency.

The certification must be made using Form 1110M, Multifamily Annual Certification Report – Servicer Only. Servicers must use the Multifamily Eligibility System, available on FreddieMac.com, to complete the Form and to submit it to Freddie Mac.

The Servicer must submit the completed Form 1110M within 90 days after the end of the Servicer's fiscal year following the instructions found on the form.

c. Requirements when Reserves are not collected (10/19/23)

If Freddie Mac has deferred its right to collect Reserves for any item, or if the Loan Documents or applicable law do not provide for the collection of Reserves or if Reserves were not being collected for some or all items when the Mortgage was sold to Freddie Mac, the Servicer must proceed as follows:

1. Verification of payment

At least annually, the Servicer must either require the Borrower to furnish proof of payment of all taxes, insurance premiums, ground rents, assessments and other charges or use other reliable means (such as tax services) commonly employed by private institutional mortgage investors to determine that these items have been paid.

2. Additional verification for Mortgages with a Risk Rating greater than six

On a semi-annual basis, for each Mortgage secured by a Property with a Risk Rating greater than six, or any Mortgage otherwise identified by Freddie Mac to the Servicer, the Servicer must:



- Require the Borrower to furnish proof of payment of water and sewer charges, or
- Require the Borrower to provide a certification that the water and sewer charges have been paid, or
- Use other reliable means commonly employed by private institutional mortgage investors to determine that water and sewage charges have been paid

Acceptable proof of payment includes copies of paid receipts and/or cancelled checks, and the corresponding water and sewer bills showing the previous amount paid.

3. Demand upon Borrower

If the Servicer discovers that any charge listed in item 1 or 2, above, has not been paid, the Servicer must immediately contact the Borrower in writing and require the Borrower to provide proof of payment within 10 days and provide Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* and Freddie Mac *Multifamily Asset Management, Asset Resolution* with a copy of such notice.

4. Advances by Servicer

For Delegated TAH Mortgages, advances by the Servicer are governed by its Delegated TAH Master Agreement.

For all other Mortgages, if the Borrower fails to pay any charge listed in item 1 or does not provide proof of that payment within the required 10 days, the Servicer must advance funds for the unpaid charge and any applicable penalty unless the Borrower is in bankruptcy.

If the Servicer fails to advance funds for the unpaid charge, Freddie Mac will hold the Servicer solely responsible for any penalties, interest or related charges resulting from the Servicer's failure to make the advance. If the Borrower is in bankruptcy, the Servicer may not make any advances in excess of Reserve funds for Reserve items without the prior consent of Freddie Mac.

The Servicer must attempt to work out an arrangement with the Borrower for repayment of any advance and, if allowed by law and the Loan Documents, must begin to collect Reserves for future charges.

If the Servicer cannot reach an agreement with the Borrower for the Borrower's repayment of the advanced amount or if the Borrower fails to comply with the terms of any such arrangement or refuses to set up a Reserve for future charges, the Servicer must promptly notify Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* and Freddie Mac *Multifamily Asset Management, Asset Resolution* of all advances and must immediately recommend, in writing, a plan to protect Freddie Mac's interest.



39.3 Replacement Reserves, Repair Reserves, Rental Achievement and similar performance agreements – general requirements (10/12/17)

a. Reserve requirements (10/12/17)

For each Multifamily Mortgage, the Seller/Servicer must establish at the time of Mortgage closing a Repair Reserve, a Replacement Reserve, a Special Purpose Reserve, and a Rental Achievement Reserve to the extent required by Freddie Mac's Letter of Commitment or early rate-lock application. The Seller/Servicer must ensure that upon purchase of the Mortgage, Freddie Mac has a security interest in all amounts deposited in the Repair Reserve, Replacement Reserve, Special Purpose Reserve and Rental Achievement Reserve to further secure all of the Borrower's obligations under the Mortgage.

1. Repair Reserve

Funds deposited into the Repair Reserve may be used solely to defray the costs of required repairs to the Property, as set forth in Freddie Mac's Letter of Commitment or early rate-lock application.

Funds deposited into the Repair Reserve for the purpose of undertaking Green Improvements may be used solely to defray the costs of Green Improvements to the Property, as set forth in Freddie Mac's Letter of Commitment or early rate-lock application.

2. Replacement Reserve

For non-SBL Mortgages and for SBL Mortgages documented on Loan Agreement forms with a revision date of 11-02-2015 or earlier, funds deposited into the Replacement Reserve may be used solely to defray the costs of future replacements of items of real and personal property, as set forth in the Replacement Reserve Agreement or Loan Agreement.

For SBL Mortgages documented on Loan Agreement forms with a revision date after 11-02-2015, funds deposited into the Replacement Reserve may be used to defray the costs of future replacements of items of real and personal property specified in the Loan Agreement, including, if applicable, completion of Priority Repairs and PR-90 Repairs identified in the SBL Physical Risk Report, as set forth in the Loan Agreement.

For Supplemental Mortgages, no new replacement items should be permitted to be drawn from the Replacement Reserve that were not already permitted under the most senior Mortgage unless Replacement Reserve collection will increase accordingly. The Borrower and Seller/Servicer must request that the Loan Documents on the most senior Mortgage be modified to allow the increase to occur. The Borrower and Seller/Servicer must coordinate the request with the holder of the most senior Mortgage.

In all cases, this Section 39.3(a)(2) is subject to the provisions of Section 39.6(b).

3. Rental Achievement Reserve

Funds deposited into the Rental Achievement Reserve, or letters of credit securing Borrower's obligations under a Rental Achievement Agreement or Loan Agreement must be held as continued security for Borrower's obligations under the agreement.

Guide Bulletin Update ~~10/19/23~~02/22/24 Chapter 39 – Page 8



4. Special Purpose Reserve

Funds deposited into the Special Purpose Reserve pursuant to the Loan Agreement must be held as continued security for Borrower's obligations under the Loan Agreement.

b. Recordkeeping (10/14/16)

The Servicer must maintain accurate and complete books and records in connection with its administration of the Repair Reserve and Replacement Reserve, Special Purpose Reserve, and Rental Achievement Agreement Reserve, including maintaining in its files every disbursement request received, together with any invoices, lien waivers, budgets, engineer's certification or other documentation received in connection with any such disbursement request.

c. Investment of funds (10/14/16)

Unless the Commitment or early rate-lock application specifies otherwise, the Servicer may accept only cash or a check (subject to collection) from the Borrower for deposit into the Repair Reserve, Replacement Reserve, Special Purpose Reserve or Rental Achievement Reserve. Funds deposited into the Repair Reserve, Replacement Reserve, Special Purpose Reserve or Rental Achievement Reserve must be held and invested by the Servicer in accordance with the provisions of the Loan Documents. If the Loan Documents do not contain specific requirements, then the Servicer must hold and invest the funds in accordance with the provisions of Section 52.4.

d. Annual certification (02/06/17)

Any Servicer that has a Multifamily Servicer-only approval, as described in Section 3.1(e), must certify to Freddie Mac in writing within 90 days after the end of the Servicer's fiscal year that all Reserve collections and disbursements have been made in accordance with the applicable Reserve agreements. The Servicer must explain in writing any discrepancies from the agreements and provide a description of the steps being taken to resolve each matter.

The certification must be made using Form 1110M, Multifamily Annual Certification Report – Servicer Only. Servicers must use the Multifamily Eligibility System, available at mf.freddiemac.com/lenders/guide, to complete the Form and to submit it to Freddie Mac.

The Servicer must submit the completed Form 1110M within 90 days after the end of the Servicer's fiscal year following the instructions found on the form.

39.4 Required repairs, Green Improvements and Repair Reserve Servicing for non-SBL Mortgages, or for SBL Mortgages with Loan Agreement forms dated 11-02-2015 or earlier (~~10/19/23~~[02/22/24](#))

This Section 39.4 applies to all non-SBL Mortgages and to any SBL Mortgages with Loan Agreement forms with revision dates of 11-02-2015 or earlier.

For the purposes of this chapter, any Repair Agreement, Repair Escrow Agreement, Repair Agreement with LOC, Repair and Escrow Agreement, Loan Agreement Rider relating to repairs or

Guide Bulletin Update ~~10/19/23~~[02/22/24](#) Chapter 39 – Page 9



other agreement involving repairs or improvements to the Property will be referred to as a “Repair Agreement.”

a. Monitoring and timely completion of repairs (02/28/19)

The Servicer must monitor the applicable completion date(s) under each Repair Agreement and work with the Borrower to ensure that all repairs are completed on a timely basis.

The Servicer must notify Freddie Mac within 10 Business Days following the Servicer's confirmation of the Borrower's completion of all repairs under a Repair Agreement.

- For all repairs except Green Improvements, this notification must be on the Borrower Certification – Completion of Repairs form, found at mf.freddiemac.com, and must be submitted to Freddie Mac via PRS.
- For repairs classified as a Green Improvements, this notification must be on the Green Improvements Verification Certification, which is an Exhibit to the Loan Agreement, which must be submitted to Freddie Mac via the Property Reporting System (PRS). The Servicer must collect the Green Improvements Verification Certification within 30 days of completion of the Green Improvements. The Verification Certification must provide the following:
 - The date of completion of the Green Improvements
 - The specifications of the completed Green Improvements
 - Confirmation that the Benchmarking Data Consultant uploaded current energy and water usage (Benchmarking Data) into ENERGY STAR® Portfolio Manager®, or if Portfolio Manager, is no longer available, into another benchmarking tool identified by Freddie Mac
 - If Freddie Mac no longer owns the Mortgage, the Servicer must submit the Green Improvements Verification Certification to Freddie Mac via DMS

Unless otherwise specified by Freddie Mac, the Servicer is responsible for documenting that all repairs are completed satisfactorily, including exercising the right of the lender under the Repair Agreement to hire an engineer to certify that the repairs have been completed in a good and workmanlike manner.

The Servicer must cause a qualified engineer to certify that repairs have been completed in a good and workmanlike manner when any one of the following conditions is present:

- The repair, if improperly done, might contribute to material failure of any building component and/or the physical deterioration of the facility
- The repair is a structural repair
- The repair consists of repair to major building systems (for example, electrical, mechanical, fire protection, etc.)



The engineer must meet or exceed the qualification requirements in Section 62.8 or Section 62SBL.17, as applicable. If the Servicer does not have a qualified engineer on staff, the Servicer must retain a qualified third party engineer. When the scope of work requires specialized knowledge to verify completion and quality, the Servicer must retain an engineer with appropriate expertise.

The Servicer must maintain supporting documentation in the Mortgage File for each completed repair, including:

- A list of the items that have been completed,
- Color photographs documenting the completed repairs,
- The final completion date, and
- The engineer's certification, when required, that repairs have been completed in a good and workmanlike manner.

If the Servicer receives an Energy Certification from the Borrower for Green Improvements made at the Property, the Servicer must notify Freddie Mac of receipt of certification. If Freddie Mac no longer owns the Mortgage, the Servicer must submit the certification to green_advantage_reporting@freddiemac.com.

If requested by Freddie Mac for Green Improvement purposes, the Servicer must deliver to Freddie Mac any utility bills, reports or documentation supporting the usage of energy and water at the Property and if available, any calculations of any Borrower savings resulting from the Green Improvements. If Freddie Mac no longer owns the Mortgage, the Servicer must submit this information to green_advantage_reporting@freddiemac.com.

b. Incomplete repairs, partially completed repairs and extension requests
(~~10/19/23~~[02/22/24](#))

If it becomes apparent to the Servicer that all required repairs will not be completed by the applicable completion date, the Servicer must work with the Borrower to determine whether an extension is appropriate, and to document that extension as required in this section.

1. Submitting documentation for incomplete or partially completed repairs

At least 10 days prior to the applicable completion date, the Servicer must notify Freddie Mac of partial completion of repairs on the Borrower Certification – Partial Completion of Repairs form, available at mf.freddiemac.com, which must be submitted to PRS. In addition, the Servicer must submit an extension request for incomplete repairs as described in Section 39.4(b)(3) or (4), as applicable.

If the Servicer determines that repairs will not be completed by the applicable completion date and that an extension is not appropriate, then at least 10 days prior to the completion date the Servicer must provide Freddie Mac with a detailed update in PRS of the

- Status of the repairs,



- Prospects for ultimate completion of those repairs,
- Borrower's reasons for not completing the repairs in a timely manner, and
- Servicer's recommendation for resolving the matter.

2. Extension requests that the Servicer is permitted to approve

- a. During any period in which Freddie Mac owns the Mortgage, the Servicer may approve an extension of the completion date of a Repair Agreement unless one of the following applies:
 - The Mortgage was originated on a Note labeled “CME”
 - The Mortgage was originated on a Note with a revision date on or after March 1, 2014
 - The Servicer has received notification from Freddie Mac that the Mortgage has been designated for inclusion in a Securitization
 - The Mortgage backs a Freddie Mac Multifamily Participation Certificate or a Freddie Mac tax-exempt or taxable Multifamily bond securitization
- b. For an eligible Mortgage, the Servicer may approve an extension only if all of the following conditions are met:
 - The required repairs pose no life, health or safety issues
 - The remaining repairs represent no more than the lesser of \$500,000 or five percent of the UPB
 - The Borrower is making progress on required repairs, as evidenced by a recent inspection or current, dated photos and paid invoices provided by the Borrower
 - There is no material adverse impact from an extension, including detriment to occupancy or marketing efforts, asset preservation consequences or negative cash flow impact
 - The Property condition was average or better as of the date of the last AIF, or if no AIF has been completed, as of the date of underwriting
 - The Borrower has a reasonable business justification (not including cash flow issues) for requesting the extension
 - The Servicer has not previously authorized an extension of the completion date
 - The Mortgage:
 - Has a Risk Rating of six or less,



- Has a UPB of less than \$30 million,
 - Is not in default,
 - Was not originated under the Acquisition Rehabilitation product, the Acquisition Upgrade product, the Moderate Rehabilitation product, or the REO purchase and stabilization product, and
 - Has no additional investors who have provided credit enhancements other than those provided by a Seller/Servicer, Borrower or Affiliates of the Borrower
- A supervisor or higher-level manager on the Servicer's staff approved the extension of the completion date using the Repair/Rehab Agreement Extension/Modification Request available at <https://mf.freddiemac.com/lenders/guide/> under Forms for Asset Management
- c. Notwithstanding the requirements of 39.4(b)(2)(A) and (B), if the Mortgage was originated as part of the SBL program, the Servicer may approve an extension only if all of the following conditions are met:
- The outstanding required repairs pose no life, health of safety issues
 - The Mortgage is not otherwise in default
- d. For a non-SBL Mortgage, provided that all of the requirements in Section 39.4(b)(2)(A) and (B) are met, the Servicer has delegated authority to extend the completion date of a Repair Agreement by up to the same amount of time initially granted in the Repair Agreement, but not more than a date that is 12 months after the Origination Date of the non-SBL Mortgage. (For example, if the original completion date was 90 days following the Origination Date of the Mortgage, the Servicer may extend the completion date by no more than 90 days.)

For an SBL Mortgage, provided that all of the requirements in Section 39.4(b)(2)(C) are met, the Servicer has delegated authority to extend the completion date of a Repair Agreement up to a date that is 12 months after the Origination Date of the SBL Mortgage.

- e. For all Mortgages, the Servicer must notify Freddie Mac of any actions taken under this delegated approval within two days after the effective date of the approval by electronically submitting to Freddie Mac via DMS
- The Repair/Rehab Agreement Extension/Modification Request, available at <https://mf.freddiemac.com/lenders/guide/> under Forms for Asset Management
 - A copy of the approval letter that the Servicer provided to the Borrower
 - Copies of any modified loan documents

3. Submitting extension requests requiring Freddie Mac approval



Freddie Mac approval is required for all modifications and extensions of the Repair Agreement with respect to any Mortgage not described in Section 39.4(b)(2)(A) and (C).

If a Borrower requests an extension or modification of a Repair Agreement, the Servicer must, within three Business Days of receiving such request, notify MF_Borrower_Transactions@freddiemac.com or MF_Structured_Transactions@freddiemac.com, as applicable, of such request via email to MF_Asset_Transactions@freddiemac.com.

The Servicer must deliver its recommendation electronically to Freddie Mac using the Repair/Rehab Agreement Extension/Modification Request available via mf.freddiemac.com, attaching any necessary supporting documentation. The Servicer must charge the Borrower a nonrefundable extension/modification review fee as set forth in Exhibit 10. If a fee is applicable, the Servicer must remit to Freddie Mac 50 percent of the fee and may retain the remaining 50 percent.

4. Documentation of approved extensions

Within the time specified in Freddie Mac's approval of a modification or extension of a Repair Agreement, the Servicer must deliver any required documents and fees to Freddie Mac in accordance with the delivery requirements of the approval letter.

5. Managing outstanding Repair items

The Servicer must manage notifications to the Borrower until the Servicer receives acceptable proof of completion for all items identified in the Repair Agreement. For Repairs not completed as or when required, Freddie Mac requires the Servicer to take the following actions:

- a. Within 30 calendar days following the repair due date, send a "reservation of rights" letter to the Borrower in conjunction with enforcing the Loan Documents. The Servicer must [use either the Notice of Default and Reservation of Rights \(Conventional\) or the Notice of Default and Reservation of Rights \(SBL\) form, as applicable, and must](#) work closely with Freddie Mac in handling such matters. ~~The "reservation of rights" letter must incorporate the following language:~~

~~"Except as otherwise expressly stated above, nothing contained herein and no action or inaction by the Lender, including without limitation the collection or retention of loan payments and other sums due Lender under the Loan Documents or the acceptance of performance of any other obligation of any kind under the Loan Documents by Borrower or Guarantor, will (i) relieve or release Borrower or any Guarantor from any of their respective duties, obligations, covenants or agreements under the Loan Documents; (ii) constitute a waiver or release of any default by Borrower or Guarantor, or a limitation on the exercise of, any of the rights or remedies available to the Lender at law, in equity or under the Loan Documents arising from such default; or (iii) be deemed to constitute a modification or alteration of the terms, conditions or covenants of the Loan Documents, all of which remain in full force and effect. This [notice/letter] is being transmitted to you as a courtesy and is not intended as an admission that written notice or any communication of any kind is otherwise due from the Lender, the Borrower and/or any other party. ALL RIGHTS ARE HEREBY EXPRESSLY RESERVED."~~



Within five business days of sending the “reservation of rights” letter to the Borrower, the Servicer must provide Freddie Mac a copy of the letter via email at MF_Surveillance@freddiemac.com. If collection of Reserve deposits for Replacement Reserves was deferred at the time of such Repair item noncompliance, the Servicer must begin collection of the Reserve deposits for Replacement Reserves. Collection of Reserve deposits for Replacement Reserves must commence not later than the second payment installment date immediately following the Repair item completion due date. The Servicer may include notice of the collection of Reserve deposits for Replacement Reserves in the “reservation of rights” letter to the Borrower or in a separate Borrower communication.

c. Disbursement from Repair Reserve (10/31/12)

The Servicer must review all estimates or contracts from contractors to determine that the bid amount for each repair is reasonable. The Servicer also must ensure that the bid price is reasonably sufficient to pay for all necessary labor and materials to be performed or supplied by that contractor. The Mortgage File retained by the Servicer must include all estimates and contracts.

Unless otherwise specified by Freddie Mac, the Servicer will be responsible for authorizing disbursements from the Repair Reserve and for documenting that all repairs are completed satisfactorily. If the Borrower has met all of the Repair Agreement conditions for disbursement, then the Servicer may make the requested disbursement to

- The Borrower, if the Borrower has submitted evidence that the work for which disbursement is requested has been fully paid for by the Borrower. This evidence must be in the form of lien waivers, copies of canceled checks, receipts or invoices that are in the amount of the disbursement request and that are marked "paid."
- The Borrower and the contractor or vendor jointly, if the Borrower has not submitted evidence that the work has been paid for in full

d. Requiring a Borrower to fund an unfunded Repair Reserve upon default (06/25/20)

Even if a Repair Agreement did not require immediate funding of a Repair Reserve, the Repair Agreement may require the Borrower to fund the Repair Reserve upon the occurrence of an event of default under the Loan Documents. The Servicer must consult with Freddie Mac *Multifamily Asset Management, Asset Resolution* upon the occurrence of an event of default by the Borrower, and must require the Borrower to establish the Repair Reserve within the time and in the amount specified by Freddie Mac. Within 10 days following funding of the Repair Reserve, the Servicer must deliver to Freddie Mac, at the address found on the form, the original of one of the following forms, as applicable, executed on behalf of the institution that maintains the Repair Reserve Custodial Account:

- If the Custodial Account for the Repair Reserve is held by an institution other than the Servicer, Form 1058, Letter Agreement for Servicer’s Reserve Custodial Account
- If the Custodial Account for the Repair Reserve is held by the Servicer, Form 1060, Letter Agreement for Reserve Custodial Account



e. Prohibited actions by the Servicer (09/18/14)

The Servicer may not take any of the following actions with respect to the Repair Agreement or Repair Reserve without Freddie Mac's prior written consent:

- Charge a one-time fee in excess of the amount set forth in Exhibit 10 for establishing the Repair Reserve
- Charge a fee in excess of the amount set forth in Exhibit 10 (excluding travel and other reasonable expenses) for each inspection of the Property under the Repair Reserve Agreement
- Make disbursements from the Repair Reserve to any party other than the Borrower, except as permitted by Section 39.4(c)
- Require the Borrower to deposit funds into the Repair Reserve in excess of the deposits required pursuant to Freddie Mac's Letter of Commitment or early rate-lock application
- Exercise the right of the lender under the Repair Reserve Agreement to perform any capital replacement
- Enter into any contract in its own or the Borrower's name, incur any indebtedness or advance its own funds to perform or complete any repair
- Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply to the indebtedness any amounts on deposit in the Repair Reserve upon the Borrower's default
- Approve any modifications to the Repair Agreement except as permitted by Section 39.4(b)(2)

39.5 Priority Repairs and Replacement Reserve Servicing for SBL Mortgages with Loan Agreement forms dated after 11-02-2015 (~~10/19/23~~02/22/24)

This Section 39.5 applies to all SBL Mortgages with Loan Agreement forms with revision dates after 11-02-2015.

a. Monitoring and completion of Priority Repairs (~~10/19/23~~02/22/24)

In conjunction with the first annual property inspection and all subsequent property inspections, the Servicer must determine whether the Borrower has completed the Priority Repairs (including PR-90 Repairs) listed on Form 1104, SBL Physical Risk Report.

Freddie Mac will create a single Loan Item Tracking (LIT) entry in PRS that captures all of the Priority Repairs (to include PR-90 Repairs) identified on Form 1104, SBL Physical Risk Report. Within 30 calendar days of deeming any Priority Repair item to be complete, the Servicer must update the PRS LIT accordingly.

If the Servicer determines that any Priority Repair (including PR-90 Repairs) has not been completed, the Servicer must issue a notification to the Borrower documenting the outstanding Priority Repair and refer the Borrower to its obligation under the Loan Agreement to complete the identified Priority Repair. If the Borrower does not respond

Guide Bulletin Update ~~10/19/23~~02/22/24 Chapter 39 – Page 16



within 30 calendar days following such Servicer notification or if the Borrower timely responds but does not provide a satisfactory Priority Repair action plan, Freddie Mac requires the Servicer to issue a “reservation of rights” letter as soon as possible, and no later than 10 business days following such Borrower inaction. The ~~“reservation of rights” letter must incorporate the following language:~~ “Servicer must use the Notice of Default and Reservation of Rights (SBL) form.”

~~“Except as otherwise expressly stated above, nothing contained herein and no action or inaction by the Lender, including without limitation the collection or retention of loan payments and other sums due Lender under the Loan Documents or the acceptance of performance of any other obligation of any kind under the Loan Documents by Borrower or Guarantor, will (i) relieve or release Borrower or any Guarantor from any of their respective duties, obligations, covenants or agreements under the Loan Documents; (ii) constitute a waiver or release of any default by Borrower or Guarantor, or a limitation on the exercise of, any of the rights or remedies available to the Lender at law, in equity or under the Loan Documents arising from such default; or (iii) be deemed to constitute a modification or alteration of the terms, conditions or covenants of the Loan Documents, all of which remain in full force and effect. This [notice/letter] is being transmitted to you as a courtesy and is not intended as an admission that written notice or any communication of any kind is otherwise due from the Lender, the Borrower and/or any other party. ALL RIGHTS ARE HEREBY EXPRESSLY RESERVED.”~~

The Servicer must follow up on any outstanding Priority Repair items at the next scheduled inspection, unless the incomplete repairs include Life Safety Hazards. If any remaining Priority Repair is a Life Safety Hazard, the Servicer must work closely with the Borrower until the Life Safety Hazard is remediated or resolved.

The Servicer must cause a qualified engineer to certify that repairs have been completed in a good and workmanlike manner when any one of the following conditions is present:

- The repair, if improperly done, might contribute to material failure of any building component and/or the physical deterioration of the facility
- The repair is a structural repair
- The repair consists of a repair to a major building system (for example, electrical, mechanical, fire protection, etc.)

The engineer must meet or exceed the qualification requirements in Section 62SBL.17. If the Servicer does not have a qualified engineer on staff, the Servicer must retain a qualified third-party engineer. When the scope of work requires specialized knowledge to verify completion and quality, the Servicer must retain an engineer with appropriate expertise.

The Servicer must maintain supporting documentation in the Mortgage File for each completed repair, including:

- A list of the items that have been completed,
- Color photographs documenting the completed repairs,
- The final completion date, and



- The engineer's certification, when required, that repairs have been completed in a good and workmanlike manner

b. Reserved (10/14/16)

c. Disbursement from Replacement Reserve Fund for Priority Repairs (10/14/16)

The Servicer must review all estimates or contracts from contractors to determine that the bid amount for each repair is reasonable. The Servicer also must ensure that the bid price is reasonably sufficient to pay for all necessary labor and materials to be performed or supplied by that contractor. The Mortgage File retained by the Servicer must include all estimates and contracts.

Unless otherwise specified by Freddie Mac, the Servicer will be responsible for authorizing disbursements from the Replacement Reserve and for documenting that all repairs are completed satisfactorily. If the Borrower has met all of the conditions for disbursement, then the Servicer may make the requested disbursement to

- The Borrower, if the Borrower has submitted evidence that the work for which disbursement is requested has been fully paid for by the Borrower. This evidence must be in the form of lien waivers, copies of canceled checks, receipts or invoices that are in the amount of the disbursement request and that are marked "paid."
- The Borrower and the contractor or vendor jointly, if the Borrower has not submitted evidence that the work has been paid for in full

d. Reserved (10/14/16)

e. Prohibited actions by the Servicer (10/14/16)

The Servicer may not take any of the following actions with respect to the Replacement Reserve Fund without Freddie Mac's prior written consent:

- Charge a fee for establishing the Replacement Reserve Fund
- Charge a fee in excess of the amount set forth in Exhibit 10 (excluding travel and other reasonable expenses) for each inspection of the Property under the Loan Agreement
- Make disbursements from the Replacement Reserve Fund to any party other than the Borrower, except as permitted by Section 39.5(c)
- Require the Borrower to deposit funds into the Replacement Reserve Fund in excess of the deposits required pursuant to Freddie Mac's Letter of Commitment or early rate-lock application
- Exercise the right of the lender under the Loan Agreement to perform any capital replacement
- Enter into any contract in its own or the Borrower's name, incur any indebtedness or advance its own funds to perform or complete any Capital Replacement or repair



- Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply to the indebtedness any amounts on deposit in the Replacement Reserve Fund upon the Borrower's default

39.6 Replacement Reserve Servicing (04/30/19)

For the purposes of this chapter, the term “Replacement Reserve Agreement” means any Replacement Reserve Agreement, Replacement Reserve Rider to Loan Agreement, or other Loan Document establishing a Replacement Reserve, including the Loan Agreement.

a. Funded Replacement Reserves (12/10/13)

The Servicer is responsible for authorizing releases from the Replacement Reserve and for obtaining from the Borrower copies of canceled checks or bills that are certified “paid” and valid lien waivers. The Seller/Servicer must also document that all capital replacements are completed satisfactorily, including exercising the right of the lender under the Replacement Reserve Agreement to hire an engineer to certify that the capital replacements have been completed in a good and workmanlike manner.

b. Disbursements for additional capital replacement items (07/01/14)

1. Mortgages for which the Servicer is permitted to approve additional disbursements

During any period in which Freddie Mac owns the Mortgage, the Servicer may approve a disbursement for certain capital replacement items not specifically listed in the Replacement Reserve Agreement unless one of the following applies:

- The Mortgage was originated on a Note labeled “CME”
- The Mortgage was originated on a Note with a revision date on or after March 1, 2014
- The Servicer has received notification from Freddie Mac that the Mortgage has been designated for inclusion in a Securitization
- The Mortgage backs a Freddie Mac Multifamily Participation Certificate or a Freddie Mac tax-exempt or taxable Multifamily bond securitization

2. Types of additional disbursements the Servicer may approve

Subject to the limitations in this Section 39.6(b), the Servicer may authorize a disbursement for certain capital replacement items not specifically listed in the Replacement Reserve Agreement. The only permissible additional items are as follows:

- A capital replacement item which was identified and made part of the projected expenditures in the property condition report
- A capital replacement item that the Servicer reasonably determines is critical to the continued operation of the Property (“critical replacement”), if each of the following conditions is satisfied:



- i. The Servicer has determined that the Property's cash flow is insufficient to cover the cost of the critical replacement, and has taken one of the following actions:
 - Confirmed that Replacement Reserve balances and projections are reasonably adequate to cover future disbursements for capital replacements listed in the Replacement Reserve Agreement, or
 - Required the Borrower to amend the Replacement Reserve Agreement to increase the amount of future monthly deposits to cover the original capital replacements as well as the critical replacement, if the Servicer has determined that the disbursement for the critical replacement will cause the amount of the Replacement Reserve to fall below an adequate level. The Servicer must prepare the applicable amendment and submit it to Freddie Mac for its review, approval and signature.
- ii. The Servicer must retain supporting documentation and copies of its approvals in the Mortgage File for all disbursements made pursuant to Section 39.6(b)(2).
- c. The Servicer may only authorize a disbursement for a critical replacement described in Section 39.6(b)(2) when all of the following additional conditions are met:
 - The Property secures a Mortgage that has a Risk Rating of six or less and is not in default.
 - The disbursement is for capital replacement items that are upgrades which add value to and prevent an adverse condition at the Property.
 - A supervisor or higher-level manager on the Servicer's staff has approved the disbursement for the additional capital replacement items.
 - No credit enhancement has been provided by any person or entity that is not a party to the Mortgage.

If any one or more of the conditions described in this Section 39.6(b)(1) or (2) is not met, the Servicer must seek Freddie Mac's approval, as described in Section 39.6(b)(2)(d) below.

- d. Freddie Mac approval is required for any Replacement Reserve disbursement request for any capital replacement item that is not specifically listed in the Replacement Reserve Agreement nor permitted under Section 39.6(b)(1) or (2) (a) – (c). For all such disbursement requests, the Servicer must electronically deliver to Freddie Mac a written request for such modification using the General Servicing Request, available via mf.freddiemac.com, attaching any necessary supporting documentation.

c. Requiring a Borrower to fund an unfunded Replacement Reserve (05/01/14)

If the Replacement Reserve Agreement did not require immediate monthly funding of the Replacement Reserve, the Agreement may nonetheless require the Borrower to begin to make deposits to the Replacement Reserve upon the occurrence of certain conditions



specified in the agreement. The Servicer must consult with Freddie Mac upon the occurrence of any of the specified conditions and must require the Borrower to commence funding of the Replacement Reserve when specified by Freddie Mac. Within 10 days following funding of the Replacement Reserve, the Servicer must deliver to Freddie Mac an original of one of the following forms, as applicable, executed on behalf of the institution that maintains the Replacement Reserve Custodial Account:

- If the Custodial Account for the Replacement Reserve is held by an institution other than the Servicer, Form 1058, Letter Agreement for Servicer's Reserve Custodial Account
- If the Custodial Account for the Replacement Reserve is held by the Servicer, Form 1060, Letter Agreement for Reserve Custodial Account

d. Unfunded Replacement Reserves with required capital expenditures (04/30/19)

If the Borrower is required to spend a minimum or specified amount on capital expenditures annually, or an average amount per year over a specified period of time, and a Replacement Reserve Custodial Account is not in place, the Servicer must monitor compliance with the expenditure requirements in accordance with the Replacement Reserve Agreement and may accept either of the following items as evidence of compliance:

- An operating statement for the reporting period, certified by the Borrower, that includes sufficient details to confirm the capital expenditures were made, or
- An itemized list, certified by the Borrower, of capital expenditures for the reporting period identifying the item, cost for the item, and total paid for capital expenditures for the period.

The Servicer must monitor the capital expenditures in accordance with the Replacement Reserve Agreement. If the Servicer determines the Borrower is not in compliance with the capital expenditure requirements, the Servicer must work with the Borrower to resolve the noncompliance. The Servicer must notify Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* if any of the following conditions is present:

- The Property secures a Mortgage that has a Risk Rating greater than six or is in default
- The Property condition had a rating of
 - Less than Average on the Freddie Mac rating scale, if the last inspection took place before 2012, or
 - Four or five if the last inspection took place in 2012 or later
- There are significant outstanding Deferred Maintenance issues, or the Borrower is out of compliance in an amount that exceeds 20% of the required expenditures
- There are additional investors who have provided credit enhancements (other than those provided by a Seller/Servicer, Borrower, or Affiliates of the Borrower)
- The Mortgage backs a Freddie Mac Multifamily Participation Certificate or a Freddie Mac tax-exempt (or taxable) Multifamily bond securitization



e. Prohibited actions by the Servicer (09/18/14)

The Servicer may not take any of the following actions with respect to the Replacement Reserve without Freddie Mac's prior written consent:

1. Charge a one-time fee in excess of the amount set forth in Exhibit 10 for establishing the Replacement Reserve
2. Charge a fee in excess of the amount set forth in Exhibit 10 (excluding travel and other reasonable expenses) for each inspection of the Property under the Replacement Reserve Agreement
3. Make disbursements from the Replacement Reserve to any party other than the Borrower
4. Require the Borrower to deposit funds into the Replacement Reserve in excess of the deposits required pursuant to Freddie Mac's Letter of Commitment or early rate-lock application, except as authorized under Section 39.6(b)
5. Exercise the right of the lender under the Replacement Reserve Agreement to perform any capital replacement
6. Enter into any contract in its own or the Borrower's name, incur any indebtedness or advance its own funds to perform or complete any capital replacement
7. Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply to the indebtedness any amounts on deposit in the Replacement Reserve upon the Borrower's default

f. Mortgages with terms longer than 10 years (12/12/14)

For a Mortgage with a loan term longer than 10 years, the Replacement Reserve requirements in the Loan Documents may provide that the lender may adjust the Replacement Reserve amount following receipt of an updated property condition report. If the Loan Documents provide for such an adjustment, then on the 10th anniversary of the Origination Date of the Mortgage, the Servicer must conduct a re-evaluation of the adequacy of the Replacement Reserve.

If the Loan Documents permit the lender to adjust the Replacement Reserve amount, then the Servicer must take one of the following actions:

- If the Loan Documents provide that the lender may obtain a property condition report and either charge the cost to the Borrower or deduct the cost from the Replacement Reserve Fund, then the Servicer must obtain an updated property condition report conducted in accordance with the requirements of Chapter 62.
- If the Loan Documents do not contain a provision authorizing the lender to obtain a property condition report at the Borrower's expense, then the Servicer must conduct a property inspection in accordance with the requirements of Chapter 40 for annual inspections; however, third-party fee inspectors are not permitted.



Within 15 days following receipt of the updated property condition report or property inspection, as applicable, the Servicer must electronically submit a recommendation on the General Servicing Request to Freddie Mac regarding the need for adjustments to the Replacement Reserve amount.

Unless the Loan Documents provide otherwise, the Servicer must deduct from the Replacement Reserve Fund an amount sufficient to pay all reasonable fees and expenses charged by the property condition consultant or Servicer.

39.7 Rental achievement Reserve Servicing (09/18/14)

For the purposes of this section, any Property performance achievement agreement, such as a rental achievement guaranty, a Rental Achievement Escrow Agreement – Cash or Rental Achievement Agreement – Letter of Credit, or Rental Achievement Rider to Loan Agreement which a Borrower or guarantor has executed with respect to a Mortgage, will be referred to as a “rental achievement agreement”.

If a rental achievement agreement exists with respect to the Property, the Servicer must require the Borrower to establish any required Reserve or post any required letter of credit within the time and in the amount specified by Freddie Mac. A rental achievement guaranty executed in connection with the Mortgage may include rental achievement provisions tied to a reduction in the amount of the base guaranty or other provisions. See Section 11.2 for the Seller/Servicer’s obligations with respect to the approval and monitoring of Letters of Credit.

a. Monitoring of Property performance; requests for release or reduction of Reserve funds (09/18/14)

The Servicer must monitor the performance of the Property under the terms of the rental achievement agreement. If the Borrower or guarantor submits a request for release of the Reserve or letter of credit, or a reduction in the base guaranty, the Servicer must

- Collect all data required to analyze the request under the terms of the applicable document
- Review and analyze the data
- Submit the data and the Servicer’s written recommendation with respect to the request to Freddie Mac electronically, using the Release/Extension of Monetary Collateral Request, available via mf.freddiemac.com, and attaching any necessary supporting documentation

If the rental achievement agreement includes an earn-out expiration date, the Servicer must monitor the earn-out expiration date, and must contact Freddie Mac, via email at least 30 days prior to the earn-out expiration date, providing the Servicer’s discussion of the Property’s performance in relation to the performance standard. In the email, the Servicer must advise Freddie Mac whether:

- The Servicer expects the Property to meet the performance standard prior to the earn-out expiration date,



- The Borrower or guarantor is likely to request an extension of the earn-out expiration date, and
- The Servicer recommends any action by Freddie Mac.

b. Extension of earn-out expiration date (09/18/14)

If the Borrower or guarantor requests an extension of the earn-out expiration date, the Servicer must advise the Borrower or guarantor in writing that Freddie Mac is under no obligation to consider or agree to such a request. If Freddie Mac does agree to an extension, it may charge a fee as set forth in Exhibit 10.

The Servicer must submit any request for an extension of the earn-out expiration date to Freddie Mac electronically. The request must include all of the following:

- A determination of the performance of the Property with respect to the applicable performance standard
- The Servicer's assessment of the likelihood that the Property will meet the performance standard within the extended time requested
- An explanation from the Borrower or guarantor of the reasons that the Property will not meet the performance standard by the earn-out expiration date
- The Servicer's recommendation regarding the extension request

c. Servicer's notice to Freddie Mac following approved addition, release, reduction or substitution of the Reserve or letter of credit (10/31/12)

If Freddie Mac approves the addition, release or reduction of the Reserve or letter of credit, or a substitution of collateral, then the Servicer must notify Freddie Mac by email within one Business Day after the completion of the addition, release, reduction or substitution. The Servicer must electronically deliver to Freddie Mac any background documentation regarding the addition, release, reduction or substitution.

d. Failure of Property to meet performance standard; application of collateral (10/31/12)

If the earn-out expiration date passes and the Borrower or guarantor, as applicable, has not demonstrated that the Property has met the performance standard specified in the rental achievement agreement, then

- Freddie Mac may elect to apply the Reserve or the proceeds of the letter of credit to reduce the outstanding principal balance due under the Note, or to make a claim against the guarantor, as applicable. If Freddie Mac determines to take such action, it will advise the Servicer in writing and direct the Servicer to take the action necessary to implement Freddie Mac's decision.
- Unless and until Freddie Mac elects to take any action described above, the Servicer must maintain the Reserve or letter of credit, as applicable, and any guaranty will remain in place.



e. Prohibited actions by the Servicer (10/31/12)

Without Freddie Mac's written approval, the Servicer may not:

- Take any action to reduce the amount of or release the Rental Achievement Reserve or letter of credit
- Extend any earn-out expiration date specified in the applicable agreement
- Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply any Reserve or letter of credit proceeds
- Otherwise amend the terms of the applicable agreement

39.8 Special Purpose Reserve Servicing (10/14/16)

If the Loan Agreement for a Mortgage requires a Special Purpose Reserve, the Servicer must require the Borrower to establish the Reserve within the time and in the amount specified by Freddie Mac.

a. Monitoring of Property performance; requests for release or reduction of Reserve funds (10/14/16)

The Servicer must monitor the performance of the Property under the terms of the Loan Agreement relative to the Special Purpose Reserve. If the Borrower submits a request for release of the Reserve, the Servicer must

- Collect all data required to analyze the request under the terms of the Loan Agreement
- Review and analyze the data
- Submit the data and the Servicer's written recommendation with respect to the request to Freddie Mac electronically, using the Release/Extension of Monetary Collateral Request, available via mf.freddiemac.com, and attaching any necessary supporting documentation

b. Extension of termination date (10/14/16)

If the Borrower requests an extension of the termination date for the Special Purpose Reserve, the Servicer must advise the Borrower in writing that Freddie Mac is under no obligation to consider or agree to such a request.

The Servicer must submit any request for an extension of the termination date to Freddie Mac electronically. The request must include all of the following:

- A determination of the performance of the Property with respect to the applicable performance standard
- The Servicer's assessment of the likelihood that the Property will meet the performance standard within the extended time requested



- An explanation from the Borrower of the reasons that the Property will not meet the performance standard by the termination date
- The Servicer's recommendation regarding the extension request

c. Servicer's notice to Freddie Mac following approved addition, release, reduction or substitution of the Reserve or letter of credit (10/14/16)

If Freddie Mac approves the addition, release or reduction of the Reserve, then the Servicer must notify Freddie Mac by email within one Business Day after the completion of the addition, release, or reduction. The Servicer must electronically deliver to Freddie Mac any background documentation regarding the addition, release, or reduction.

d. Failure of Property to meet performance standard; application of collateral (10/14/16)

If the termination date passes and the Borrower has not demonstrated that the Property has met the performance standard specified in the Loan Agreement for the release of the Special Purpose Reserve, then

- Unless prohibited by the Loan Agreement, Freddie Mac may elect to apply the Reserve to reduce the outstanding principal balance due under the Note. If Freddie Mac determines to take such action, it will advise the Servicer in writing and direct the Servicer to take the action necessary to implement Freddie Mac's decision.
- Unless and until Freddie Mac elects to take the action described above, the Servicer must maintain the Reserve.

e. Prohibited actions by the Servicer (10/14/16)

Without Freddie Mac's written approval, the Servicer may not:

- Take any action to reduce the amount of or release the Special Purpose Reserve
- Extend any termination date specified in the applicable agreement
- Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply any Reserve
- Otherwise amend the terms of the applicable agreement

39.9 Servicing Moderate Rehabilitation (Mod Rehab) Mortgages (12/15/22)

Capitalized terms used but not defined in this section have the meanings given to them in Section 17.4(a).

During the Interim Phase of a Mod Rehab Mortgage the Servicer disburses funds periodically at the request of the Borrower to reimburse renovation expenses; this disbursement is subject to holdbacks as identified in the Disbursement Agreement. The Servicer must disburse draws only upon receipt of documentation sufficient to indicate that the renovation work has been properly completed. A general overview of the draw process is as follows:



- To initiate the disbursement of funds, the Borrower submits a Disbursement Request to the Servicer.
- The Servicer requests that the Architectural Consultant inspect the Property.
- Based on the Architectural Consultant's inspection, the Servicer's review of the Borrower's Disbursement Request, and confirmation that the Mortgage meets the performance metrics as identified in the Disbursement Agreement, the Servicer sends a Disbursement Certification to Freddie Mac.
- Upon receipt of the funds from Freddie Mac, the Servicer forwards the funds to the Borrower.
- The Servicer submits the completed draw package described below to Freddie Mac within five Business Days after the Servicer submits the Disbursement Certification.

The Servicer may not submit a subsequent Disbursement Certificate or draw package to Freddie Mac unless Freddie Mac has approved the previous draw package.

The Borrower's responsibilities are found in the Disbursement Agreement and the Servicer's responsibilities are found in the Disbursement Servicing Agreement, each of which is executed at loan origination.

a. Servicer responsibilities (12/15/22)

As more fully detailed in the Disbursement Servicing Agreement, the Servicer must:

- Evaluate each Disbursement Request from the Borrower (which consists of fully executed AIA Forms G702 and G703, or their equivalent) to confirm that work was adequately completed and properly represented by the request
- Review construction monitoring reports for accuracy, completeness and compliance with Section 63.4
- Review all change orders to ensure that revisions do not impact the scope or quality of renovations and to ensure that sufficient funds remain to complete the project
- Confirm that the Property has met any performance metric requirement set forth in the Disbursement Servicing Agreement, typically related to net rental income
- Submit a Disbursement Certification (the form of which is attached as an exhibit to the Disbursement Servicing Agreement) to mfla@FreddieMac.com and MF_PhysicalRisk@FreddieMac.com upon verification of the request
- Within five Business Days after submitting the Disbursement Certification, submit the completed draw package to MF_PhysicalRisk@FreddieMac.com. The draw package must include the following:
 - A cover letter that summarizes
 - Disbursement Request (including AIA Forms G702/G703 or their equivalent)



- Budget status
- Renovation progress
- Construction monitoring report
- Status of the performance metric(s)
- Copy of the Disbursement Certification
- Title update
- Construction monitoring report meeting the requirements of Section 63.4
- Current rent roll
- Promptly upon receipt of the disbursement funds from Freddie Mac, and no more than 10 Business Days after receipt of the Disbursement Request, make the requested disbursement to the Borrower

b. Draw calculation (05/05/17)

Projects are generally subject to a funding source split between Freddie Mac and Borrower equity. Additionally, the full portion of each draw funded by Freddie Mac is subject to a retainage. The amounts of the Freddie Mac/Borrower equity split, and retainage are detailed in the Disbursement Agreement. The amount shown in the Disbursement Certification must reflect the amount owed to the Borrower, net of the equity portion and the retainage.

Sample Draw Calculation

- The Borrower submits a Disbursement Request in the amount of \$1,300,000
- The Servicer confirms that the amount requested is appropriate and submits the Disbursement Certification to Freddie Mac. The amount submitted to Freddie Mac is the amount requested in the Disbursement Request less the Borrower's equity share of 20 percent and the retainage amount of five percent:
 - Borrower equity is subtracted first: $\$1,300,000 \text{ less } (1,300,000 * 0.20) = 1,040,000$
 - Retainage of five percent is then subtracted: $\$1,040,000 \text{ less } (1,040,000 * 0.05) = \$988,000$
- The Servicer's Disbursement Certification requests the net amount of \$988,000 for funding by Freddie Mac

c. Release of retainage and holdback amounts (05/05/17)

Upon substantial completion of the renovation project and Borrower submission to the Servicer of the documentation outlined in the Disbursement Agreement, Freddie Mac will release to the Servicer the retainage amount, less a \$250,000 holdback.



Upon final completion of the renovation project, including completion of all remaining punch list items, and Borrower submission to the Servicer of final documentation outlined in the Disbursement Agreement, Freddie Mac will release to the Servicer the final \$250,000 holdback balance.

39.10 Servicing a Mortgage with a Green Up® or a Green Up Plus® loan option (02/28/19)

Capitalized terms used but not defined in this section have the meanings given to them in the Glossary.

Green Improvements are treated as repairs. Funds earmarked for Green Improvements are included in the Repair Reserve, and the requirements of Sections 39.1 and 39.3 apply. The Servicer must monitor and report on Green Improvements in accordance with the requirements of Section 39.4.

a. Benchmarking Metrics (02/28/19)

As a requirement for a Green Up® or Green Up Plus® loan option, the Benchmarking Data Consultant must collect, input and monitor the energy and water usage for the Property in Portfolio Manager®, the online tool located on the ENERGY STAR® website of the EPA, to provide Benchmarking Metrics to Freddie Mac.

The Borrower, through the Benchmarking Data Consultant, will be required under the Loan Documents to provide Benchmarking Metrics generated through Portfolio Manager for the Property. The Benchmarking Metrics include:

- ENERGY STAR® Score
- Energy Use Intensity
- EPA 1-100 Water Score
- Water Use Intensity

Freddie Mac will monitor submission of the Benchmarking Metrics through Portfolio Manager and will notify the Servicer of any metrics not received by the date specified in the Loan Agreement. The Servicer must then contact the Borrower and request that the Borrower, through the Benchmarking Data Consultant submit the required Benchmarking Metrics.

The benchmarking process is as follows:

- The Borrower sets up an account in Portfolio Manager
- The Servicer assists the Borrower in gaining access to the information to be inputted for the Property by the Green Consultant in Portfolio Manager
- The Benchmarking Data Consultant inputs on-going Property consumption data into Portfolio Manager
- The Borrower, through the Benchmarking Data Consultant, submits the annual Benchmarking Metrics to Freddie Mac via Portfolio Manager



The responsibilities of the Borrower, Benchmarking Data Consultant and the Servicer, with respect to the on-going benchmarking process, are found in the Green Improvements Rider attached to the Loan Agreement.

b. Borrower, Green Consultant and Benchmarking Data Consultant Access to Portfolio Manager (02/28/19)

In accordance with Section 65.2, the Green Consultant must input historical Property energy and water consumption information into Portfolio Manager. To enable the Borrower to gain access to the Property information in ENERGY STAR® Portfolio Manager®, the Servicer must:

- Ensure the Borrower has a Portfolio Manager account
- Provide the Borrower's Portfolio Manager user name, email and the name of the Property to the Green Consultant

The Green Consultant must send a connection request to the Borrower through Portfolio Manager. Once the Borrower accepts the connection request, the Green Consultant will share the Property information with the Borrower.

The Borrower will be responsible for ensuring the Benchmarking Data Consultant has access to the Property information in Portfolio Manager to begin inputting energy and water consumption usage in accordance with the timeframes provided in the Loan Agreement.

Prior to the Origination Date, the Seller/Servicer must follow up with:

- The Borrower and the Green Consultant to ensure that the Borrower has access to the Property information which has been inputted by the Green Consultant in Portfolio Manager and
- The Borrower to confirm that the Benchmarking Data Consultant has been given access to the Property information in Portfolio Manager and is able to input energy and water consumption usage

Summary report: Litera Compare for Word 11.0.0.61 Document comparison done on 2/20/2024 9:53:58 AM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 39 - Admin of Reserves; Monitoring Repairs GB-10-19-23.docx	
Modified filename: 39 - Admin of Reserves; Monitoring Repairs GB-02-22-24.docx	
Changes:	
<u>Add</u>	18
Delete	15
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	33

Multifamily Seller/Service Guide

Chapter 40

Assessments and Other Post-purchase Reporting



- 40.1 General information regarding assessments and other post-purchase reporting (10/19/23)
 - a. General information regarding assessments (10/19/23)
 - b. Additional Seller/Service post-purchase reporting for Mortgages purchased for Securitization (03/03/17)
 - c. Additional reporting requirements for Special Product Type Mortgages including SBL Mortgages (03/03/17)

- 40.2 Types of assessments and timing of assessments (10/19/23)
 - a. Types of assessments (10/19/23)
 - b. Conditions requiring an assessment and timing of assessments (12/16/21)
 - c. Requesting an adjustment of the Annual Financial due date (04/30/19)
 - d. Reporting to senior Mortgage servicers (03/03/17)

- 40.3 Completing and submitting the Annual Financial (04/27/18)
 - a. Source documents for the Annual Financial (03/03/17)
 - b. Completing the Annual Financial (04/27/18)
 - c. Submitting the Annual Financial (04/27/18)

- 40.4 Completing and submitting the Quarterly Financial (04/27/18)
 - a. Source documents for the Quarterly Financial (03/03/17)
 - b. Completing the Quarterly Financial (04/27/18)
 - c. Submitting the Quarterly Financial (12/14/17)

- 40.5 Completing and submitting the Mid-Year Rent Schedule (04/27/18)
 - a. Source documents for the Mid-Year Rent Schedule (04/27/18)
 - b. Submitting the Mid-Year Rent Schedule (04/27/18)

- 40.6 Completing and submitting the Loan Management Form (LMF) (10/19/23)
 - a. Evaluating the Mortgage and determining whether an LMF is required (10/19/23)
 - b. Completing and submitting the LMF (04/30/15)
 - c. Timing of submission of the LMF (10/19/23)

- 40.7 ~~Conducting the inspection of the Property (10/19/23)~~ [Conducting the inspection of the Property \(02/22/24\)](#)
 - a. Unit inspection requirements and minimum number of units to inspect (09/30/20)
 - b. Requirements for photographs (10/14/16)
 - c. Guidance for photographs (12/12/14)
 - d. ~~Assessing the physical condition of the Property and any risk issues (10/19/23)~~ [Assessing the physical condition of the Property and any risk issues \(02/22/24\)](#)
 - e. Assessing moisture or Mold issues during the inspection (02/28/19)
 - f. Assessing the property management company (12/12/14)
 - g. Assessing the neighborhood, adjoining land uses and any changes to submarkets impacting the occupancy or performance of the Property (12/12/14)

- 40.8 Timing of the property inspection and the inspection report (10/19/23)



- 40.9 Completing and submitting the inspection; retention of inspection documentation (04/27/18)
- 40.10 Late, incomplete or unacceptable assessments; penalties and enforcement (10/19/23)
- 40.11 Obligation to review and verify the General Loan Information (02/18/21)
- 40.12 Freddie Mac's rights (12/12/14)
- 40.13 Inspector requirements (10/19/23)
 - a. General inspector requirements for all Mortgages (06/25/20)
 - b. Specific inspector requirements (10/19/23)
 - c. Waiver of inspector requirements (03/03/17)
 - d. Guidance for a quality control program for staff inspectors (12/12/14)
 - e. Servicer conflicts of interest and required independent inspections (06/25/20)
- 40.14 Third-party fee inspector company requirements (06/25/20)
 - a. Restrictions on the use of a third-party fee inspector company (06/25/20)
 - b. FIC acceptability (05/31/12)
- 40.15 Additional Seller/Servicer reporting requirements for non-SBL Mortgages prior to Securitization (04/30/19)
- 40.16 Reporting for Special Product Type Mortgages (04/14/22)
 - a. SBL Mortgages (03/03/17)
 - b. Value-Add Mortgages (09/30/20)
 - c. Mortgages secured by Properties deemed unstabilized by Freddie Mac (06/27/19)
 - d. Mod Rehab Mortgages (05/05/17)
 - e. MHC Mortgages with MHC Tenant Protections (04/14/22)
- 40.17 Mortgages with Rent Restrictions Rider to the Loan Agreement – reporting requirements (04/13/23)



40.1 General information regarding assessments and other post-purchase reporting (10/19/23)

a. General information regarding assessments (10/19/23)

Freddie Mac requires the Servicer to perform periodic assessments of each Property to assist Freddie Mac in preventing Mortgage defaults and losses through the early detection and resolution of concerns about a Mortgage.

The Servicer must complete the assessment in a sufficiently detailed manner to provide a framework for Freddie Mac to monitor the performance of the Mortgage. The Servicer must complete all sections of each assessment using the best information available. If the Servicer is unable to accurately complete any section or obtain any required document, the Servicer must provide a satisfactory explanation for the incomplete section or missing document with the assessment submission.

To accomplish competently the objectives of each assessment, the Servicer must employ experienced and trained personnel. Minimum training and experience requirements for all inspectors are set forth in Section 40.13. Section 40.14 sets forth training and experience requirements for the employees and contractors of a fee inspector company (FIC). The Servicer is responsible for the completed assessment submission regardless of who performed the inspection and will be held responsible for material mistakes, misrepresentations or omissions in the assessment submission as outlined in Section 40.10.

b. Additional Seller/Servicer post-purchase reporting for Mortgages purchased for Securitization (03/03/17)

For Mortgages purchased for Securitization, the Seller/Servicer must provide additional reporting prior to Securitization. These requirements are outlined in Section 40.15.

c. Additional reporting requirements for Special Product Type Mortgages including SBL Mortgages (03/03/17)

Special Product Type Mortgages, including SBL Mortgages, have additional or different reporting requirements, as outlined in Section 40.16. Except as provided in Section 40.16, Special Product Type Mortgages are subject to all of the requirements of this chapter.

40.2 Types of assessments and timing of assessments (10/19/23)

a. Types of assessments (10/19/23)

During any period in which Freddie Mac holds a Mortgage, Freddie Mac requires the following:

1. The Annual Financial is a year-end operating statement analysis in which the Servicer reviews the Property's financial condition for the most recent calendar year to identify any risks associated with the Property's financial performance. The Annual Financial includes an analysis of the Property's financial condition, the historical performance of the Mortgage and other pertinent data related to the Mortgage. Section 40.2(b) describes the use and timing of the Annual Financial submissions:



- A-CREFC-MF prepared for multifamily loans in accordance with the Commercial Real Estate Financial Council Investor Reporting Package (CREFC IRP)
- A-CREFC-HC prepared for multifamily healthcare/Seniors Housing loans in accordance with the CREFC IRP

Annual Financial interest rate cap/derivative income and expense reporting for

Floating-Rate Mortgages: Notwithstanding anything to the contrary contained in the CREFC IRP, any payments (income) received pursuant to interest rate caps or other derivatives must be excluded from “other income.” Any expenses related to replacement interest rate caps or other derivatives must be excluded from “other expenses.” Accordingly, the reported debt service must reflect the sum of uncapped interest, principal and replacement rate cap escrow amounts less any income received from interest rate caps or other derivatives.

2. The Quarterly Financial is a quarterly submission in which the Servicer reviews the Property’s financial condition for the most recent quarter to identify any risks associated with the Property’s financial performance. Section 40.2(b) describes the use and the timing of the Q-CREFC submissions; Section 40.16 provides additional Quarterly Financial instructions for Special Project Type Mortgages.
 - Q-CREFC-MF prepared for multifamily loans in accordance with the CREFC IRP
 - Q-CREFC-HC prepared for multifamily healthcare/Seniors Housing loans in accordance with the CREFC IRP

Quarterly Financial interest rate cap/derivative income and expense reporting for

Floating-Rate Mortgages: Same as Annual Financial reporting. See final paragraph of Section 40.2(a)(1) above.

3. A Mid-Year Rent Schedule is required for any SBL Mortgage originated on a Loan Agreement with a revision date on or after 11/08/2016. For the purposes of this Chapter 40, the Mid-Year Rent Schedule consists of a rent roll dated within five calendar days of the end of the second calendar quarter (or the end of the second quarter of the Borrower’s fiscal year if the Borrower has adopted fiscal year financial reporting).

The Servicer must submit the Mid-Year Rent Schedule and the following three data elements via the Property Reporting System (PRS) by August 31 of each year:

- The effective date of the rent schedule date
 - The physical occupancy percentage
 - The total actual rent for each loan in PRS (total actual rent received for occupied units; no income should be counted for vacant units).
4. The Loan Management Form (LMF) is an analysis of the Borrower’s compliance with the Loan Documents intended to highlight any potential problems associated with the Borrower or the loan.

Beginning with 2024 submissions, Freddie Mac will automatically add LMFs for every portfolio loan in PRS with a due date of 12/31 of that year. If at any time during the year the



Servicer is made aware of any condition that merits reporting per Section 40.6(a), the Servicer must complete the LMF assessment and submit it via PRS. If there is a subsequent event that requires notification per Section 40.6(a), the Servicer must provide notification of the subsequent event by sending an email to MF_Surveillance@freddiemac.com. Each December, the Servicer must evaluate all loans that have an LMF with a “Due” status and submit the remaining LMFs for their portfolio(s). The Servicer may use the bulk LMF assessment submission for multiple submissions.

5. For purposes of this chapter only, rent roll shall mean a document certified by the Borrower that contains the following key data points:
 - a. Tenant name
 - b. Unit number or some other physical identification point
 - c. Contract rent
 - d. Lease start date
 - e. Lease end date
 - f. Commercial units, where applicable
 - g. Market rent (required for vacant units, as available for occupied units)
 - h. Subsidy amount (if any), as available
 - i. Past due balance (if any), as available
 - j. Additional fees or charges (i.e., pet, utilities, etc.), as available
 - k. Unit type, name or description, as available
 - l. Unit size, as available
6. The property inspection report is prepared after the physical inspection of the Property and documents the condition of the Property. When used in this chapter, the term “property inspection report” refers to either:
 - The Annual Inspection Form (AIF), which applies during any period in which Freddie Mac holds the Mortgage, or
 - The MBA Property Inspection Form, for securitized loans.

The AIF uses the same format as the MBA Property Inspection Form, but the Servicer must submit it to Freddie Mac via the Property Reporting System (PRS).

For all types of assessments, the Servicer must use the appropriate version of the form to complete the assessment. In completing the assessment, the Servicer must provide information addressing all of the issues set forth in this chapter. For any assessment issue that does not have a corresponding field in the applicable form, the Servicer must provide a response in the comments section of the form. All assessments must be submitted to Freddie Mac via the Property Reporting System (PRS). If a Servicer discovers that an assessment has not been submitted as required by the chart below, the Servicer must contact Freddie Mac at MF_Asset_Perf@freddiemac.com with details about the loan and assessment.

b. Conditions requiring an assessment and timing of assessments (10/19/23)

Beginning with the Quarterly Financial Submissions for second quarter 2017, the QIE assessment format will no longer be in use. The Q-CREFC-MF or Q-CREFC-HC, as applicable, will be required.



Beginning with the 2018 Annual Financial Submissions, the AIE assessment format will no longer be used. The A-CREFC-MF or A-CREFC-HC, as applicable, will be required.

Assessment Type	Conditions requiring an assessment	Timing of the Assessment
A-CREFC-MF or A-CREFC-HC, as applicable	A Mortgage with a UPB > \$250,000	<ul style="list-style-type: none"> March 31 – a Mortgage with a Risk Rating > 6, or a Special Product Type Mortgage specified in Section 40.16, except SBL Mortgages May 31 – all other Mortgages, including SBL Mortgages
Q-CREFC-MF or Q-CREFC-HC, as applicable, Non-SBL Mortgages	<ul style="list-style-type: none"> A Mortgage with a UPB > \$250,000 A Mortgage with an Origination Date on or after 01/01/2003 	<ul style="list-style-type: none"> May 31 (first quarter) – <ul style="list-style-type: none"> A Special Product Type Mortgage specified in Section 40.16, except SBL Mortgages A Mortgage with a Risk Rating > 6 August 31 (second quarter) November 30 (third quarter)
Q-CREFC-MF or Q-CREFC-HC, as applicable, SBL Mortgages	A Mortgage with a Risk Rating > 6 as of the applicable quarter-end	<ul style="list-style-type: none"> May 31 (first quarter) August 31 (second quarter) November 30 (third quarter)
Mid-Year Rent Schedule – SBL Mortgages	An SBL Mortgage originated on a Loan Agreement form with a revision date on or after 11/08/2016	<p>Within five calendar days of the end of the Borrower’s second calendar quarter (or the end of the second quarter of the Borrower’s fiscal year), Unless otherwise notified by Freddie Mac, August 31.</p> <p>See Section 40.2(a)(3).</p>



Assessment Type	Conditions requiring an assessment	Timing of the Assessment
LMF Applicable during any period in which Freddie Mac holds the Mortgage	<ul style="list-style-type: none"> • A Mortgage with a UPB > \$1 million, or • A Mortgage with a Risk Rating > 6, or • A Mortgage held by Freddie Mac and subordinate to a securitized loan, or • A Mortgage where the Servicer has specific concerns regarding the Borrower’s compliance with the original Loan Documents 	<ul style="list-style-type: none"> • See Section 40.6(c).
Property inspection report – Non-SBL Mortgages	A Mortgage with a UPB ≤ \$2 million	<p>The calendar quarter end of the biennial anniversary of the Origination Date. Unless otherwise notified by Freddie Mac:</p> <ul style="list-style-type: none"> • March 31, • June 30, • September 30, or • December 31



Assessment Type	Conditions requiring an assessment	Timing of the Assessment
	<ul style="list-style-type: none"> • A Mortgage with a UPB > \$2 million, or • A Mortgage with a Risk Rating > 6, or • A Mortgage held by Freddie Mac and subordinate to a securitized loan 	<p>The calendar quarter end of the annual anniversary of the Origination Date. Unless otherwise notified by Freddie Mac:</p> <ul style="list-style-type: none"> • March 31, • June 30, • September 30, or • December 31 <p>For a Mortgage with a Transfer of Ownership or subordinate financing, a property inspection report is due at the time of the transfer or subordinate financing.</p> <p>For a Mortgage with a tax lien, a property inspection report is due when the tax lien is filed.</p>
Property inspection report – Mod Rehab Mortgages	Mod Rehab Mortgage	<p>The calendar quarter end of the anniversary of the date of the post-construction analysis report. Unless otherwise notified by Freddie Mac:</p> <ul style="list-style-type: none"> • March 31, • June 30, • September 30, or • December 31



Assessment Type	Conditions requiring an assessment	Timing of the Assessment
Property inspection report – SBL Mortgages	A Mortgage with a Risk Rating ≤ 6	<p>First report will be due the calendar quarter end of the annual anniversary of the Origination Date. Unless otherwise notified by Freddie Mac:</p> <ul style="list-style-type: none"> • March 31, • June 30, • September 30, or • December 31 <p>Thereafter, report will be due the calendar quarter end on the biennial anniversary of the Origination Date, unless otherwise notified by Freddie Mac</p>
	A Mortgage with a Risk Rating > 6	<p>The calendar quarter end of the annual anniversary of the Origination Date. Unless otherwise notified by Freddie Mac:</p> <ul style="list-style-type: none"> • March 31, • June 30, • September 30, or • December 31

Notes to above table:

- Subject to Section 40.12, Freddie Mac will not require a Servicer to prepare a Quarterly Financial for a Mortgage secured by a Property owned by a Cooperative.
- When submitting assessments for a Property owned by a Cooperative using the A-CREFC assessment format, the Servicer must complete the Excel[®] Co-op Assessment Supplemental Form and submit it via PRS. The form can be found under the PRS Assessment: CREFC heading on the *Multifamily Asset Management* page of mf.freddiemac.com.
- When submitting assessments for a Property securing a Bond Credit Enhancement Mortgage using the A-CREFC assessment format, the Servicer must complete the Excel[®] Bond ADS Supplemental Form and submit it via PRS (the Bond ADS Supplemental Form is not required for quarterly submissions). The form can be found under the PRS Assessment: CREFC heading on the *Multifamily Asset Management* page of mf.freddiemac.com.



Due dates for the submission of any assessment type may be otherwise specified in the Letter of Commitment, any Servicing Agreement, or by other written communication from Freddie Mac.

For any assessment submitted via PRS in connection with a securitized Mortgage for which Freddie Mac is the master servicer, the due date will be the earlier of the date specified in the applicable sub-servicing agreement or the date set forth in the above table.

For Mortgages with a Transfer of Ownership, subordinate financing, or a tax lien filing, an LMF and a property inspection report are not required if the Servicer has submitted an LMF and a property inspection report within the previous 180 days and the Servicer does not know of any material changes with respect to the condition of the Property or the Borrower's compliance with the Loan Documents.

c. Requesting an adjustment of the Annual Financial due date (04/30/19)

The Servicer may contact Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* via PRS to request an adjustment of the Annual Financial due date if:

- The Borrower's fiscal year end would prevent the Servicer from submitting the Annual Financial by June 30 or other date required by Freddie Mac.
- The Mortgage was for the acquisition of the Property, and the purchase occurred so late in the preceding calendar year that the number of months of data available for review would prevent the Servicer from making a meaningful evaluation.

d. Reporting to senior Mortgage servicers (03/03/17)

If the Servicer is reporting Annual Financial or Quarterly Financial information to Freddie Mac with respect to a Supplemental Mortgage related to one or more securitized senior lien Mortgages, the Servicer is authorized to provide that same information to the Servicer(s) of the securitized senior Mortgage(s).

40.3 Completing and submitting the Annual Financial (04/27/18)

This Section applies during any period in which Freddie Mac holds a Mortgage.

a. Source documents for the Annual Financial (03/03/17)

The Servicer must conduct a review of the Property's income and expense statement to determine the Property's financial condition for the most recent calendar year and identify any risks associated with the Property's financial performance.

The Property's income and expense statement must be for the immediate preceding fiscal year. If the Borrower cannot provide an income and expense statement with 12 months of data, the Servicer may accept a partial-year statement from the Borrower. For non-SBL Mortgages, the assessment may be waived if less than six months of data is available from the Borrower. For SBL Mortgages, the assessment may be waived if less than three months of data is available from the Borrower.

The rent roll must be no older than six months prior to the Annual Financial submission date.



b. Completing the Annual Financial (04/27/18)

Prior to submission of the Annual Financial, the Servicer must enter all Property income and expense items into the appropriate fields on the template. Generally the Servicer must enter income details that correspond with the level of detail contained in the Property's income and expense statement. For detailed instructions on completing the A-CREFC templates, see the PRS CREFC Individual Desk Reference, which can be found at mf.freddiemac.com, or any other such documentation as Freddie Mac may provide.

c. Submitting the Annual Financial (04/27/18)

The Servicer must submit all of the following components of the Annual Financial via PRS in order for Freddie Mac to deem the submission of the Annual Financial to be complete:

1. The completed A-CREFC template

The Servicer must provide additional reporting for Seniors Housing Mortgages, Bond Credit Enhancement Mortgages, Mortgages secured by Cooperative (Co-op) Properties and Properties currently deemed unstabilized by Freddie Mac in PRS along with the assessment. All of these additional reporting templates can be found at mf.freddiemac.com/lenders/asset.

2. Annual statement of income and expense for the Property for the most recent fiscal year, certified by the Borrower (the signature of the Borrower is sufficient)

3. Current rent roll, identifying commercial units where applicable, certified by the Borrower

For the purposes of the Annual Financial, a rent roll is considered to be current if it is dated no more than six months prior to the original due date. For example, if the Annual Financial due date is June 1, the rent roll is considered current if dated on or after December 1 of the prior year.

40.4 Completing and submitting the Quarterly Financial (04/27/18)

This Section applies during any period in which Freddie Mac holds a Mortgage.

a. Source documents for the Quarterly Financial (03/03/17)

To complete a Quarterly Financial, the Servicer must conduct a review of the Property's financial condition for the most recent fiscal year to quarter end, as requested, and identify any risks associated with the Property's financial performance.

b. Completing the Quarterly Financial (04/27/18)

Generally, the Servicer must enter income details that correspond with the level of detail contained in the Property's income and expense statement when completing the applicable Q-CREFC template.

For detailed instructions on completing the Q-CREFC templates, see the PRS CREFC Individual Desk Reference, which can be found at mf.freddiemac.com, or any other such documentation as Freddie Mac may provide.



c. Submitting the Quarterly Financial (12/14/17)

The Servicer must submit the following components of the Quarterly Financial in order for Freddie Mac to deem the submission of the Quarterly Financial to be complete:

- The completed template
- For a Mortgage with a Freddie Mac Funding Date
 - Prior to March 1, 2014, a year-to-date or trailing 12-month, quarter-ending property financial statement certified by the Borrower (the signature of the Borrower is sufficient)
 - On or after March 1, 2014, a trailing 12-month property financial statement certified by the Borrower (the signature of the Borrower is sufficient)
- The current rent roll, identifying commercial units where applicable, certified by the Borrower (the signature of the Borrower is sufficient)

For the purposes of the Quarterly Financial, a rent roll is considered to be current if it is dated no more than two months prior to the original due date. For example, if the Quarterly Financial due date is August 31, the rent roll is considered current if dated on or after June 30.

The Servicer must submit the second and third quarter reporting through PRS. Additional quarterly reporting requirements for Special Product Type Mortgages are found in Section 40.16.

40.5 Completing and submitting the Mid-Year Rent Schedule (04/27/18)

This Section applies to any SBL Mortgage originated on a Loan Agreement form with a revision date on or after 11/08/2016.

a. Source documents for the Mid-Year Rent Schedule (04/27/18)

The Servicer must receive and review a rent roll for the Property (statement of rents), identifying any commercial units (as applicable), to determine current physical occupancy.

b. Submitting the Mid-Year Rent Schedule (04/27/18)

The Servicer must submit the Mid-Year Rent Schedule dated within five calendar days of the end of the Borrower's second calendar quarter (or the end of the second quarter of the Borrower's fiscal year) to PRS by August 31 annually. To deem the submission complete, the Servicer must also enter, via PRS, the following data elements:

- Effective date of the Rent Schedule
- Physical occupancy rate
- Total actual rent

40.6 Completing and submitting the Loan Management Form (LMF) (10/19/23)

This Section applies during any period in which Freddie Mac holds a Mortgage.



a. Evaluating the Mortgage and determining when an LMF is required (10/19/23)

To determine when submission of an LMF is necessary, the Servicer must evaluate the Borrower's compliance with Loan Documents, including whether any of the following conditions exist:

1. The Borrower or Property is in non-monetary default with respect to the Loan Documents.
2. There is unauthorized rehabilitation or construction underway at the Property.
3. The Borrower or Borrower Principal is the subject of a bankruptcy or insolvency proceeding.
4. There are problems or issues associated with any Reserve (*e.g., Reserve payments have not been made when due, Reserve is insufficient, etc.*).
5. The Servicer cannot certify that the UCC filings are current.

b. Completing and submitting the LMF (04/30/15)

To complete an LMF, the Servicer must enter the Borrower's compliance information into the appropriate fields on the LMF. For detailed instructions on completing the form, see the PRS Loan Management Form (LMF) Desk Reference, which can be found at mf.freddiemac.com, or other such documentation that Freddie Mac may provide.

The Servicer must upload the completed LMF to PRS in order for Freddie Mac to deem the submission of the LMF to be complete.

c. Timing of submission of the LMF (10/19/23)

Servicers must submit the LMF within 10 Business Days of determining that any of the conditions in Section 40.6(a) above have occurred regardless of the due date in PRS. If not submitted earlier in the year, the LMF must be submitted annually on or before December 31st via PRS. See also Section 40.2(b).

40.7 Conducting the inspection of the Property (~~10/19/23~~02/22/24)

For the purposes of this chapter, any Repair Agreement, Repair Escrow Agreement, Repair Agreement with LOC, Repair and Escrow Agreement, Loan Agreement or Loan Agreement Rider relating to repairs or other agreement involving repairs or improvements to the Property will be referred to as a "Repair Agreement."

The Servicer must conduct a property inspection and complete and submit the applicable property inspection report.

The AIF uses the same format as the MBA Property Inspection Form.

The Servicer must perform a comprehensive property inspection, including

- An evaluation of property management, including specifics regarding the property manager's tenure at the Property, on-site staffing levels, and adequacy of management's response to any changing trends in market occupancy and rental rates
- The current condition of the Property and any trends, including the condition of the site features, building exteriors, interior common spaces, amenities, building systems, vacant and Down Units,

Guide Bulletin Update ~~10/19/23~~02/22/24 Chapter 40 – Page 13



and the number of rent-ready vacant units

- Providing specificity for any declining conditions around the property, such as excessive properties for sale in immediate areas, multiple dark buildings, or excessive vacancies. Also note, any specific ingress or egress issues at the Property and any changes to adjoining land uses or major thoroughfares impacting the Property
- Any early warning signs of risk, including evidence of any Life Safety Hazards, significant Deferred Maintenance, especially if related to moisture or Mold issues; environmental issues such as lead-based paint; incomplete Operational Repairs; Repair Agreement compliance; evidence of crime or vandalism; or failure to comply with local laws

The Servicer must request copies of any violations or other notices received regarding compliance with local laws. In addition, the Servicer must request information from the property manager regarding any property condition concerns to enable the Servicer to understand the cause of any problem and the Borrower's plans to remedy the situation.

a. Unit inspection requirements and minimum number of units to inspect (09/30/20)

The units inspected must be randomly selected by the inspector, not by the property manager or the Borrower. The units inspected must also include a cross-section of unit types and locations, including the following:

- Each of the major unit types
- Units on different floors, including top floor and below-grade units, or grade-level units if there are no units below grade
- For Properties with numerous buildings, units in a sampling of various buildings across the Property
- Representative sample of occupied and vacant units

Taking into account the cross-section of unit types and locations described above, the inspector must inspect at least the following number of units:

- Occupied and vacant units: 5 percent of total occupied and vacant units, with a minimum of five units and a maximum of 15 units
- Down Units: 100 percent (Note: If there is a significant number of Down Units due to large renovation project, inspector may choose to inspect a representative sampling of Down Units)
- Commercial space: 100 percent

The inspector must conduct additional occupied and vacant unit inspections, as needed, to determine whether any problems detected in units or specific buildings are restricted to the specific units/buildings or pervasive throughout the Property.



b. Requirements for photographs (10/14/16)

Photographs are essential to convey the condition of the Property. Freddie Mac's requirements for photographs are as follows:

1. The photographs must illustrate any emerging or existing risks, inform the viewer of the trend of the Property and show a representative sample of the Property materials and conditions.
2. The photographs must include views of
 - All Life Safety Hazards
 - Samples of each type of Deferred Maintenance, any Down Units and items requiring significant capital expenditure
 - Moisture/Mold issues or environmental concerns
 - Samples of interiors of typical unit types
 - Grounds (including parking lots, sidewalks, street views and signage)
 - Typical building exterior (including windows, balconies and exterior stairs)
 - Building systems (for example, boiler, roof and HVAC)
 - Amenities, interior common areas, clubhouse, maintenance shop and office, if applicable
 - Commercial space, if applicable
 - Significant repairs and capital improvements completed subsequent to the previous inspection (including, for SBL Mortgages, all Priority Repairs and PR-90 Repairs identified in the Form 1104, SBL Physical Risk Report)
3. Photographs must be compressed and added to the inspection submission. All photographs must include identifying captions.

c. Guidance for photographs (12/12/14)

Taking into account the above requirements, the size of the Property and the characteristics of the Property, the Servicer should submit 20 to 25 photographs with the inspection submission.

For Properties with fewer than 100 units, limited common areas and/or few amenities, fewer photographs may be sufficient to meet the requirements in Section 40.7(b). If the Servicer believes that fewer than 20 photographs are sufficient for a Property, the Servicer must provide a justification in the comment section of the inspection submission.

d. Assessing the physical condition of the Property and any risk issues (10/19/2302/22/24)

The Servicer must assess the physical condition of the Property and any risk issues as follows:



1. In evaluating the Property's physical condition, the Servicer must assess the current condition and trend of all major components of the Property. The Servicer must include in its assessment:
 - Incomplete items in any Repair Agreement,
 - Items in any Repair Agreement that were completed subsequent to the previous inspection,
 - Incomplete Operational Repair items,
 - Deferred Maintenance items,
 - Imminent Life Safety Hazards and Potential Life Safety Hazards, as defined in the Glossary,
 - Environmental issues and any moisture/Mold concerns,
 - Capital improvements that have been made subsequent to the last inspection and/or plans for future capital improvements at the Property,
 - Status of Deferred Maintenance items from most recent prior inspection, and
 - Any concerns from the property manager regarding site and/or building components
2. The Servicer must estimate and report the cost to remediate any Deferred Maintenance, Life Safety Hazards, environmental issues and moisture or Mold issues. Sources for these cost estimates include:
 - Bids received by the property manager,
 - Cost projections by the property manager, and
 - The inspector's estimate based on experience or industry cost standards

If the estimated sum for remediation of all Deferred Maintenance items is greater than \$10,000, or if there are Life Safety Hazards, environmental issues or moisture or Mold issues identified during the property inspection, the Servicer must notify the Borrower within 30 days following the inspection of the need to undertake corrective action to address the specific identified risk. The notice must distinguish Imminent Life Safety Hazards from Potential Life Safety Hazards. Imminent Life Safety Hazards pose the highest risk to tenants, (see the Glossary).

3. The Servicer must confirm that the Borrower has received any notices regarding Deferred Maintenance. Additionally, if the estimated sum for remediation of the Deferred Maintenance or other identified issues is greater than \$25,000 or the Deferred Maintenance represents a significant deficiency affecting the structure or value, or other identified issues represent an Imminent Life Safety Hazard for the tenants, then the Servicer must follow up in a timely manner until such risks have been remediated or resolved. Quarterly reporting will be required to PRS Loan Item Tracking (LIT) for Properties that have:
 - A property condition rating of 4 or 5



- Deferred Maintenance totaling more than 10 percent of the UPB
 - An identified Imminent Life Safety issue, or
 - A situation that may require additional monitoring (at the discretion of Freddie Mac)
4. For an SBL Mortgage originated on a Loan Agreement form with a revision date on or after 11/02/2015 where the Servicer determines that any Priority Repair or PR-90 Repair on Form 1104, SBL Physical Risk Report, has not been completed, the Servicer must issue a notification to the Borrower documenting the outstanding Priority Repairs and PR-90 Repairs and refer Borrower to its obligation under the Loan Agreement to complete the identified repairs. The Servicer must work with the Borrower until each PR- 90 Repair consisting of an Imminent Life Safety Hazard is remediated or resolved. The Servicer must follow up on any outstanding Priority Repair items at the next scheduled inspection.

Freddie Mac will create LIT entries in PRS that captures Priority Repairs and PR-90 Repairs identified on the Form 1104, SBL Physical Risk Report. Within 30 calendar days of deeming any Priority Repair item or PR-90 Repair item complete, the Servicer must go into PRS and update the respective LIT accordingly.

5. For loans with HUD involvement, the Servicer must obtain a copy of the latest HUD REAC (Real Estate Assessment Center) Inspection and review it as an additional data point to the current inspection. The Servicer must discuss any material differences with the Borrower. If there are items included in the REAC inspection that a Freddie Mac inspection did not identify, the Servicer must explain why such items were not addressed in the AIF comments. The Servicer must include information regarding the latest REAC inspection score and note any material differences between the two inspections within the General Comments section of the AIF assessment.
6. The Servicer must work closely with Freddie Mac in handling adverse matters. If the Borrower does not respond to the Servicer’s notifications within 30 calendar days and there are significant Deferred Maintenance items, or there are unremedied Imminent Life Safety Hazards, environmental issues, or moisture or Mold issues, the Servicer must issue a “reservation of rights” letter as soon as possible, and no later than 10 Business Days ~~of~~after such Borrower inaction. The ~~“reservation of rights” letter must incorporate the following language:~~ Servicer must use the Notice of Default and Reservation of Rights (Conventional) or the Notice of Default and Reservation of Rights (SBL) form.

~~“Except as otherwise expressly stated above, nothing contained herein and no action or inaction by the Lender, including without limitation the collection or retention of loan payments and other sums due Lender under the Loan Documents or the acceptance of performance of any other obligation of any kind under the Loan Documents by Borrower or Guarantor, will (i) relieve or release Borrower or any Guarantor from any of their respective duties, obligations, covenants or agreements under the Loan Documents; (ii) constitute a waiver or release of any default by Borrower or Guarantor, or a limitation on the exercise of, any of the rights or remedies available to the Lender at law, in equity or under the Loan Documents arising from such default; or (iii) be deemed to constitute a modification or alteration of the terms, conditions or covenants of the Loan Documents, all of which remain in full force and effect. This [notice/letter] is being transmitted to you as a courtesy and is not intended as an admission that written notice or any communication of any kind is otherwise due from the Lender, the Borrower and/or any other party. ALL RIGHTS ARE HEREBY EXPRESSLY RESERVED.”~~



7. The Servicer must issue a notice of default in accordance with the Loan Documents if the Deferred Maintenance items:

- Represent a significant deficiency affecting the structure or value,
- Are un-remedied Life Safety Hazards
- Are un-remedied environmental issues, or moisture or Mold remain outstanding 60 calendar days after the issuance of a “reservation of rights” letter

In response to any of the Deferred Maintenance items listed above, the Servicer must evaluate such noncompliance, including the loan risk and proposed action. Within 10 Business Days, the Servicer must notify the Freddie Mac Surveillance team via email at MF_Surveillance@freddiemac.com to detail the Deferred Maintenance, potential risk and proposed action.

The Servicer must forward a copy of any reservation of rights letter and notice of default to Freddie Mac via email at MF_Surveillance@freddiemac.com.

8. The Servicer may consider obtaining a limited scope property inspection report for the specified areas of concern. The terms of the Loan Documents will determine whether the Servicer may charge the Borrower for the cost of the property inspection report. The follow-up should take into account the nature of the risk. The Servicer must provide a copy of any limited scope property inspection and related decisions made based on the Servicer’s review of the inspection to the Freddie Mac Surveillance team as follows:

- If there is an open LIT for the property condition, provide an update in PRS
- If there is not an open LIT for the property condition, send an email to MF_Surveillance@freddiemac.com

9. Notwithstanding the above, the Servicer must promptly and, in any case, not later than 10 Business Days from submitting the AIF assessment into PRS, notify Freddie Mac via email at MF_Surveillance@freddiemac.com if any of the following property related issues occur and have not been previously reported to Freddie Mac:

- Property has a very low physical occupancy which is defined as less than 65% and the very low physical occupancy has not been previously reported
- Property has had an unauthorized change in property manager
- Deferred Maintenance is estimated at greater than 15 percent of the UPB
- There is a property condition rating of 4 or 5
- Property has a total of greater than 10 percent of Down Units
- Property has any catastrophic conditions that require immediate action
- Property has any unauthorized significant capital improvements or renovations that are likely to or are already negatively impacting occupancy or cash flow

The Servicer must retain a copy of this communication for its records.



10. If the Servicer submits an assessment inspection with a property condition rating of 4 or 5, the Servicer must begin collection of Reserve deposits for Replacement Reserves if such Reserve deposits have been deferred pursuant to the terms of the Loan Agreement. The Servicer must timely notify the Borrower in writing of such collection requirement and provide a copy of the notice to Freddie Mac. Collection of Reserve deposits for Replacement Reserves must begin no later than the second payment installment date immediately following the assessment inspection submission. Monthly deposits for Replacement Reserves will continue until Freddie Mac agrees, in its sole discretion, to remove the loan from the CREFC Watchlist for property condition issues. Deposits for Replacement Reserves will be disbursed pursuant to the terms of the related Replacement Reserve Agreement.

e. Assessing moisture or Mold issues during the inspection (02/28/19)

1. Special Moisture or Mold Inspection

See Section 8.3(b) and (c) for information regarding when Freddie Mac may require a Special Moisture or Mold Inspection, and for the parameters of such an inspection.

2. Increased Scrutiny for Moisture or Mold

See Section 8.3(b) for information regarding when Freddie Mac may require the Servicer to inspect a Property using the Increased Scrutiny for Moisture or Mold protocols described below.

If a Property is subject to Increased Scrutiny for Moisture or Mold Issues, during the annual assessment inspection, the Servicer must

- Conduct a specific evaluation of the integrity of the building envelope; roof and drainage; heating, ventilation and air conditioning (HVAC) system; plumbing system and associated spaces (for example, mechanical closets) for each building on the Property and document that evaluation
- Inspect a minimum of 10 percent of the units, including those units that the Servicer deems most likely to be exposed to moisture conditions
- Conduct a specific evaluation of the condition of finishes in inspected dwelling units and in all common areas and document that evaluation
- Inspect any areas where the Borrower or property manager has detected a musty odor or observed Mold, all spaces typically associated with moisture issues, water intrusion or leaks, such as basements and unheated storage areas and all areas previously identified with significant moisture or Mold issues
- Evaluate all completed repairs to correct water intrusion or leak issues since the last assessment and document that evaluation
- Evaluate and comment on all areas where Mold has been removed since the last assessment and document that evaluation

3. Standard moisture and Mold inspection requirements



For all Properties that are not subject to a Special Moisture and Mold Inspection or Increased Scrutiny for Moisture or Mold Issues, as a part of the inspection, the Servicer must

- Search for visual or olfactory evidence of moisture or Mold issues in each area identified as part of the inspection
- Make inquiries of the property owner, manager or other knowledgeable property staff regarding past and current water intrusion; potentially damaging leaks; known Mold issues; and tenant complaints regarding health problems, musty odors, water intrusion or potentially damaging leaks
- Inspect areas where water intrusion or leaks were reported
- Identify any defective building condition that would likely lead to future water intrusion or leaks
- Provide comments to describe any moisture or Mold issues and recommend further action, including conducting a Special Moisture or Mold Issues Inspection (see Section 8.3(c) or Section 8SBL.3(c), as applicable)

f. Assessing the property management company (12/12/14)

The property management company is a key component of the success of the Property, and the Servicer must evaluate the property management company's performance, including a review of the following:

- Company experience, property manager's experience and length of time at this site and on-site staffing levels
- Whether routine maintenance matters are appropriately addressed
- Leasing status, concessions, occupancy and adequacy of management's response to any significant changes in market occupancy or market rental rates
- Operations & maintenance (O&M) plan compliance, lead-based paint (LBP) compliance, Moisture Management Plan (MMP) compliance and income compliance reports for income-restricted Properties

g. Assessing the neighborhood, adjoining land uses and any changes to submarkets impacting the occupancy or performance of the Property (12/12/14)

The inspector must provide an overview and assessment of the Property's immediate neighborhood, including details on specific ingress or egress issues at the Property. It is the inspector's responsibility to

- Drive through the neighborhood, identify trends and determine if there are any changes to adjoining land uses,



- Identify changes in nearby thoroughfares or major employers that could impact the performance of the Property, and
- Comment on any new construction in the immediate area.

40.8 Timing of the property inspection and the inspection report (10/19/23)

The Servicer must submit the inspection report no later than two calendar months after the date of the actual inspection, even if the inspection report has a later due date. For example, if the inspection took place on April 21, the inspection report must be submitted no later than June 21, even if the inspection report due date would otherwise be June 30.

Servicers can submit the inspection report earlier than the due date, as long as the submission date is within two calendar months of the actual inspection date.

For all Mortgages held by Freddie Mac, if a Servicer submits the AIF in an earlier quarter than the due date, Freddie Mac will change future AIF due dates to the quarter in which the AIF was submitted. For example, if the AIF is due September 30, 2024 and is submitted by June 30, 2024, Freddie Mac will move the 2025 AIF due date from September 30 to June 30, 2025 to make sure that the timing between inspections is maintained at approximately 12 months.

If a property condition report performed on the Property is more current than the most recent inspection, the inspection date of the most recent property condition report can be used as the date to set the new anniversary date for the next property inspection. For example, if the last property inspection was April 15, 2025 and another property condition report was completed on December 15, 2025 in conjunction with the origination of a supplemental loan on the Property, the Servicer can request in PRS that the due date for the next inspection be moved to December 31, 2026. The Servicer should confirm in their PRS due date change request that the property condition report has been uploaded into DMS.

40.9 Completing and submitting the inspection; retention of inspection documentation (04/27/18)

To complete an inspection submission, the Servicer must enter the Borrower's property inspection information into the appropriate fields on the inspection submission. If the Property is a Seniors Housing Property, the Servicer must complete the additional Seniors Housing Supplement tab.

For detailed instructions on completing the form, see the Annual Inspection and Loan Management Forms Desk Reference, which can be found at mf.freddiemac.com, or any such documentation that Freddie Mac may provide.

During any period that Freddie Mac owns the Mortgage, the Servicer must submit the following components of the AIF into PRS in order for Freddie Mac to deem the submission of the AIF to be complete:

- The completed AIF
- The current rent roll, identifying commercial units where applicable, certified by the Borrower or an individual or entity (which may include the property manager) authorized by the Borrower to execute the certification on the Borrower's behalf (the signature of the Borrower or designee is sufficient). If an individual or entity other than the Borrower provides the certificate, the Servicer



must obtain and retain in the Mortgage File a copy of the Borrower’s authorization for that certifying individual or entity to execute the certificate on behalf of the Borrower

For the purposes of the AIF, a rent roll is considered to be current if it is dated no more than two months prior to or after the inspection date. For example, if the Property was inspected on May 10, the rent roll is considered current if dated from March 10 through July 10.

If the Servicer is submitting an AIF for a Seniors Housing Property, the Servicer must submit the following additional items via PRS for Freddie Mac to deem the submission of the AIF to be complete:

- Completed Seniors Housing Supplement sections of the AIF
- Copies of licenses or certificates and any reports by regulating agencies
- Copies of any violations cited by any regulatory agency and notices of any fines

The Servicer must retain copies of the completed inspection submission, all attachments and any other documentation that supports the summary information shown on the inspection submission, including correspondence with the Borrower regarding any identified risk issue.

40.10 Late, incomplete or unacceptable assessments; penalties and enforcement (10/19/23)

This Section 40.10 applies during any period that Freddie Mac holds the Mortgage.

Freddie Mac considers an assessment to be late if not received in complete form on or before the due date of the assessment or if, for an AIF, the assessment is not submitted within 60 days of the Property inspection date.

If the Servicer submits the assessment without all of the necessary attachments, the assessment will continue to have a status of Due and will be late after the due date in PRS until the Servicer submits all necessary items.

If Freddie Mac, in its sole discretion, determines an assessment to be unacceptable, Freddie Mac will identify such assessment deficiencies and require the Servicer to resubmit a corrected, complete assessment and/or to re-inspect the Property as soon as practicable after such determination. Freddie Mac will consider an assessment unacceptable if such assessment: (i) materially misrepresents, misstates or conceals information about the condition of the Mortgaged Property that would otherwise be properly disclosed pursuant to industry-accepted multifamily property inspection standards; and/or (ii) fails to meet the requirements set forth in the Guide.

The Servicer must diligently and in good faith remedy any such identified deficiencies. In doing so, the Servicer must keep Freddie Mac apprised of its efforts, including actions to be taken and related timing, by sending updates to MF_Surveillance@freddiemac.com.

The following penalties are payable to Freddie Mac for: (i) late or incomplete submission of an assessment, or (ii) submission of an unacceptable assessment:

Complete assessment received during the first month following due date month	\$1,000
Complete assessment received during the second month following due date month	\$2,500



Complete assessment not received by the end of the second month following due date	\$5,000
Submission by a Servicer of an unacceptable assessment	\$25,000
Submission by a Servicer of an unacceptable assessment more than one time	\$50,000

The Servicer must pay any penalty assessed against it within 10 Business Days of Freddie Mac’s request. If a Servicer fails to comply with any of its assessment/inspection obligations pursuant to this Chapter 40, including the failure to timely remit to Freddie Mac any penalty assessment, the Servicer will be subject to: (i) increased or targeted audits related to the Servicer’s quality and control standards; and/or (ii) disciplinary action(s) “with cause” (as described in Chapter 4).

40.11 Obligation to review and verify the General Loan Information (02/18/21)

During any period in which Freddie Mac holds a Mortgage, the Servicer must review, no less than annually, the General Loan Information (GLI) displayed in the Property Reporting System (for example, Property name and total units). If any GLI data is incorrect, the Servicer must submit proposed changes via email noting such changes to MF_Asset_Perf@freddiemac.com.

40.12 Freddie Mac's rights (12/12/14)

In addition to other rights and remedies set forth in the Guide, Freddie Mac reserves the right, in its sole discretion, to

- Require more frequent assessments
- Request the Seller/Servicer to submit to Freddie Mac the following:
 - Copies of all tax returns filed by the Borrower, within five days after receipt of tax returns from the Borrower
 - Other financial information or property management information that Freddie Mac may require (including information on tenants under leases to the extent that such information is available to the Borrower, copies of bank account statements from financial institutions where funds owned or controlled by the Borrower are maintained, and an accounting of security deposits)
 - With respect to each guarantor and each SPE Equity Owner, a certified balance sheet and profit and loss statement (or if such party is an individual, such party’s personal financial statement) and any additional information as Freddie Mac may request
- Reject unsatisfactory inspectors, including FICs
- Perform its own assessment (the property inspection and/or any analysis) at the Servicer's expense if the Servicer fails, when required, to perform an assessment or to submit an assessment in accordance with the requirements of this chapter
- With respect to Mortgages secured by a Property owned by a Cooperative, require one or more of the following:



- A current maintenance roll
- A statement of income and expenses for a Cooperative Borrower's operation of the Property
- The most recent approved annual operating budget
- The most recent capital expense study/plan

40.13 Inspector requirements (10/19/23)

a. General inspector requirements for all Mortgages (06/25/20)

The Servicer must retain qualified inspection staff within its asset management department to inspect Properties securing Freddie Mac Mortgages. Under certain circumstances, the Servicer may use other qualified personnel to perform inspections, such as loan production staff or third-party inspectors, in accordance with the requirements in Sections 40.14. All inspectors must meet the following requirements, as well as the specific requirements in 40.13(b):

- Know Freddie Mac's Guide requirements relating to inspections
- Be able to make independent judgments on the condition of the Property
- Have sufficient multifamily real estate knowledge and experience to assess general functionality and maintenance of the Property, and to conduct a property inspection as described in Section 40.7.

The property inspector cannot be the originator of the Mortgage, unless the Servicer ensures that there is no Equity Conflict of Interest for the Mortgage originator and that the Mortgage originator is able to make an independent, unbiased assessment of the condition of the Property. The Servicer must retain adequate documentation with the property file to justify this determination.

The appraiser who conducted the Appraisal when the Mortgage was originated may not perform the physical property inspection for an assessment.

b. Specific inspector requirements (10/19/23)

Beginning with all inspections with a PRS submission year of 2024, Freddie Mac requires inspectors to have at least the following specific experience and training based on the level of risk.



Mortgage Characteristics	Eligible Inspector
Mortgage is not on the CREFC Watchlist at the time the inspection is scheduled <u>or</u> the Mortgage's Risk Rating is 6 or less	<ol style="list-style-type: none"> 1. Industry Trained Inspector, or 2. Certified Inspector, or 3. Exempt Inspector
Mortgage is on the CREFC Watchlist at the time the inspection is scheduled, <u>or</u> the Mortgage's Risk Rating is > 6	<ol style="list-style-type: none"> 1. Certified Inspector, or 2. Exempt Inspector
All Mortgages with Significant Repairs and/or Replacements	<ol style="list-style-type: none"> 1. Certified Inspector, or 2. Exempt Inspector
All affordable housing loans originated in the TAH program, and/or with property-based HUD Section 8 involvement, regardless of CREFC Watchlist or Mortgage's Risk Rating	Exempt Inspector at least every other inspection
All Mortgages for Properties that are older than 40 years from the current year and haven't had a renovation (see below) in the prior 20 years from the current year	Exempt Inspector at least every other inspection

Notes:

1. An Industry Trained Inspector has:

- Successfully participated in a Freddie Mac-approved training program relating to property inspections, such as the Mortgage Bankers Association of America's (MBA) Multifamily Property Inspection Workshop, Fannie Mae's Property Risk Management Training or an equivalent inspection program,
- Completed at least 25 multifamily asset inspections under supervision by a Certified or Exempt Inspector, and
- At least one year of experience in analyzing the physical and/or financial condition of commercial real estate assets

2. A Certified Inspector has:

- Successfully participated in a Freddie Mac-approved training program relating to property inspections, such as the Mortgage Bankers Association of America's (MBA) Multifamily Property Inspection Workshop, Fannie Mae's Property Risk Management Training or an equivalent inspection program,
- Completed more than 50 multifamily inspections comparable to Freddie Mac's property inspections, and



- At least two years' experience performing multifamily inspections comparable to Freddie Mac's property inspections
3. An Exempt Inspector:
- Has at least five years' experience performing multifamily inspections comparable to Freddie Mac's inspections and has completed more than 100 of such inspections, or
 - Meets the qualifications for a property condition consultant set forth in Section 62.8 or Section 62SBL.17, as applicable
4. Renovation Criteria – Properties over 40 years old will not require an Exempt Inspector if the date of the renovations is less than 20 years from the current year and all of the following criteria are met:
- The documented property renovations amount to at least \$10,000/unit
 - At least 75% of units were renovated
 - Renovations include updates to at least two major building systems (electrical, heating, ventilation, air conditioning, plumbing, fire protection, elevators roofs, etc.)

c. Waiver of inspector requirements (03/03/17)

If the Servicer determines that an inspector on its staff is the most qualified individual to inspect a particular Property, but that person does not meet the experience requirements in Section 40.13(b), the Servicer may allow the inspector to perform that inspection. However, the Servicer must retain adequate documentation with the property file to justify this determination. The Servicer may use this waiver on an exception basis when warranted, not on an ongoing basis. Freddie Mac reserves the right, in its sole discretion, to determine that a Seller/Servicer may not continue to exercise this waiver.

d. Guidance for a quality control program for staff inspectors (12/12/14)

Freddie Mac recommends that the Servicer establish an inspector quality control (QC) program to ensure that inspections completed by staff and/or third-party fee inspector company (FIC) inspectors are accurate, reliable and in compliance with Freddie Mac's requirements.

e. Servicer conflicts of interest and required independent inspections (06/25/20)

The property inspector must not have an Equity Conflict of Interest, as defined in Section 2.25. If there is a Seller/Servicer-Level Owner Equity Conflict of Interest and/or an Employee-Level Owner Equity Conflict(s) of Interest with respect to all employee(s) who could perform the inspection, an independent third-party fee inspector company must perform the physical inspection, regardless of the Risk Rating or CREFC Watchlist status of the Mortgage.

40.14 Third-party fee inspector company requirements (06/25/20)

a. Restrictions on the use of a third-party fee inspector company (06/25/20)

The Servicer may not engage an FIC to conduct any inspection for a Property securing a Mortgage that is held by Freddie Mac and that has a current Risk Rating greater than six.



However, for other inspections, the Servicer may use an FIC that meets all Freddie Mac inspector and FIC requirements if the FIC has no ownership interest in the Borrower or other conflict of interest with the Borrower. For the purpose of determining a conflict of interest, the Servicer should apply the Equity Conflict of Interest standards set forth in Section 2.25, as if the FIC were the Employee-Level Owner or the Seller/Servicer Level Owner, as applicable.

The Servicer is responsible for working with the FIC to ensure inspectors have the minimum requirements per Section 40.13. The Servicer is ultimately responsible for the accuracy of all information included in the inspection, whether or not the Servicer performed the inspection directly.

b. FIC acceptability (05/31/12)

Freddie Mac does not select, hire or approve any specific FIC for the performance of physical property inspections for assessments. However, Freddie Mac does reserve the right to refuse to accept an assessment for which the property inspection was performed by an FIC or inspector that Freddie Mac deems unacceptable. Freddie Mac will maintain, on FreddieMac.com, the Multifamily Restricted Vendor List. If an FIC appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that FIC for future Freddie Mac assessments until notified otherwise by Freddie Mac. The Multifamily Restricted Vendor List is made available to Seller/Servicers for the sole purpose of ensuring that unacceptable vendors do not prepare reports for Multifamily and will constitute “Confidential Information” as defined in Section 2.8.

An FIC may not at any time represent itself to third parties as being approved by Freddie Mac.

Freddie Mac may revoke the Servicer's general right to use an FIC for physical property inspections for assessments if the Servicer does not administer the selection and use of FICs in a manner that ensures compliance with all Freddie Mac requirements.

An FIC may employ contract workers who meet the inspector requirements and follow all inspection requirements contained in this chapter.

40.15 Additional Seller/Servicer reporting requirements for non-SBL Mortgages prior to Securitization (04/30/19)

For any non-SBL Mortgage scheduled for Securitization, the Seller/Servicer must submit all documentation via DMS with a notice to MF_Asset_Perf@freddiemac.com. The Seller/Servicer must provide all Borrower and Property financial data as presented by the Borrower. No analysis of the data is required. The Loan Documents may permit the Seller/Servicer to assess a late charge if the Borrower does not submit the documentation listed below within a specified time. The Seller/Servicer may retain 100 percent of this late charge.

The Seller/Servicer must submit, in an electronic format acceptable to Freddie Mac, the following documentation:

1. A rent roll, a statement of income and expenses for the Borrower's operation of the Property, and a statement of changes in financial position and balance sheet, as follows:
 - a. Except for Mortgages secured by a Property owned by a Cooperative, within 30 days after the end of each calendar quarter following purchase:



1. Current rent roll dated no earlier than the date five days prior to the end of such quarter
2. Income and expenses for the Borrower's operation of the Property either
 - For the 12-month period ending on the last day of such quarter, or
 - If, at the end of such quarter, the Borrower and any Affiliate of the Borrower have owned the Property for less than 12 months, for the period commencing with the first full month of operations following the acquisition of the Property by the Borrower or its Affiliates and ending on the last day of such quarter.
- b. Within 100 days after the end of each fiscal year:
 1. Annual statement of income and expenses for the Borrower's operation of the Property for that fiscal year
 2. Statement of changes in financial position of the Borrower relating to the Mortgaged Property for that fiscal year
 3. Balance sheet showing all assets and liabilities of the Borrower relating to the Mortgaged Property as of the end of that fiscal year and a profit and loss statement for the Borrower
 4. Accounting of all security deposits held pursuant to all leases meeting the requirements of the Loan Documents

If the Loan Documents have been modified to allow the Borrower more than 90 days to deliver the documents set forth above, the Seller/Servicer must deliver the documents within five days after receiving them from the Borrower.

- c. At any time prior to securitization upon Freddie Mac's request, the Seller/Servicer must submit to Freddie Mac the following:
 1. Current rent roll
 2. Income and expense statement for the Borrower's operation of the Property for the most recent month or months, as applicable
 3. Statement that identifies all owners of any interest in the Borrower and any controlling entity meeting the requirements of the Loan Documents
2. Other documentation

Upon Freddie Mac's request, the Seller/Servicer must submit to Freddie Mac the following:

 - a. Copies of all tax returns filed by the Borrower, within five days after receipt of returns from the Borrower
 - b. Other financial information or property management information that Freddie Mac may require (including information on tenants under leases to the extent such information is available to the Borrower, copies of bank account statements from financial institutions where funds owned or controlled by the Borrower are maintained, and an accounting of security deposits)



- c. With respect to each guarantor and each SPE Equity Owner, a certified balance sheet and profit and loss statement (or if such party is an individual, such party's personal financial statement) and any additional information as Freddie Mac may request

40.16 Reporting for Special Product Type Mortgages (04/14/22)

The following Mortgages are considered "Special Product Type Mortgages" for the purposes of this chapter:

- SBL Mortgages
- Value-Add Mortgages
- Mortgages secured by Properties deemed unstabilized by Freddie Mac in PRS
- Mod Rehab Mortgages
- MHC Mortgages with MHC Tenant Protections

Except as modified by this Section 40.16, Special Product Type Mortgages are subject to all of the requirements of this chapter.

a. SBL Mortgages (03/03/17)

Additional documentation requirements for SBL Mortgages prior to securitization will be limited to the following:

- At any time prior to securitization upon Freddie Mac's request, the Seller/Servicer must submit to Freddie Mac the following:
 - a. Current rent roll
 - b. Income and expense statement for the Borrower's operation of the Property for the most recent month or months, as applicable
 - c. Statement that identifies all owners of any interest in the Borrower and any controlling entity meeting the requirements of the Loan Documents
 - d. Copies of all tax returns filed by the Borrower, within five days after receipt of returns from the Borrower
 - e. Other financial information or property management information that Freddie Mac may require (including information on tenants under leases to the extent such information is available to the Borrower, copies of bank account statements from financial institutions where funds owned or controlled by the Borrower are maintained, and an accounting of security deposits)
 - f. With respect to each guarantor and each SPE Equity Owner, a certified balance sheet and profit and loss statement (or if such party is an individual, such party's personal financial statement) and any additional information as Freddie Mac may request



b. Value-Add Mortgages (09/30/20)

The Servicer must submit the Annual Financial and Quarterly Financial assessments for a Value-Add Mortgage as outlined in Sections 40.2(a) and 40.2(b).

In addition, starting with the end of the first quarter after the Origination Date (unless the end of the quarter is within one calendar month of the Origination Date), and continuing every quarter thereafter until the loan has paid off, the Servicer must report on renovation progress and rental conditions at the Property via the **Value-Add Reporting** LIT. The report is due within one month after the close of the quarter. The Servicer must submit the following documentation:

- **Form 1028, Value-Add Monitoring Form**

A version of Form 1028 customized by Freddie Mac for each Property will be attached to the LIT within 45 days of the Freddie Mac Funding Date and must be used for all reporting requirements. The copy available at mf.freddiemac.com/lenders/asset is for informational purposes only and should not be used for reporting. This completed form must be submitted in its original Excel format.

In the event there are errors in the form, corrections should be requested via the **Value-Add Reporting** LIT. Freddie Mac will make form corrections as needed.

The reporting options available (and explained in more detail in the *Help Me Choose* menu in the form) are:

- Quarterly update – work has not commenced
- Quarterly update – work has commenced
- Quarterly update – post renovation completion monitoring
- Close-out

- **Borrower Quarterly Certification, Value-Add Transaction**

A copy of the certification was included in the original Loan Documents. This certification must be fully executed by the Borrower and must include all relevant attachments as defined in the certification.

In addition to the Value-Add Reporting LIT, the Servicer must use the **Construction Completion Date – Value-Add** LIT to document the Value-Add completion date. Upon completion of the renovation, Form 1028 must be submitted to this LIT – using the *Close-out* option – with the following documentation (which, except for the first bullet, are defined further in the Rider to Multifamily Loan and Security Agreement Value-Add Transaction):

- Certification of substantial completion by the Architect of Record using AIA Form G-704 (if applicable)
- Engineer's certificate
- Final and unconditional lien waiver from the general contractor
- Evidence of Compliance with Laws



- Evidence of Minimum Expenditure Requirement
- Other Certificates and Items as detailed in the Rider to Multifamily Loan and Security Agreement Value-Add Transaction

Any additional comments regarding these documents should be made on Form 1028.

In the event close-out documentation is being submitted concurrently with quarterly reporting, then two Form 1028s must be submitted – one to the **Construction Completion Date – Value-Add LIT** using the “Close-out” reporting option, and the other to the **Value-Add Reporting LIT** using the “Quarterly update – post renovation completion monitoring” reporting option.

All reporting must reflect trailing 12-month financial statements, unless indicated otherwise on Form 1028.

With respect to the AIF described in Section 40.7, the Servicer must address the status of each Value-Add component described in the Value-Add Schedule of Work that was included in the final loan package in the “Repairs Verification” tab of the AIF and provide a representative number of photographs. Once the work is completed, the AIF must be performed by an individual meeting the qualifications of either a Certified or Exempt Inspector as identified in Section 40.13(b); an engineer/architect or off-cycle site visit will not be necessary.

c. **Mortgages secured by Properties deemed unstabilized by Freddie Mac (06/27/19)**

In conjunction with the requirements described in Sections 40.3 and 40.4, the Servicer must submit the following items for Mortgages secured by Properties deemed unstabilized by Freddie Mac in PRS:

- The appropriate Q-CREFC Assessment template with financial spreads provided on a trailing 12-month basis (instead of year-to-date annualized)
- Most recent construction or engineering report, as available, added as an attachment (unless already provided to Freddie Mac)
- The Excel® Unstabilized Monitoring Form, completed as specified in Section 40.3(c), when submitting assessments using the Q-CREFC or A-CREFC assessment format, except for Value-Add Mortgages, which require the use of Form 1028.

The Excel® Unstabilized Monitoring Form can be found under the PRS Assessment: CREFC heading on the *Multifamily Asset Management* page of mf.freddiemac.com.

The Servicer must submit a Quarterly Assessment for the first, second and third quarter reporting to Freddie Mac through PRS by May 31, August 31 and November 30.

d. **Mod Rehab Mortgages (05/05/17)**

In addition to the requirements described in Section 40.2(b), the Servicer must submit various reports and documentation to Freddie Mac when disbursing funds periodically to reimburse renovation expenses. See Section 39.9 for a description of these requirements.



e. MHC Mortgages with MHC Tenant Protections (04/14/22)

In addition to the requirements described in Section 40.2(b), to validate Borrower's compliance with the MHC Tenant Protections, the Servicer must:

1. Submit the "Borrower's Certificate - MHC Tenant Protections" through Loan Item Tracking (LIT) in PRS no more than 45 days after the first anniversary of the Origination Date, and thereafter no more than 45 days after each successive anniversary of the Origination Date
2. Conduct an annual audit of the residential leases with the Applicable MHC Residents and any other MHC Tenant Protection Document(s) that contain the MHC Tenant Protections, to confirm:
 - A. The MHC Tenant Protections are included in the MHC Tenant Protections Document(s)
 - B. The applicable MHC Tenant Protection Document(s) have been executed by the Applicable MHC Residents; and
 - C. The Applicable MHC Residents are existing residents of the Property

If the Borrower has elected to (i) incorporate the MHC Tenant Protections in the MHC rules and regulations and (ii) deliver to each Applicable MHC Resident an MHC Tenant Protections Notification as described in Guide Section 22.2(p), then in lieu of item B above, the Servicer must conduct an audit of the MHC Tenant Protections Notifications to confirm they include all the MHC Tenant Protections and were correctly addressed to the Applicable MHC Residents.

3. In connection with any audit conducted under this Section 40.16(e)(2):
 - A. The Servicer must request electronic copies of the residential leases and/or applicable MHC Tenant Protections Document(s) and/or applicable MHC Tenant Protections Notifications no more than 10 days after the first anniversary of the Origination Date, and thereafter no more than 10 days after each successive anniversary of the Origination Date
 - B. The Servicer must randomly select residential leases and/or Applicable MHC Residents chosen for the audit and cannot include residential leases and/or Applicable MHC Residents from a prior annual audit unless all residential leases and/or Applicable MHC Residents have already been audited
 - C. The Servicer must review at least five percent, but no greater than 20 residential leases and/or applicable MHC Tenant Protections Document(s) and/or applicable MHC Tenant Protections Notifications
4. Upon completion of the applicable annual audit required under Section 40.16(e)(2) above, the Servicer must submit, through LIT in PRS, the related Chief Servicing Officer (CSO) Certification (MHC Tenant Protections - Compliance) found on [mf.freddie.com](https://mf.freddie.com/lenders/asset/#ServicerSpecialRequestForms) at <https://mf.freddie.com/lenders/asset/#ServicerSpecialRequestForms> certifying as to the status of Borrower's compliance with the MHC Tenant Protections. The Servicer must submit the CSO Certification no more than 45 days after the first anniversary of the Origination Date, and thereafter no more than 45 days after each successive anniversary of the Origination Date.



If the Servicer certifies to the Borrower’s “substantial compliance” with the MHC Tenant Protections on any Mortgage, the Servicer will be required to provide a written status update to Freddie Mac every six months addressing the Borrower’s efforts to obtain executed copies of the MHC Tenant Protections Document(s) from all Applicable MHC Residents until such time as the Borrower has fully complied with the applicable requirements. The status updates must be submitted through LIT in PRS.

40.17 Mortgages with Required Rent Restrictions Rider to the Loan Agreement – reporting requirements (04/13/23)

In addition to the other requirements described in this chapter, to validate the Borrower’s compliance with the Required Rent Restrictions Rider to the Loan Agreement, the Servicer must submit through the Loan Item Tracking (LIT) in the Property Reporting System (PRS):

- Within 15 Business Days after the initial reporting date and each anniversary thereafter (or 10 Business Days after the end of the related cure period, if such cure period is available), the Borrower’s Affordability Certification evidencing the Borrower’s compliance with the Required Rent Restrictions Rider to the Loan Agreement
- Within 30 days after the initial reporting date and each anniversary thereafter (or 10 Business Days after the end of the related cure period, if such cure period is available), a notice to Freddie Mac of the Borrower’s failure to comply with the Required Rent Restrictions Rider to the Loan Agreement, together with Servicer’s calculation of any related noncompliance fee
- Within 60 days after the initial reporting date and each anniversary thereafter (or 30 days after the related cure period, if such cure period is available), the Chief Servicing Officer Certification (Required Rent Restrictions - Compliance) form, certifying that the Servicer has validated the Borrower’s compliance or noncompliance with the Required Rent Restrictions Rider to the Loan Agreement and, if applicable, has calculated any related noncompliance fee
- As soon as practicable upon request by Freddie Mac or any regulatory body having regulatory authority over Freddie Mac, any other information pertaining to the loan as may be specified in the request, and copies of any leases or other data received and used by the Servicer to: (i) confirm Borrower’s compliance or noncompliance with the Required Rent Restrictions Rider to the Loan Agreement, and (ii) calculate any noncompliance fee

Summary report: Litera Compare for Word 11.0.0.61 Document comparison done on 2/20/2024 9:55:27 AM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 40 - Assessments Post-purchase Reporting GB-10-19-23.docx	
Modified filename: 40 - Assessments Post-purchase Reporting GB-02-22-24.docx	
Changes:	
<u>Add</u>	12
Delete	9
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	21

Multifamily Seller/Servicer Guide

Glossary and List of Commonly Used Acronyms



Glossary and List of Commonly Used Acronyms (~~10/19/23~~[02/22/24](#))

a b c d e f g h i j k l m n o p q r s t u v w x y z

Glossary

[30 Days Delinquent](#)

See Delinquency.

[55-Day Multi PC](#)

A 55-Day Multi PC is a Participation Certificate (PC) in which the payments by Borrowers on the 55-Day Multi PC Securitized Mortgages are passed through, with a payment delay of 55 days, to the holders of the 55-Day Multi PCs.

[55-Day Multi PC Securitized Mortgages](#)

55-Day Multi PC Securitized Mortgages are Mortgages that are pooled in 55-Day Multi PCs.

[Accounting Net Yield](#)

The Accounting Net Yield is the net yield rate that the Servicer uses to report and remit interest to Freddie Mac on a monthly basis. The Accounting Net Yield equals the Required Net Yield except for Mortgages sold to Freddie Mac at a discount or at a premium.

[Active Mortgage](#)

An Active Mortgage is a Mortgage on which the Borrower's payments are current, or a Delinquent Mortgage that has not been deactivated by the Servicer for accounting and reporting purposes.

[Adjustable-rate Mortgage \(ARM\)](#)

See Floating-Rate Mortgage.

[Acceptance Letter](#)

An Acceptance Letter is used by Freddie Mac to indicate its acceptance of an early rate lock application with nonmaterial modifications. The Seller will be bound by the terms of any Acceptance Letter.

[Additional Actual Loan Amount](#)

[See definition in Sections 19A.12\(d\) and 25A.8\(b\).](#)

[Additional Actual Loan Amount Percentage](#)

[See definition in Sections 19A.12\(d\) and 25A.8\(b\).](#)



Affiliated Persons of the Seller/Servicer

Affiliated Persons of the Seller/Servicer include the following:

1. The Seller/Servicer's directors, officers, employees and controlling persons
2. Spouses or domestic partners of the Seller/Servicer's directors, officers and controlling persons
3. Members of the immediate family of the Seller/Servicer's directors, officers and controlling persons who have the same home as such persons
4. Individuals who are directors or officers of any subsidiary or holding company affiliate of the Seller/Servicer
5. Corporations or organizations (other than the Seller/Servicer or a corporation or organization through which the Seller/Servicer operates) of which a director, officer or controlling person of the Seller/Servicer is
 - An officer or partner
 - Directly or indirectly, either alone or with his or her spouse or domestic partner, the owner of 10 percent or more of any class of equity securities
 - Owner with other directors, officers and controlling persons of the Seller/Servicer and their spouses or domestic partners of 25 percent or more of any class of equity securities
6. Trusts or other estates in which a director, officer or controlling person of the Seller/Servicer or the spouse or domestic partner of such person has a substantial beneficial interest or for which such person or his or her spouse or domestic partner serves as trustee or in a similar fiduciary capacity

Affiliates of the Borrower

Affiliates of the Borrower include any person or entity who Controls, is Controlled by, or is under common Control with the Borrower.

Annual Inspection Form (AIF)

See Section 40.2.

Anti-Money Laundering (AML) Laws

AML Laws are the applicable federal anti-money laundering laws and regulations including 18 U.S. C. Sections 1956 and 1957, as amended.

Applicable Freddie Mac Multifamily Regional Office

The Applicable Freddie Mac Multifamily Regional Office is the Freddie Mac Regional Office that has jurisdiction over a multifamily Mortgage purchase. The addresses for Freddie Mac's Multifamily Regional Offices are set forth in the Seller/Servicer Guide Directory.



Appraisal

An Appraisal is a report setting forth an estimate or opinion of value prepared by an appraiser having the qualifications described in Sections 60.4 and 60.5.

Benchmarking Data

Benchmarking Data is the Property's energy and water usage entered by the Benchmarking Data Consultant in Portfolio Manager® and which meets the requirements set forth in the term sheet located on the Freddie Mac Multifamily website. If Portfolio Manager® is no longer available, the Benchmarking Data Consultant may enter the data into another benchmarking tool identified by Freddie Mac.

Benchmarking Data Consultant

Benchmarking Data Consultant is a third-party consultant retained by Borrower and acceptable to Lender that is qualified to collect, input and monitor Benchmarking Data from the Mortgaged Property.

Benchmarking Metrics

Benchmarking Metrics are measures of Property utility consumption performance provided through Portfolio Manager.

Borrower

The Borrower is the party obligated to repay the indebtedness secured by the Property. The Borrower must, in Freddie Mac's judgment, have sufficient financial, operational and management capacity. Acceptable Borrowers are described in Section 9.2.

Borrower Principal

A Borrower Principal means:

- Any Key Borrower Principal
- Any person or entity that has Control (direct or indirect) of the Borrower, Borrower-affiliated Seniors Housing Operator, and Borrower-affiliated Master Tenant, including any one or more of the following:
 - General partner of a general partnership or a limited partnership
 - Non-member manager, managing member, or members of the board of managers of a limited liability company
 - The settlor (grantor) of a living or revocable trust
 - The trustee of an irrevocable trust
- Any person or entity that is pre-approved by lender to assume Control (direct or indirect) of the Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant



- Any person or entity with an aggregate interest (whether direct or indirect) in the Borrower equal to or exceeding 25 percent including any (i) equitable ownership interest or (ii) any beneficial interest in an Illinois Land Trust, irrevocable trust or Delaware Statutory Trust
- LIHTC Syndicator
- Any person or entity that Freddie Mac determines to be a Borrower Principal

Breakage Fee

The Breakage Fee is the fee, as set forth in the Letter of Commitment, Forward Commitment or early rate lock application, that the Borrower will owe the Seller and the Seller will owe Freddie Mac if there is a Nondelivery or in certain cases, if Freddie Mac Rejects the early rate lock application.

Business Day

A Business Day is a day other than:

- A Saturday or Sunday
- A day on which the Federal Reserve Bank of New York (or other agent acting as Freddie Mac's fiscal agent) is authorized or obligated by law or executive order to remain closed
- A day on which the principal offices of Freddie Mac are closed
- A day on which the offices of the federal government located in the District of Columbia are generally closed

In the Guide, the word "day" without the modifier "business" refers to a calendar day.

Business Disruption

See definition in Section 2.20.

Business Continuity Plan

See definition in Section 2.20.

Capitalization Rate

The Capitalization Rate is the percentage rate that represents the proper relationship between the value of the property and the Net Operating Income that the property produces.

Certified Inspector

See Section 40.13(b).



Certified Organizational Chart

A Certified Organizational Chart is an Organizational Chart that is attached to Form 1114, Certification – Organizational Chart. If the Certified Organizational Chart is revised, the Borrower must submit a new Form 1114, Certification – Organizational Chart, with the revised Organizational Chart.

Change of Control

With respect to the Seller/Service, a change in the Control, directly or indirectly, of the management or policies of a Seller/Service, whether through ownership or transfer of ownership interests, by contract, or otherwise. A person is presumed to have such power if the person:

- Is a director, general partner, or Senior Management of the Seller/Service
- Directly or indirectly has the right to vote 10 percent or more of a class of a voting security of the company or has the power to sell or direct the sale of 10 percent or more of a class of voting securities of the company
- In the case of a limited liability company, is a managing member of the limited liability company; or
- In the case of a partnership, has the right to receive upon dissolution or has contributed 10 percent or more of the capital of the partnership

Claims Made Policy Form

An insurance policy that covers claims first made (reported or filed) during the year the policy is in force for any incidents that occur that year or during any previous period during which the insured was covered under a “claims-made” contract. This form is in contrast to the Occurrence-based Policy Form.

Commercial Property Assessed Clean Energy (C-PACE)

C-PACE is a tax lien financing program that is available to commercial, industrial and multifamily property owners to access affordable financing for qualifying energy efficiency and clean energy improvements to their properties.

Common Equity

See definition in Section 9.9(b).

Complete Borrower/Key Borrower Principal Due Diligence Package

A Complete Borrower/Key Borrower Principal Due Diligence Package consists of:

- Form(s) 1115, as applicable;
 - Form 1115, Borrower Certificate,
 - Form 1115, Key Borrower Principal Certificate,
 - Form 1115 - SBL, Borrower Certificate,
 - Form 1115 – SBL, Key Borrower Principal Certificate;



- Form 1116, Real Estate Schedule;
- Certified current financial statements for the Borrower and Key Borrower Principals; and
- Credit report(s) for Borrowers and Guarantors that are individuals.

The Complete Borrower/Key Borrower Principal Due Package is submitted as part of the underwriting package and/or prescreen package to Freddie Mac.

Conditions to Conversion

Conditions to Conversion means, collectively, each of the conditions precedent to Conversion set forth in the Forward Commitment, Section 19A.12 (for Forward Commitments under Chapter 19A) or Section 25A.7 and 25A.8 (for Forward Commitments under Chapter 25A), and any other condition which may otherwise be required by Freddie Mac in connection with Conversion.

Confirmation Sheet

The Confirmation Sheet is the “Interest Rate Lock and Mortgage Terms Confirmation” or “Spread Lock and Mortgage Terms Confirmation” attached as an Exhibit to a Letter of Commitment, early rate lock application, Acceptance Letter or Index Lock Agreement. After an index locked Loan is Rate Locked, the Confirmation Sheet from the Index Lock becomes null and void and is replaced by the Confirmation Sheet that is attached to the Commitment, early rate lock application or Acceptance Letter. The Confirmation Sheet is sent after Rate Lock. For an early rate lock application, the Confirmation Sheet will be revised when Freddie Mac accepts the early rate lock application after final underwriting and issues the Acceptance Letter.

Construction Loan

Required for a Forward Commitment, the Construction Loan is the construction lender’s loan to the Borrower.

Construction Phase Letter of Credit

The Construction Phase Letter of Credit secures Freddie Mac

- For a Cash Forward Commitment, when Freddie Mac advances funds to the construction lender during the construction period
- For a Bond Credit Enhancement Forward Commitment, when Freddie Mac provides the credit enhancement or liquidity support for the bonds during the construction period

Construction Phase Financing Agreement

For a Bond Credit Enhancement Forward Commitment or a Forward Commitment under Chapter 25A, the Construction Phase Financing Agreement is an agreement among Freddie Mac, the Seller/Servicer and the construction lender. It must be accepted by the Borrower.

Control

Control means the power to manage, control or direct the decisions of an entity.



Conventional Seller/Servicer

A Conventional Seller/Servicer is a Seller/Servicer that meets the net worth requirements in Section 3.3 and Freddie Mac's other eligibility requirements and has been approved by Freddie Mac as an Optigo Conventional Lender. In the Guide, an Optigo Conventional Lender is also referred to as a Conventional Seller/Servicer.

Conversion

For a Forward Commitment under Chapter 19A, the Conversion is the closing of the permanent Mortgage after construction has been completed and the Property has met the applicable Conversion criteria.

For a Forward Commitment under Chapter 25A, the Conversion is the purchase of the TEL by the Seller from the construction lender after construction has been completed and the Property has met the applicable Conversion criteria.

For a Moderate Rehabilitation (Mod Rehab) Mortgage, the Conversion is the time when the loan terms change from the Interim Phase loan terms to Permanent Phase loan terms.

Conviction or Convicted

Conviction means any (a) judgment or any other determination of guilt of a criminal offense by any court of competent jurisdiction, whether entered upon a verdict or plea; or (b) any other resolution that is the functional equivalent of a judgment of guilt of a criminal offense, including probation before judgment and deferred prosecution. This includes nolo contendere (no contest) pleas, Alford pleas, and pardons not resulting in an expungement of the conviction. A disposition without the participation of a court is the functional equivalent of a judgment only if it includes an admission of guilt. Previous convictions that have been expunged by the date that Form 1115, Borrower Certificate, Form 1115, Key Borrower Principal Certificate, Form 1115 - SBL, Borrower Certificate, and Form 1115 – SBL, Key Borrower Principal Certificate; Form 1116, Real Estate Schedule (as applicable) is completed will not be considered Convictions.

Cooperative (Co-op)

A Co-op is a form of ownership of multifamily housing in which a cooperative housing association or corporation owns the multifamily property (land and improvements) and the dwelling units are subject to proprietary leases between the corporation and unit "owners." The unit owners own stock in the association or corporation to evidence their "ownership" in their dwelling units. Blanket (underlying) first Mortgages on multifamily housing owned by Co-ops are eligible for purchase subject to the requirements set forth in Sections 8SBL.18 and 9.5.

Coupon Rate

The Coupon Rate is the interest rate specified in the Note secured by the Security Instrument.

Criminal Conviction

A Criminal Conviction includes any (a) judgment or any other determination of guilt of a criminal offense by any court of competent jurisdiction, whether entered upon a verdict or plea; or (b) any other resolution that is the functional equivalent of a judgment of guilt of a criminal offense, including probation before judgment and deferred prosecution. A plea of nolo contendere (no contest) will also be considered a Criminal Conviction. A disposition without the participation of a court will be considered the functional equivalent of a judgment only if it includes an admission of guilt.



Crowdfunding

Raising capital from marketing directed to the public at large (via the internet or otherwise) for investment in one specific property under the exemptions provided under Title III or Title IV of the Jumpstart Our Business Startups (JOBS) Act.

Custodial Account

A Custodial Account is an account established and maintained by a Servicer at an “eligible depository,” as that term is defined in Chapter 52, into which principal and interest payments or Reserves are deposited.

Debt Coverage Ratio (DCR)

The DCR is the ratio of Net Operating Income from a multifamily property to the annual debt service, as determined by Freddie Mac.

Defeasance Period

The Defeasance Period is defined in the Loan Documents and is generally the period of time specified in the Loan Documents that the Borrower is prohibited from prepaying the Mortgage and may only defease the Mortgage.

Deferred Maintenance

Deferred Maintenance is the postponement of normal maintenance, which may result in Life Safety Hazards, advanced physical deterioration, lack of full operation or efficiency, or a decline in property value.

Delegated TAH Mortgage

A Mortgage originated under the Delegated Underwriting Model for Targeted Affordable Housing (TAH), described in the Freddie Mac Delegated Underwriting for Targeted Affordable Housing Guide (TAH Guide).

Delivery Assurance Fee

For Cash Forward Commitments, the Delivery Assurance Fee is a fee specified in the Forward Commitment that may be payable in the form of cash, a letter of credit or a secured note.

Delivery Assurance Mortgage

For Cash Forward Commitments, the Delivery Assurance Mortgage is the mortgage that secures the Delivery Assurance Note provided to Freddie Mac in payment of the Delivery Assurance Fee.

Delivery Assurance Note

For Cash Forward Commitments, the Delivery Assurance Note is a secured note that the Borrower provides to Freddie Mac in payment of the Delivery Assurance Fee; it is secured by a mortgage on the Property.

Delinquency

Delinquency occurs when all or part of the Borrower's monthly installment of principal, interest and, where applicable, Reserves is unpaid after the Due Date.



A Mortgage is considered delinquent when it is 30 days delinquent, as described in the table below:

If the due date is	The Mortgage is 30 days delinquent
The first day of the month	When all or part of one or more payments remains unpaid as of close of business on the last Business Day of the month
Not the first day of the month (from the second through the last day of the month)	When all or part of one or more payments remains unpaid 30 or more actual calendar days as of close of business on the last Business Day of the month

Delinquent

See Delinquency.

Delivery Date

The Delivery Date is the date Freddie Mac receives all documentation required by the Purchase and Servicing Documents. Delivery to Freddie Mac occurs when Freddie Mac takes actual possession of all documentation required to be submitted. The posting of such documentation with the U.S. Postal Service or any other delivery service does not constitute delivery to Freddie Mac.

Disabled-Owned Business

A Disabled-Owned Business is:

- Qualified as a Service-Disabled Veteran-Owned Small Business Concern as defined in 13 C.F.R. §§ 125.8-125.13; or
- An entity within the Borrower structure or having direct or indirect Control of the Borrower in which:
 - At least 50 percent of the ownership or Control is held by one or more persons with a Disability; and
 - At least 50 percent of the net profit or loss accrues to one or more persons with a Disability

For the purposes of this definition, “Disability” has the meaning defined in 29 C.F.R. § 1630.2(g), § 1630.3 and Appendix to Part 1630 - Interpretive Guidance on Title I of the Americans with Disabilities Act.

Discovery Policy Form

An insurance policy form that covers losses discovered during the policy period even though they may have occurred before the policy period.

Diverse Borrower

A Diverse Borrower is a Borrower or a Borrower that has a Borrower Principal that meets the following conditions:



- A Minority-Owned Business, Women-Owned Business, Disabled-Owned Business, LGBTQ+-Owned Business or Veteran-Owned Business; or
- An entity in which:
 - At least 50 percent of the ownership or Control is held by a combination of individuals who are Minorities, women, have a Disability, identify as LGBTQ+, or are Veterans; and
 - At least 50 percent of the net profit or loss accrues to a combination of individuals who are Minorities, women, have a Disability, identify as LGBTQ+, or are Veterans

Document Management System (DMS)

DMS is Freddie Mac's Multifamily document management system, used to receive, deliver, and store electronic versions of documents relating to Freddie Mac Multifamily Mortgages.

Down Units

Residential units that cannot be made rent-ready with routine maintenance and repairs.

Due Date

The Due Date is the date on which the Borrower's monthly installment of principal, interest and, where applicable, Reserves is due as stated in the Note and other Loan Documents.

Due Date of Last Paid Installment (DDLPI)

The DDLPI is the Due Date of the last fully paid monthly installment of principal, interest, and Reserves (if any). It is not the date on which such payment was credited or the date of the next scheduled installment.

Effective Gross Income (EGI)

EGI is the maximum rental revenue the Property can generate based on: (a) (1) actual rents in occupied units; (2) achievable market rents in vacant units; (3) allowable commercial income; plus (4) all allowable sources of other income; less (b) vacancy, concessions and bad debt allowance. The above calculation is further refined for TAH transactions, subject to Freddie Mac's sole discretion, to take into account any restricted rents affecting the Property, the maximum allowable low-income housing tax credit rents (less utility allowances) (for 4% or 9% LIHTC transactions), and/or the HAP contract rents.

Electronic Delivery Package

The Electronic Delivery Package is the set of documents comprising a portion of the Final Delivery Package which is delivered electronically via DMS. For identification of the documents comprising the Electronic Delivery Package, refer to the appropriate Final Delivery Table of Contents available on FreddieMac.com at <https://mf.freddiemac.com/lenders/purchase/>.

Eligible Institution

A depository institution or trust company insured by the Federal Deposit Insurance Corporation, the short term unsecured debt obligations or commercial paper of which are rated at least A-3 by S&P, P-3 by Moody's and F-3 by Fitch in the case of accounts in which funds are held for 30 days or less (or, in the case of accounts in



which funds are held for more than 30 days, the long term unsecured debt obligations of which are rated at least “A” by Fitch and S&P and “A2” by Moody’s).

Energy Certification

Energy Certification is an energy certification and/or score of environmental energy savings given to the Green Improvements on the Property by applicable local, State or federal agencies or another nationally recognized building association.

Energy Star® Score

ENERGY STAR® Score is the measure of energy performance provided for the Property by Portfolio Manager.

Environmental Superlien Law

See definition in Section 61.1(b).

EPA 1-100 Water Score

EPA 1-100 Water Score is a measure of water performance provided for the Property by Portfolio Manager®.

Equity Conflict of Interest (ECOI)

Refer to Section 2.25.

Exception(s)

Any exceptions to the Seller/Servicer Representations and Warranties referenced in Section 5.13 of the Guide and found under the “Resources” section of the Legal Documents page at mf.freddiemac.com/lenders/legal.

Expiration Date

The Expiration Date is the date set forth in the Letter of Commitment by which the Seller must accept the Letter of Commitment and Rate Lock. The Expiration Date for an early rate lock application is or the expiration date of the Quote.

Exclusionary List

The Exclusionary List is a confidential list compiled, maintained and distributed by Freddie Mac, containing names and other information concerning persons or entities that have been restricted or excluded from participating in transactions or doing business with Freddie Mac. The Exclusionary List is updated at least monthly by Freddie Mac.

Seller/Servicers can access the Exclusionary List under “Quick Links” on the Originate and Underwrite and Asset Management web pages.

Exempt Inspector

See Section 40.13(b).



Fee inspector company (FIC)

See Chapter 40.

FHA Mortgage

An FHA Mortgage is a Mortgage insured by the FHA.

Final Delivery Instructions

The Final Delivery Instructions are a detailed list of required Loan Documents and other items which, depending on the specific features of a Mortgage, may be required to be included with the Final Delivery Package. The Final Delivery Instructions are set forth in the following documents:

- For all non-SBL and non-TEL Mortgages, the document called “Final Delivery Instructions and Final Delivery Package Table of Contents”
- For SBL Mortgages, the document called “Final Delivery Instructions and Final Delivery Package Table of Contents – SBL”
- For TEL Mortgages, the applicable document referenced below:
 - Final Delivery Instructions and Final Delivery Package Table of Contents – Unfunded Forward Tax-Exempt Loan
 - Final Delivery Instructions and Final Delivery Package Table of Contents – Conversion of Unfunded Forward Tax-Exempt Loan
 - Final Delivery Instructions and Final Delivery Package Table of Contents – Immediate Funding Tax-Exempt Loan

Each of these documents are available on FreddieMac.com at <https://mf.freddie.mac.com/lenders/purchase/>.

Final Delivery Package

As further defined in Chapter 32, the Final Delivery Package is the complete set of the required Purchase and Servicing Documents set forth in Chapter 32 and in the Final Delivery Instructions, which set may be comprised of both hardcopies and electronic versions of such documents.

Financial Crimes

Crimes to obtain personal or business advantage or that may result in conversion of property. Such crimes are generally characterized by fraud, deceit, concealment, or violation of trust and typically do not depend on the application of threat or physical force or violence. Examples include fraud, bribery, money laundering, forgery, counterfeiting and terrorist activity financing.

First Lien

A First Lien is any lien that grants to the lienholder a claim against the Property that, under the law of the jurisdiction where the Property is located, is prior to the rights of all others, subject only to prior liens and encumbrances that Freddie Mac has expressly waived pursuant to Sections 29.2 and 29SBL.2.



Floating-Rate Mortgage

A Floating-Rate Mortgage, also known as an adjustable rate mortgage or ARM, is a Mortgage for which the interest rate is adjusted at specified intervals for the entire Mortgage term. A Floating Rate Mortgage may be amortizing or interest-only. Floating-Rate Mortgages must have either a Freddie Mac internal interest rate cap ("internal interest rate cap") or a third-party interest rate hedge.

Foreign Guarantor

An individual or entity who signs a Guaranty for the Mortgage is considered a Foreign Guarantor if they are any of the following:

- [Not a United States entity](#)
- [Not a United States citizen or lawful permanent resident of the United States](#)
- A United States citizen [or lawful permanent resident of the United States](#) who does not reside in the United States
- ~~Not a United States citizen~~
- ~~Not a United States entity~~

The requirements for a Foreign Guarantor are set forth in Sections 9.11 and 9SBL.2(e), as applicable.

Forward Commitment

Forward Commitment has the meaning provided in Guide Section 19A.2, as supplemented by Guide Chapter 25A for TEL.

Forward Commitment Maturity Date

The Forward Commitment Maturity Date is the date by which Conversion must occur unless extended pursuant to an extension approval letter.

Forward Commitment Property Inspection

A property inspection that is required prior to commitment for each Property under a Forward Commitment. The requirements for a Forward Commitment Property Inspection are set forth in Section 8.16. At the time of conversion, a complete property inspection is required.

Freddie Mac Approved Third Party Applications

Third party systems or software applications approved by Freddie Mac as provided in Chapter 2.

Freddie Mac Funding Date

The Freddie Mac Funding Date is:

- The date on which Freddie Mac disburses payment to the warehouse lender or the Seller for a Mortgage purchased by Freddie Mac under a cash program or product, or



- The settlement date for Mortgages purchased by Freddie Mac under a Multifamily Structured Transaction, or
- Execution by Freddie Mac of a Credit Enhancement Agreement in a bond credit enhancement transaction

Freddie Mac Preservation

Freddie Mac Preservation is defined as Properties for which rent restrictions are in place through the Loan Agreement (e.g., Borrower-elected rent restrictions) or third-party, non-governmental rent restrictions. Freddie Mac Preservation rent restrictions may vary by product. TAH Mortgage products eligible for Freddie Mac Preservation include Non-LIHTC Preservation Rehabilitation and Non-LIHTC Forwards (see Sections 19.2 and 19A.2 and the TAH term sheets referenced therein). Workforce Housing Preservation is a Conventional Mortgage product eligible for Freddie Mac Preservation (see Section 17.6).

Freddie Mac Underwriting Value

The market value of a Property for purposes of Freddie Mac's underwriting and purchase of Mortgages, and for calculation of Loan-to-Value (LTV) Ratios in connection therewith, is the lower of appraised value as determined by a third-party appraiser or the value determined by Freddie Mac.

FreddieMac.com

FreddieMac.com is Freddie Mac's Internet home page. FreddieMac.com includes information about Freddie Mac's programs and products and makes multifamily Loan Documents and other Mortgage origination information available to Seller/Servicers at mf.freddiemac.com.

Gold PC

A Gold PC is a Participation Certificate (PC) in which the payments by Borrowers on the Gold PC Securitized Mortgages are passed through, with a payment delay of 45 days, to the holders of the Gold PCs.

Gold PC Securitized Mortgages

Gold PC Securitized Mortgages are Mortgages that are purchased under the Multifamily Negotiated Transactions Program or the Multifamily PC OneSM Program and are pooled in Gold PCs.

Governmental Entity

A Governmental Entity is an entity that is under Control of, under ownership of, is authorized by, or is itself a city, county, State, commonwealth, or federal government. With respect to subordinate debt, Freddie Mac considers a Governmental Entity to be an entity that provides third-party financing with the goal of expanding, preserving, maintaining, or otherwise promoting affordable multifamily housing.

Green Advantage[®]

Green Advantage[®] is a Freddie Mac suite of offerings providing benefits to Borrowers who have made or plan to make their Properties more energy and water efficient.



Green Assessment®

Green Assessment® is a report detailing proposed property-level improvements to promote utility consumption efficiency at the Property. It uses the ASHRAE Level 1 standard and otherwise meets the requirements set forth in Chapter 65. The report describes projected savings in terms of utility consumption and dollars saved per improvement item.

Green Assessment Plus®

Green Assessment Plus® is report that contains the same information as the Green Assessment® but provides a more detailed analysis of projected savings in terms of utility consumption and dollars saved at the Property. It uses the ASHRAE Level 2 standard and otherwise meets the requirements set forth in Chapter 65.

Green Certified

Green Certified is a benefit available for Properties that have a Green Building Certificate as set forth in Section 55.2 and that meet Freddie Mac affordability requirements.

Green Consultant

Green Consultant is a certified environmental design/inspection or engineering firm that meets the requirements set forth in Chapter 65.

Green Improvements

Green Improvements are the energy and water conservation measures selected by the Borrower from the list of qualifying conservation measures identified in a Green Report. These selected conservation measures are identified as Green Improvements in the Green Improvement Rider to the Loan Documents.

Green Rebate

Green Rebate is a benefit available to a Borrower who provides an ENERGY STAR® Score but has not chosen any other Green Advantage® offering.

Green Retrofits®

Green Retrofits is a loan option with benefits that may be available if the Borrower can certify that energy and/or water efficiency improvements are in place at the Property.

Green Up®

Green Up® is a loan option available when a Borrower commits to making Green Improvements identified in a Green Assessment®.

Green Up Plus®

Green Up Plus® is a loan option available when a Borrower commits to making Green Improvements identified in a Green Assessment Plus®.

Guarantor

Any person or entity that is liable under the Guaranty. (See also Foreign Guarantor)



Guide

The Guide is the official version of the Multifamily Seller/Servicer Guide, including the exhibits and related supplements, Bulletins and Industry Letters.

Hardcopy Delivery Package

The Hardcopy Delivery Package is the set of documents comprising a portion of the Final Delivery Package which must be delivered in their original hardcopy form. For identification of the documents comprising the Hardcopy Delivery Package, refer to the appropriate Final Delivery Table of Contents available on FreddieMac.com at <https://mf.freddiemac.com/lenders/purchase/>.

Home Mortgage

A Home Mortgage is a Mortgage secured by a First Lien on real estate on which there is located a structure designed principally for residential use by one to four families.

Imminent Life Safety Hazard

An Imminent Life Safety Hazard is a hazard that is about to cause harm. Imminent Life Safety Hazards are of the highest concern as they represent an immediate risk to any tenant that encounters such a hazard. Exposed live electrical wires and balconies with inadequate guard rails are among the types of conditions that represent Imminent Life Safety Hazards.

Imminent Life Safety Hazards are identified during the annual physical inspection of a Property post-purchase. There is no comprehensive list of Imminent Life Safety Hazards and the inspector must exercise judgement to determine the Hazard category.

See also the definition for Life Safety Hazard.

Income and Expense Statement

The Income and Expense Statement is the actual or pro forma statement of income and expense items for a person, an entity, or a property during a specified period of time.

Increased Mortgage Amount

For the purposes of the early rate lock delivery option and the early rate lock application, see the definition of "Increased Mortgage Amount" in Chapter 27.

Increased Scrutiny for Moisture or Mold Issues

Increased Scrutiny for Moisture or Mold Issues is a specific inspection protocol, set forth in Section 8.3(b), which is used to evaluate the risk of moisture or Mold issues in certain Properties.

Independent Director/Manager

Independent Director/Manager means an individual who is not affiliated with the Borrower, any SPE Equity Owner, guarantor or any other Borrower Principal or any parties associated or affiliated with the foregoing parties. See the Loan Documents for a more complete definition.



Index Lock

As defined in Chapter 27.

Index Lock Agreement

As defined in Chapter 27.

Industry Trained Inspector

See Section 40.13(b).

Key Borrower Principal

Key Borrower Principal means:

- Any Guarantor, regardless of the amount of ownership interest in the Borrower and even if not in the organizational structure of the Borrower
- Seniors Housing Operator
- Any operator of the Property that is a Master Tenant under a master lease structure (e.g., a Delaware Statutory Trust or Shariah-compliant loan)
- Any person or entity that has Ultimate Control (direct or indirect) of the Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant
- Any Pre-Approved Transferee
- Any non-Controlling person or entity that meets both of the following conditions, including LIHTC Investors:
 - Has aggregate ownership (direct or indirect) of 50% or more of the Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant
 - Is not owned by any other person or entity that also has aggregate ownership (direct or indirect) of 50% or more of the Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant
 - If a trust meets the two conditions above, the following parties are also considered Key Borrower Principals:
 - The settlor (grantor) of a living or revocable trust
 - The beneficiary of an irrevocable trust if the beneficiary has aggregate ownership (direct or indirect) of 50% or more of the Borrower, Borrower-affiliated Seniors Housing, Operator, or Borrower-affiliated master tenant
- Any individual or entity that does not meet the criteria set forth above but who is determined by Freddie Mac to be a Key Borrower Principal. These may include individuals or entities defined as a Required Equity Owner in the Loan Agreement.



Except for a LIHTC Investor that is a U.S. publicly traded entity a Key Borrower Principal must submit a Complete Borrower/Key Borrower Principal Due Diligence Package.

Legal Issues Analysis (LIA)

See Section 6.4. and Section 29.2.

Letter of Commitment

A Letter of Commitment or Commitment is the written indication that Freddie Mac has made an offer to the Seller to purchase a Mortgage. The Letter of Commitment and any amendments set forth the terms and conditions of the purchase transaction. For an early rate-lock delivery, a counter-signed early rate-lock application, with all modification and acceptance letters, takes the place of the Letter of Commitment. Letters of Commitment also include Forward Commitments.

LGBTQ+-Owned Business

An LGBTQ+-Owned Business is an entity within the Borrower structure or having direct or indirect Control of the Borrower in which:

- At least 50 percent of the ownership or Control is held by one or more persons who identify as LGBTQ+; and
- At least 50 percent of the net profit or loss accrues to one or more persons who identify as LGBTQ+

“LGBTQ+” means any individual who identifies as lesbian, gay, bisexual, transgender, queer or questioning or +.

Life Safety Hazard

Life Safety Hazards consist of conditions that increase the possibility of personal injury or death. Traditionally, these hazards are associated with inadequate protections and often result from noncompliance with code requirements.

See also the definitions of Imminent Life Safety Hazard and Potential Life Safety Hazard, which apply to the post-purchase annual inspection of a Property. There is no comprehensive list of Imminent or Potential Hazards and the inspector must exercise judgement to determine the Hazard category.

LIHTC Investor

In a LIHTC transaction, each person or entity that has aggregate ownership (direct or indirect) of 50% or more of the Borrower’s limited partner. The LIHTC Investor expects to receive the benefit of the LIHTC and does not Control the Borrower.

LIHTC Syndicator

In a LIHTC transaction where the LIHTC investment is made through a syndicated LIHTC fund, the entity with Ultimate Control of the general partner of the LIHTC fund. In that capacity, the LIHTC Syndicator, for the benefit of the LIHTC fund and the LIHTC Investor(s), provides acquisition, underwriting, portfolio management, asset management and investor reporting services.



Linked Buildings (SBL)

Linked Buildings are a Property comprised of buildings located on non-contiguous parcels. If the Property is comprised of non-contiguous parcels of land the transaction must be prescreened by Freddie Mac as required by Section 8SBL.6(c).

Loan Agreement

The Loan Agreement is the Multifamily Loan and Security Agreement. The Loan Agreement sets forth the terms of the Mortgage, including the representations and covenants of the Borrower, the events of default, the securitization terms and the lender's remedies. There is also a specially designated Loan Agreement for use with Seniors Housing Mortgages.

Loan Documents

Loan Documents are the Freddie Mac Multifamily Loan Documents, the forms of which are posted on FreddieMac.com at <https://mf.freddie.mac.com/lenders/legal/>. The Loan Documents include the following documents, together with any modifications and Riders to the documents:

- Note
- Loan Agreement
- Security Instrument
- Guaranty
- Omnibus Assignment
- All other documents used in connection with the origination or Servicing of Mortgages under Freddie Mac's programs and products.

The Legal Documents page of mf.freddie.mac.com includes a list of current Loan Documents. The revision date is indicated for each Loan Document.

Loan Management Form (LMF)

See Section 40.2.

Loan-to-Value (LTV) Ratio

The LTV Ratio is the relationship between the principal amount of the Mortgage and the value of the Property, expressed as a percentage of the value, as determined by Freddie Mac.

Mandatory Delivery Date

The Mandatory Delivery Date is the delivery date identified in the Letter of Commitment or early rate-lock application. The Seller must deliver the Final Delivery Package to Freddie Mac by noon Eastern time on the Mandatory Delivery Date.



Mandatory Funding Date

Unless otherwise agreed upon, the Mandatory Funding Date is the date which is 15 days after the Mandatory Delivery Date; provided, however, that if such day is not a Business Day, then the Mandatory Funding Date will be the Business Day immediately preceding such date.

Manufactured Housing Community (MHC) Product

The MHC Product is the program under which Freddie Mac Multifamily will purchase Mortgages secured by Manufactured Housing Communities, as described in this Chapter 22.

Master Forward Financing Agreement

The Master Forward Financing Agreement documents the general terms and conditions governing all Forward Commitments with a particular construction lender.

Master Tenant

A Master Tenant is the tenant that operates the Property under a master lease. A master lease structure is usually used in a Shariah compliant loan or Delaware Statutory Trust loan.

Material Modification

For the purposes of the early rate lock delivery option and the early rate lock application, a "Material Modification" is as defined in Chapter 27.

Material Vendor

With respect to one or more Mortgages owned by Freddie Mac (*i.e.*, from Freddie Mac's purchase until securitization or other disposition of such Mortgage(s)), a vendor engaged by the Servicer while Servicing such Mortgage or Mortgages on behalf of Freddie Mac that has the potential to create information security risk or compliance risk for Freddie Mac.

Refer to the Material Vendors web page on mf.freddiemac.com for more details and examples of Material Vendors.

MHC Tenant Protections

See definition in Section 22.1(b).

MHC Tenant Protections Notification

See definition in Section 22.2(p).

Minimum Consumption Savings Threshold

See definition in Section 24.3(a).



Minimum Occupancy

The minimum number of units at the Property that must have current leases that comply with the provisions of the Loan Agreement in order for a Borrower to undertake or continue certain Property Improvement Alterations. The Minimum Occupancy is expressed as a percentage in the Loan Agreement.

Minimum Origination Fee

The Minimum Origination Fee is the minimum fee the Seller/Servicer must charge in connection with the origination of the Mortgage. The Minimum Origination Fee requirements are set forth in Section 17.1(f) for non-SBL Mortgages and in Section 18SBL.1(f) for SBL Mortgages.

Minority-Owned Business

A Minority-Owned Business is an entity within the Borrower structure or having direct or indirect Control of the Borrower in which:

- At least 50 percent of the ownership or Control is held by one or more Minority individuals; and
- At least 50 percent of the net profit or loss accrues to one or more Minority individuals

“Minority” means any individual who is Black or African American, American Indian or Alaska Native, Hispanic (or Latino) American, Asian, or Native Hawaiian or other Pacific Islander

Modification Letter

The Modification Letter is used by Freddie Mac to propose material modifications to an early rate lock application.

Moisture Management Plan (MMP)

An MMP is a plan provided by the Borrower to manage moisture or Mold issues at the Property in accordance with the requirements set forth in Section 8.3(a). If an MMP is required, the MMP must be maintained at the Property and be made available for verification at annual inspections. Additional information on the requirements for a Moisture Management Plan is in the Moisture Management Plan Handbook available through mf.freddieMac.com.

Mold

Mold is a naturally occurring growth that is frequently dark in color with a musty odor. Mold feeds on organic material, and the growth of Mold is typically associated with damp or moist conditions. Mold is also referred to as fungus or mildew.

Mortgage

A Mortgage is a loan meeting the requirements of Section 1.2 and secured by a lien on real estate held in fee simple or on an acceptable leasehold estate. A Mortgage may also be a bond credit enhancement meeting the requirements of Chapter 28 or Chapter 28A, the mortgage loan securing a TEL meeting the requirements of Chapter 25 or Chapter 25A. When used alone in the Guide, and unless the context indicates otherwise, the term "Mortgage" means a multifamily Mortgage secured by a property containing five or more dwelling units.



The term "Mortgage" includes the Security Instrument (mortgage, deed of trust, or deed to secure debt), the Note, the evidence of title, and all other Loan Documents that evidence the Mortgage and includes, for bond credit enhancement transactions, the bond mortgage note, the bond mortgage, the reimbursement mortgage and the reimbursement agreement.

Mortgage Documents

See Loan Documents.

Mortgage Financial Terms

The Mortgage Financial Terms are the maximum Mortgage amount, Freddie Mac net spread, gross spread, term, amortization period (if applicable), interest only period (if applicable), prepayment terms, yield maintenance period (if applicable), lock out period (if applicable), treasury floor (if applicable), and any other relevant Mortgage financial terms as determined by Freddie Mac.

Mortgage File

The paper and electronic file or files required to be created and maintained for each Mortgage by the Seller/Servicer in accordance with Chapter 34, and any other applicable sections of the Guide.

Mortgages Purchased in Part

Mortgages Purchased in Part are Mortgages in which Freddie Mac has purchased or retained a participation interest.

Mortgages Purchased in Whole

Mortgages Purchased in Whole have been purchased in their entirety by Freddie Mac.

Multifamily Document Management System

See Document Management System.

Multifamily Loan Documents

See Loan Documents.

Multifamily Software Applications

The software applications that Freddie Mac provides to the Seller/Servicer in connection with the sale and the servicing of Multifamily Mortgages. The Multifamily Software Applications include the following:

- Consent Request Tracker (CRT)
- Document Management System (DMS)
- Freddie Mac Access Manager (FAM)
- General Loan Information (GLI)



- Insurance Compliance Tool (ICT)
- Multifamily Eligibility System (MES)
- Multifamily Securities Investor Access tool (MSIA)
- Multifamily Seller/Servicer Guide via AllRegs® Online (Guide)
- myOptigoSM
- Origination and Underwriting System (OUS)
- Property Reporting System (PRS)
- Small Balance Loan Production Pipeline Manager (PPM)

Net Operating Income (NOI)

NOI is the income from a property's operations available for repayment of debt and return on equity to the owner after deducting economic vacancy and all expenses (exclusive of debt service).

Nondelivery

A Nondelivery is any action or failure to act that prevents or will prevent the Seller from meeting the terms of a Commitment after acceptance or an early rate lock application after Rate Lock.

Nonprofit Entity

A Nonprofit Entity is an entity that has been conferred tax-exempt status by the U.S. Internal Revenue Service. For Freddie Mac's purposes, a Nonprofit Entity must have a mission of owning, developing, operating, preserving, managing, or otherwise promoting affordable multifamily housing.

Non-LIHTC Property

A Property that has affordability requirements outside of a LIHTC regulatory agreement and meets the requirements set forth in the term sheets found on mf.freddiemac.com for Non-LIHTC Forwards, Preservation Rehabilitation Financing for Non-LIHTC Properties or Non-LIHTC Bridge, as the context may require.

Non-Scope Issues

See definition in Section 61.2(b).

Non-U.S. Equity Holder

A Non-U.S. Equity Holder means any non-U.S. person or entity with a collective equity interest (whether direct or indirect) in Borrower equal to or exceeding 10 percent. A Non-U.S. Equity Holder is subject to all Office of Foreign Assets Control (OFAC) and Anti-Money Laundering (AML) Laws compliance-related obligations set forth in this Guide including those identified in Chapters 2, 9, 41, 43, and 44.

A Non-U.S. Equity Holder that is a Key Borrower Principal is required to submit a Complete Borrower/Key Borrower Principal Due Diligence Package.



A Non-U.S. Equity Holder with a 25 percent or greater interest in the Borrower will be considered a Borrower Principal.

All Non-U.S. Equity Holders must be named on the Organizational Chart.

Note

A Note is the instrument evidencing the indebtedness secured by a Security Instrument, and includes, for bond credit enhancement transactions, the reimbursement agreement evidencing the obligations secured by the reimbursement mortgage and the bond mortgage note evidencing the obligations secured by the bond mortgage.

Occurrence-based Policy Form

A policy covering claims that arise out of damage or injury that took place during the policy period, regardless of when claims are made. Most property and commercial general liability insurance is written on an Occurrence-based Policy Form, which may also be referred to as a “per occurrence” policy form.

Operator

An Operator (sometimes referred to as the “Lessee”) is an entity that operates the Property under a master operating lease. Operating leases are frequently used in the Seniors Housing industry. An Operator may be affiliated with the Borrower or may be an unrelated third-party Operator.

Opinion Analysis

See Section 29.5(c).

Optigo Lender

An Optigo Lender is a lender that meets Freddie Mac's eligibility requirements, including the net worth requirements in Section 3.3, and has been approved by Freddie Mac to sell Multifamily Mortgages to Freddie Mac and to service those Mortgages. Optigo Lenders may be approved as one or more of the following designations:

- Optigo Conventional Lender
- Optigo TAH Lender
- Optigo SBL Lender
- Optigo Seniors Housing Lender

See Section 2.10 and Chapter 3 for more information concerning Optigo Lenders.

In the Guide, an Optigo Lender is referred to as a Seller/Servicer, Seller or Servicer.

Origination Date

The Origination Date is the date of the Note.



Organizational Chart

An Organizational Chart for the Borrower, guarantor not in the Borrower's organizational structure, Master Tenant (if applicable) or Operator (if applicable) must include the elements set forth in the Guidance – Organizational Charts that can be found on mf.freddiemac.com.

Participation Certificate (PC)

A PC represents an undivided interest in specified Mortgages purchased by Freddie Mac from a single Seller, either for cash or in exchange for PCs, and placed in a discrete pool bearing a unique PC pool number. PCs are offered only in book-entry form.

Portfolio Manager®

Portfolio Manager® is an online tool used to measure and track energy and water consumption at the Property. Portfolio Manager is located on the ENERGY STAR® website of the EPA.

Potential Life Safety Hazard

A Potential Life Safety Hazard is a hazard with a lower capacity to cause harm or consists of a condition that could become harmful. A Potential Life Safety Hazard is also of concern but does not represent the same immediacy of risk for tenants as an Imminent Life Safety Hazard. Potential Life Safety Hazards include conditions that will be recognized by most residents and avoided, including trip hazards or conditions that represent a risk only in special circumstances, such as an out-of-date fire extinguisher.

Potential Life Safety Hazards are identified during the annual physical inspection of a Property post-purchase. There is no comprehensive list of Potential Life Safety Hazards and the inspector must exercise judgement to determine the Hazard category.

See also the definition for Life Safety Hazard.

Pre-Approved Transferee

Any person or entity that is pre-approved by lender to assume Ultimate Control (direct or indirect) of Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant.

Preferred Equity

See definition in Section 9.9(b).

Preferred Equity Return

See definition in Section 9.9(b).

Preliminary legal issues memorandum (PLIM)

See Section 6.4.

Preservation Rehabilitation

See Section 19.2(e).



Principal

A Principal, for purposes of Freddie Mac's policy concerning the exclusion of certain persons from participating in transactions or doing business with Freddie Mac, may be:

- A Seller/Servicer, or
- A person with substantial management or supervisory responsibilities within a Seller/Servicer's organization, or
- A person with critical influence on or substantive Control over any material aspect of a Mortgage purchase or Servicing transaction or any function related to such a transaction

There are three categories of principals:

- Seller/Servicers
- Officers, directors, owners, partners, key employees or other persons within a Seller/Servicer's organization who have substantial management or supervisory responsibilities. Suspended or excluded persons within this category are presumed to have critical influence on or substantive Control over all the organization's Mortgage purchase or Servicing transactions.
- Principals, consisting of any other person (whether an individual or an entity) who has a critical influence on or substantive Control over any material aspect of a Mortgage purchase transaction or a Servicing transaction or any function related to such a transaction. Such a Principal may be an employee of a Seller/Servicer, a third-party provider of services to a Seller/Servicer or an employee of a third-party provider of services. Persons who have a critical influence on or substantive Control over Mortgage purchase transactions or Servicing transactions or related functions include loan officers, underwriters, appraisers, inspectors, real estate agents and real estate brokers.

Private Entity

A Private Entity is an entity such as a partnership, limited liability company, private real estate fund, LIHTC fund or private REIT whose shares are not traded on a public exchange. A Private Entity can Control who purchases the ownership interests in such entity.

Private Investment Fund

A U.S. private company that invests capital from different investors in various assets, including direct and indirect equity interests in real estate. To qualify as a Private Investment Fund, the entity must have each of the following:

- A minimum of \$50,000,000 in capital commitments
- Liquid assets of at least \$750,000
- A minimum net worth of \$5,000,000
- A management team with all of the following:



1. At least 10 years of collective experience managing multifamily properties,
2. At least 10 multifamily properties under management, either in the Private Investment Fund individually, or in the Private Investment Fund and other affiliated private investment funds, collectively
3. At least \$100,000,000 in multifamily properties under management, either in the Private Investment Fund individually, or in the Private Investment Fund and other affiliated private investment funds, collectively

Private Transfer Fee

A Private Transfer Fee is any fee, charge or payment imposed by a Private Transfer Fee Covenant due in connection with a transfer of title to a property. A Private Transfer Fee is payable each time a property is transferred for a set period of time or indefinitely. The Private Transfer Fee can be a fixed amount or a percentage of the property's sale price. A Private Transfer Fee does not include:

- A charge payable to the federal, State or local government
- A charge that defrays the actual cost of the transfer of the property, such as transfer of membership in a covered association such as a homeowners' association, condominium association, cooperative association or a federally tax-exempt 501(c)(3) or 501(c)(4) organization
- A charge payable to a covered association such as a homeowners' association, condominium association, cooperative association or a federally tax-exempt 501(c)(3) and 501(c)(4) organization that is used exclusively to provide a direct benefit to the property

Private Transfer Fee Covenant

A Private Transfer Fee Covenant means any covenant, restriction or other similar document that (i) purports to run with the land or to bind current and future owners whether or not such covenant is recorded and (ii) imposes a Private Transfer Fee upon transfer of all or part of the property, as defined in 12 C.F.R. Part 1228. A Private Transfer Fee Covenant can be attached to a property by the original developer or another third party.

Prohibited Substances

Prohibited Substances are any drugs or controlled substances whose use, manufacture, distribution or possession are prohibited by any law, whether federal, state or local law.

Project Loan

For a Cash Funded Forward Commitment, the Project Loan is Freddie Mac's loan to the construction lender.

Property

The Property is the land, improvements and fixtures that are, or will be, subject to the lien of a Mortgage.

Property Improvement Alterations

Alterations and additions to the improvements existing at or upon the Property, as more fully defined in the Loan Agreement. Repairs, capital replacements, restoration and other work required to be performed at the



Property pursuant to the terms of the Loan Documents are not considered to be Property Improvement Alterations.

Property Improvement Alterations Notice

A notice to the lender from the Borrower pursuant to the terms of the Loan Agreement that the Borrower intends to begin the Property Improvement Alterations specified in the Property Improvement Alterations Notice.

Property Reporting System (PRS)

See Section 40.2.

Public Company

A Public Company is a company whose shares are traded on a public exchange or an over the counter exchange. A Public Company does not Control who purchases its shares after the initial public offering. A pension fund that is not privately controlled is also a Public Company.

Purchase Contract

The Purchase Contract is an agreement between the Seller and Freddie Mac covering the purchase of a specific Mortgage or Mortgages, the Seller's obligation to deliver such Mortgages on a mandatory basis (unless otherwise noted in the Letter of Commitment or early rate-lock application), the delivery period and the Servicing after Freddie Mac's purchase of the Mortgage. The Purchase Contract may be a

1. Purchase agreement
2. Letter of Commitment (as it may be amended) fully accepted by the Seller
3. Early rate-lock application (as modified or adjusted) fully accepted by Freddie Mac
4. Other offer by Freddie Mac to purchase, fully accepted by the Seller
5. Other offer by Seller to sell, fully accepted by Freddie Mac

Purchase Contract Date of Acceptance

The Purchase Contract Date of Acceptance is the date the Seller accepts Freddie Mac's offer as stated in a Purchase Contract.

Purchase and Servicing Documents

The Purchase and Servicing Documents applicable to a Mortgage are the following:

1. The Purchase Contract, including all Exhibits
2. The separate Servicing Agreement, if any
3. The official version of the Guide



4. Any agreement pursuant to which a Seller or affiliate of a Seller provides a guaranty or any form of credit enhancement in connection with the sale of Mortgages to Freddie Mac
5. Additionally, for Delegated TAH Mortgages, the Seller/Service's Delegated TAH Master Agreement and the TAH Guide in effect at the time of underwriting
6. Any Servicing transaction approval issued by Freddie Mac to a Servicer

The Guide and all of its terms are incorporated by reference into, and constitute part of, each Purchase Contract. A Seller must sell Mortgages in accordance with the terms of each Purchase Contract entered into between the Seller and Freddie Mac.

A Seller/Service must service each Mortgage that the Seller/Service has sold to Freddie Mac and has agreed to service for Freddie Mac in accordance with the standards set forth in the Guide (including amendments to Servicing provisions of the Guide that Freddie Mac has made since Freddie Mac purchased the Mortgage) and any applicable Purchase Contract. All of a Seller/Service's obligations to service Mortgages for Freddie Mac will be considered to constitute, and will be performed pursuant to, a unitary, indivisible master Servicing contract, and the Servicing obligations assumed under any Purchase Contract will be deemed to be merged into, and will be performed under, the same unitary, indivisible master Servicing contract. The Seller/Service agrees that any failure to service any Mortgage in accordance with the terms of the unitary, indivisible master Servicing contract, or any breach of any of the Seller/Service's obligations under any aspect of the unitary, indivisible master Servicing contract, will be deemed to constitute a breach of the entire contract and will entitle Freddie Mac to terminate the contract.

If a Servicer who services Mortgages for Freddie Mac is not also the Seller of the Mortgages to Freddie Mac, the Servicer must agree to service Mortgages for Freddie Mac by separate agreement, which incorporates the Guide and any applicable Purchase Contract by reference. In such case, the separate agreement shall be deemed to be one of the "Purchase and Servicing Documents," which constitute the unitary, indivisible master Servicing contract.

Quote

A Quote is Freddie Mac's non-binding statement of proposed Mortgage Financial Terms. A Quote does not require the Seller to submit a full underwriting package, nor does it bind Freddie Mac to purchase a Mortgage.

Rate Lock

Rate Lock is the procedure in which Freddie Mac agrees to hold the yield rate on the applicable U.S. Treasury index, net spread to Freddie Mac and Servicing Spread for a fixed rate Mortgage (Interest Rate Lock) and to hold the net spread to Freddie Mac and Servicing Spread for a Floating-Rate Mortgage (Spread Rate Lock).

Rate Lock Call

The Seller must call the person whose name is set forth in the Letter of Commitment or early rate lock application to Rate Lock and confirm all of the other terms of the Mortgage, including the term, amortization period and prepayment period. Even though the interest rate for a Floating-Rate Mortgage cannot be Rate Locked, the Seller must complete a Rate Lock Call in order to confirm all of the terms of the Mortgage.

Rate Reset

A Rate Reset Mortgage is a Mortgage with a five-year term, during which there is an option to extend the term of the Mortgage for an additional five years at a reset interest rate.



Rating Agencies

Rating Agencies means Fitch, Inc.; Moody’s Investors Service, Inc.; Dominion Bond Rating Service (DBRS); Realpoint LLC; or Standard & Poor’s Ratings Services, a division of the McGraw Hill Companies, Inc., or any successor entity of the foregoing, or any other nationally recognized statistical rating organization.

Real Estate Owned (REO)

REO is property acquired through foreclosure or deed in lieu of foreclosure.

Redemption Date

See definition in Section 9.9(c).

Regulatory Agreement

An agreement with a governmental entity that places income, rent or other use restrictions on all or selected units of a Property for a given period.

Rejection; Reject

A Rejection is Freddie Mac’s determination that it will not accept the early rate lock application submitted by the Seller.

Repair Reserve

A Repair Reserve is a Reserve established to hold funds allocated for the completion of repairs, rehabilitation or incomplete items of construction. The Repair Reserve can be established by a Repair Escrow Agreement, a Repair and Escrow Agreement or by a Rider to the Loan Agreement that establishes a Repair Reserve.

Replacement Reserve

A Replacement Reserve (also referred to as a Replacement Reserve Fund or Replacement Reserve Escrow) is a Reserve established to hold funds allocated for the replacement of capital items. A Replacement Reserve can be established by a Replacement Reserve Agreement or by a Rider to the Loan Agreement establishing a Replacement Reserve.

Required Net Yield

The Required Net Yield is the amount of interest Freddie Mac receives from each Mortgage it purchases.

Reserve

Reserve means all funds, other than principal and interest, collected to cover expenses to be paid under the Mortgage, including hazard insurance premiums and taxes, special assessments, ground rents, water and sewer charges, any other charges that are or may become first liens on the Property, payments for fees for a subsequent third-party interest rate cap agreement, and any other escrow or reserve established under the terms of the Mortgage or the Loan Documents.



Restricted Multiple Asset Entity (Restricted MAE)

As further defined in Chapter 9SBL, a Restricted MAE is a Borrower that is structured so that it:

- Will not acquire, own, hold, lease, operate, manage, maintain, develop or improve any assets other than the Mortgaged Property (as defined in the Security Instrument), the Permitted Property (as defined in the Loan Agreement – SBL), and such Personality (as defined in the Security Instrument) as may be necessary for the operation of the Mortgaged Property and the Permitted Property and will conduct and operate its business as presently conducted and operated
- Will not engage in any business or activity other than the ownership, operation and maintenance of the Mortgaged Property and the Permitted Property and activities incidental to such ownership, operation and maintenance

Restricted Non-Residential Use

A Restricted Non-Residential Use is any use or operation of the leased premises that may adversely impact (i) the health and safety of the tenants or other individuals at the Mortgaged Property, or (ii) the value, occupancy or rents of the Mortgaged Property, all as determined by Lender in Lender's discretion. Restricted Non-Residential Uses include the following:

- The disposition, distribution or sale of Prohibited Substances or any establishment whose primary business is the sale of merchandise normally used or associated with Prohibited Substances
- Any establishment whose primary business is the disposition, distribution, sale or viewing of adult or pornographic materials or activities, including strip clubs and adult bookstores
- Any use involving the disposition or sale of Hazardous Materials
- Any establishment whose primary business is gambling or off-track betting
- Any establishment whose primary business is the sale of alcoholic beverages for off-site consumption

Risk Rating

A designation Freddie Mac gives to a Mortgage to reflect Freddie Mac's current risk outlook associated with the Mortgage. Risk Ratings for all Mortgages in the retained portfolio are currently between three and 10 with three deemed the lowest level of risk associated with a Mortgage and 10 being the highest level of risk.

Scheduled Interest

Scheduled interest is the monthly interest scheduled to be paid under the amortization schedule applicable to the Mortgage.

Scheduled Principal

Scheduled Principal is the monthly principal scheduled to be paid under the amortization schedule applicable to the Mortgage, calculated in accordance with Section 53.1.



Scope Issues

See definition in Section 61.2(b).

Securitization

Securitization means the transaction in which the Note for a Mortgage is assigned to a REMIC (Real Estate Mortgage Investment Conduit) or grantor trust.

Security Breach

See definition in Section 2.26(c).

Security Instrument

A Security Instrument is an instrument (mortgage, deed of trust, deed to secure debt) creating a valid lien on real estate.

Seller

Unless the context otherwise requires it, the term "Seller," as used in the Guide and the other Purchase and Servicing Documents, refers to an Optigo Lender or a Multifamily Structured Transaction Lender acting in its capacity as a Seller of Mortgages to Freddie Mac.

Servicer

Unless the context otherwise requires it, the term "Servicer," as used in the Guide and the other Purchase and Servicing Documents, refers to an entity acting in its capacity of Servicing multifamily Mortgages for Freddie Mac. A Servicer may be an Optigo Lender, a Multifamily Structured Transaction Seller/Servicer, a Servicer approved on a Servicing-only basis, or a Servicing Agent.

Seller/Servicer

Unless the context otherwise requires it, the term "Seller/Servicer," as used in the Guide and the other Purchase and Servicing Documents, refers to a Seller, a Servicer or an Optigo Lender.

Seller Application

Seller Application is the application between the Seller/Servicer and the Borrower for the Seller/Servicer to make a loan to the Borrower to be secured by the Property and to be sold to Freddie Mac.

Senior Management

A natural person who serves as one of the following positions for a Seller/Servicer:

- Owner
- President
- Vice President or other officer in charge of managing or overseeing any aspect of the Seller/Servicer's Freddie Mac business
- Chief Executive Officer (CEO)



- Chief Operating Officer (COO)
- Chief Financial Officer (CFO)
- Chief Information Officer (CIO), Chief Technology Officer (CTO), or Chief Information Security Officer (CISO)
- Chief Risk Officer (CRO)
- Corporate Secretary
- General Counsel
- Director
- Chairman of the Board
- General Partner; or
- Member or manager of an LLC

Servicing

Servicing is the performance of applicable obligations described in the Purchase and Servicing Documents, including tasks necessary to maintain Mortgages sold to Freddie Mac in a manner that protects Freddie Mac's interests.

Servicing Agent

A Servicing Agent is a Servicer that has received Freddie Mac's authorization to act on behalf of another Servicer in Servicing Mortgages purchased by Freddie Mac. This role may also be referred to as a "subservicer" provided, as used in this definition, the reference to "subservicer" will not be construed to have the same meaning as such term is used in connection with a Securitization.

Servicing Spread

For TEL Mortgages, the Servicing Spread is the fee payable by the Borrower to the Servicer under the project loan agreement and specified by Freddie Mac in the Letter of Commitment.

For all other Mortgages, the Servicing Spread is the amount of the interest income received and retained by the Servicer as compensation for servicing a multifamily Mortgage purchased by Freddie Mac. Freddie Mac specifies the Servicing Spread in the Purchase and Servicing Documents.

Shared Access Agreement

A Shared Access Agreement is an agreement that provides for access to a Property via an easement or private road.

Shared Use Agreement

A Shared Use Agreement is an agreement that provides for the sharing, joint use and maintenance of Recreational Facilities and/or Essential Facilities.



Single Asset Entity (SAE)

An SAE is a Borrower that is structured so that it:

- Will not acquire, own, hold, lease, operate, manage, maintain, develop or improve any assets other than the Mortgaged Property and such Personal as may be necessary for the operation of the Mortgaged Property and will conduct and operate its business as presently conducted and operated
- Will not engage in any business or activity other than the ownership, operation and maintenance of the Mortgaged Property and activities incidental to such ownership, operation, and maintenance

Single Counsel

For SBL Mortgages, as further described in Chapter 6SBL, Single Counsel represents Freddie Mac and Seller/Serviceicers jointly in the origination, delivery and purchase of SBL Mortgages.

For TEL Mortgages, as further described in Chapters 25 and 25A, Single Counsel represents Freddie Mac and Seller/Serviceicers jointly in the origination, delivery and purchase of TEL Mortgages.

Single Purpose Entity (SPE)

An SPE is a Borrower or SPE Equity Owner that is structured with a single purpose and usually owns only one asset to avoid becoming insolvent due to its owner's conduct and that is insulated from harmful effects of the insolvency of others.

Significant Repairs or Replacements

Significant Repairs or Replacements are those that must be completed in order to protect the tenants from Life Safety Hazards, prevent significant physical or functional decline of the Property and/or negatively impact the value of the Property. Examples of Significant Repairs or Replacements include repairs or replacements to

- Structural elements such as framing, foundations, balconies, and stairs
- Major building systems, such as boilers, HVAC, electrical, plumbing, and elevators
- Defects that negatively impact the Property's habitability or income potential

SPE Equity Owner

An SPE Equity Owner means a Delaware single member limited liability company or a corporation that acts as a general partner of a limited partnership Borrower or as the managing member of a limited liability company Borrower. The concept of an SPE Equity Owner is not applicable if the Borrower is a Delaware single member limited liability company that is a Single Purpose Entity or if the Borrower is a corporation.

Special Moisture or Mold Issues Inspection

A Special Moisture or Mold Issues Inspection is a specific inspection protocol, set forth in Section 8.3(c), which is used to evaluate existing moisture or Mold issues.



Special Servicing Request

A Special Servicing Request is a Borrower request for Freddie Mac approval of certain Borrower actions. For example, a Special Servicing Request is required for a Transfer of Ownership, Subordinate Financing, a request for a partial release, the grant of an easement, certain changes to the Repair Reserve or Replacement Reserve, and a waiver of the insurance requirements.

State

As used in this Guide, the term "State" includes the District of Columbia, Guam, Puerto Rico and the Virgin Islands as well as the 50 states.

Student Housing Property

A Student Housing Property is a multifamily Property with a student occupancy rate of more than 50 percent. These Properties cater to a student tenant base because of proximity to colleges or universities and may have been constructed as "Purpose Built/Dedicated Student Housing," or they may be conventional multifamily properties currently targeted for student tenants.

Subordinate Financing

Subordinate Financing is any Mortgage or other lien that is subordinate to the lien of the first Mortgage on the Property.

Suspicious Activity

Activity that a Seller or Servicer reasonably believes may involve actual or possible money laundering, terrorist financing, mortgage-related fraud or other financial crimes, and which is undertaken by any party involved in any stage of the origination, underwriting, or Servicing of a Freddie Mac Mortgage.

TAH Mortgage

A Mortgage originated under either of the following:

- Targeted Affordable Housing (TAH) prior approval model, described in the Multifamily Seller/Servicer Guide
- Delegated Underwriting Model for TAH, described in the Freddie Mac Delegated Underwriting for Targeted Affordable Housing Guide (TAH Guide)

Tax Exempt Bond Credit Enhancement Mortgages

Tax Exempt Bond Credit Enhancement Mortgages are Mortgages that are used as collateral for tax exempt bond transactions in which Freddie Mac has entered into a Credit Enhancement Agreement in a specially negotiated transaction.

Tax-Exempt Loan (TEL)

A TEL is originated under Chapter 25 or Chapter 25A.



Transfer of Ownership

For the purposes of Chapter 41, Transfers of Ownership and Chapter 41SBL, SBL Transfers of Ownership means any conveyance or other transfer of (a) an interest in the Property (including fee simple title or a Mortgage or other lien) or (b) an interest in the Borrower entity, which conveyance or transfer, if carried out without Freddie Mac's prior written approval, would violate a due-on-transfer provision or prohibition on Subordinate Financing contained in the Loan Documents.

Transfer of Servicing

[See definition in Section 42.2\(a\).](#)

Ultimate Control

Ultimate persons or entities that have Control (direct or indirect) of an entity. A party with Ultimate Control must be one of the following:

- An individual,
- Private Investment Fund,
- A revocable trust (including the settlor/grantor and trustee of the revocable trust), or
- A U.S. public company (U.S. publicly traded entity).

If an individual or entity is a Control party in a Private Investment Fund which is a Key Borrower Principal, then that individual or entity must be disclosed and will be subject to all Office of Foreign Assets Control (OFAC) and Anti-Money Laundering (AML) Laws compliance-related obligations set forth in the Guide, including those identified in Chapters 2, 9, 41, 43 and 44.

Veteran-Owned Business

A Veteran-Owned Business is an entity within the Borrower structure or having direct or indirect Control of the Borrower in which:

- At least 50 percent of the ownership or Control is held by one or more Veterans; and
- At least 50 percent of the net profit or loss accrues to one or more Veterans

“Veteran” has the meaning defined in 38 C.F.R. § 3.1(d).

Web Searches

Web Searches are search engine reviews that are performed on the Property, Borrower, Borrower Principals, Non-U.S. Equity Holders, and property management company to identify Financial Crimes, litigation, negative credit events and events that would create reputational risk for Freddie Mac.

Weighted-Average Coupon (WAC)

The WAC of any group of Mortgages is calculated by:



- Multiplying the purchased unpaid principal balance of each Mortgage by the Coupon Rate of such Mortgage (resulting in a "product" for each Mortgage)
- Adding the products so obtained for all of the Mortgages
- Dividing the sum of the products by the aggregate purchased unpaid principal balance of all the Mortgages in the group

Freddie Mac's determination of the WAC is conclusive.

Weighted-Average Remaining Maturity (WARM)

The WARM of any group of Mortgages is calculated by:

- Multiplying the unpaid principal balance of each Mortgage by the number of months remaining to maturity of such Mortgage (resulting in a "product" for each Mortgage)
- Adding the products so obtained for all of the Mortgages
- Dividing the sum of all the products by the aggregate unpaid principal balance of all the Mortgages in the group

Freddie Mac's determination of the WARM is conclusive.

Women-Owned Business

A Women-Owned Business is an entity within the Borrower structure or having direct or indirect Control of Borrower in which:

- At least 50 percent of the ownership or Control is held by one or more women; and
- At least 50 percent of the net profit or loss accrues to one or more women

Workforce Housing Preservation

Workforce Housing Preservation is a Conventional loan product designed to preserve middle-income rental housing stock by restricting rents through Borrower-elected rent restrictions in the Loan Agreement or third-party, non-governmental rent restrictions subject to Freddie Mac review and approval of the third-party agreement terms. See Section 17.6.

Yield Maintenance Period

The Yield Maintenance Period is that period of time specified in certain Notes or Riders to Notes during which the Borrower's prepayment of the Mortgage results in its obligation to pay a Yield Maintenance Prepayment Premium.

Yield Maintenance Prepayment Premium

The Yield Maintenance Prepayment Premium is a prepayment premium charged in connection with any prepayment of certain Mortgages during the Yield Maintenance Period.



Yield Rate

The Yield Rate is the yield on the applicable U.S. Treasury.

Multifamily Seller/Service Guide

Glossary and List of Commonly Used Acronyms



Commonly Used Acronyms

AIF

Annual Inspection Form

AMI

Area Median Income

AML

Anti-Money Laundering

ASTM

American Society for Testing and Materials. See Chapters 61, 62, 64 and 66.

C-PACE

Commercial Property Assessed Clean Energy

Coop

Cooperative

CRT

Consent Request Tracker

DCR

Debt Coverage Ratio

DDLPI

Due Date of Last Paid Installment

DBRS

Dominion Bond Rating Service

DMS

Document Management System



ECOI

Equity Conflict of Interest

EGI

Effective Gross Income

EPA

The United States Environmental Protection Agency

FAM

Freddie Mac Access Manager

FHA

Federal Housing Administration

FIC

Fee Inspector Company

GLI

General Loan Information

ICT

Insurance Compliance Tool

LIA

Legal Issues Analysis

LIHTC

Low-Income Housing Tax Credit

LMF

Loan Management Form

LST

Loan Submission Template

LTV

Loan-to-Value



MAE

Multiple Asset Entity

MES

Multifamily Eligibility System

MHC

Manufactured Housing Community

MHROC

Manufactured Housing Resident-Owned Community

MMP

Moisture Management Plan

MSIA

Multifamily Securities Investor Access tool

NOI

Net Operating Income

OFAC

Office of Foreign Assets Control

OUS

Origination and Underwriting System

PC

Participation Certificate

PLIM

Preliminarily Legal Issues Memorandum

PPM

Small Balance Loan Production Pipeline Manager



PRS

Property Reporting System

REIT

Real Estate Investment Trust

REO

Real Estate Owned

Restricted MAE

Restricted MAE

S&P

Standard and Poor's

SAE

Single Asset Entity

SBL

Small Balance Loan

SPE

Single Purpose Entity

TAH

Targeted Affordable Housing

TEL

Tax-Exempt Loan

UPB

Unpaid Principal Balance

WAC

Weighted Average Coupon

WARM

Weighted Average Remaining Maturity



Summary report: Litera Compare for Word 11.0.0.61 Document comparison done on 2/20/2024 9:57:41 AM	
Style name: Default Style	
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Original filename: Glossary GB-10-19-23.docx	
Modified filename: Glossary GB-02-22-24.docx	
Changes:	
Add	16
Delete	9
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	25